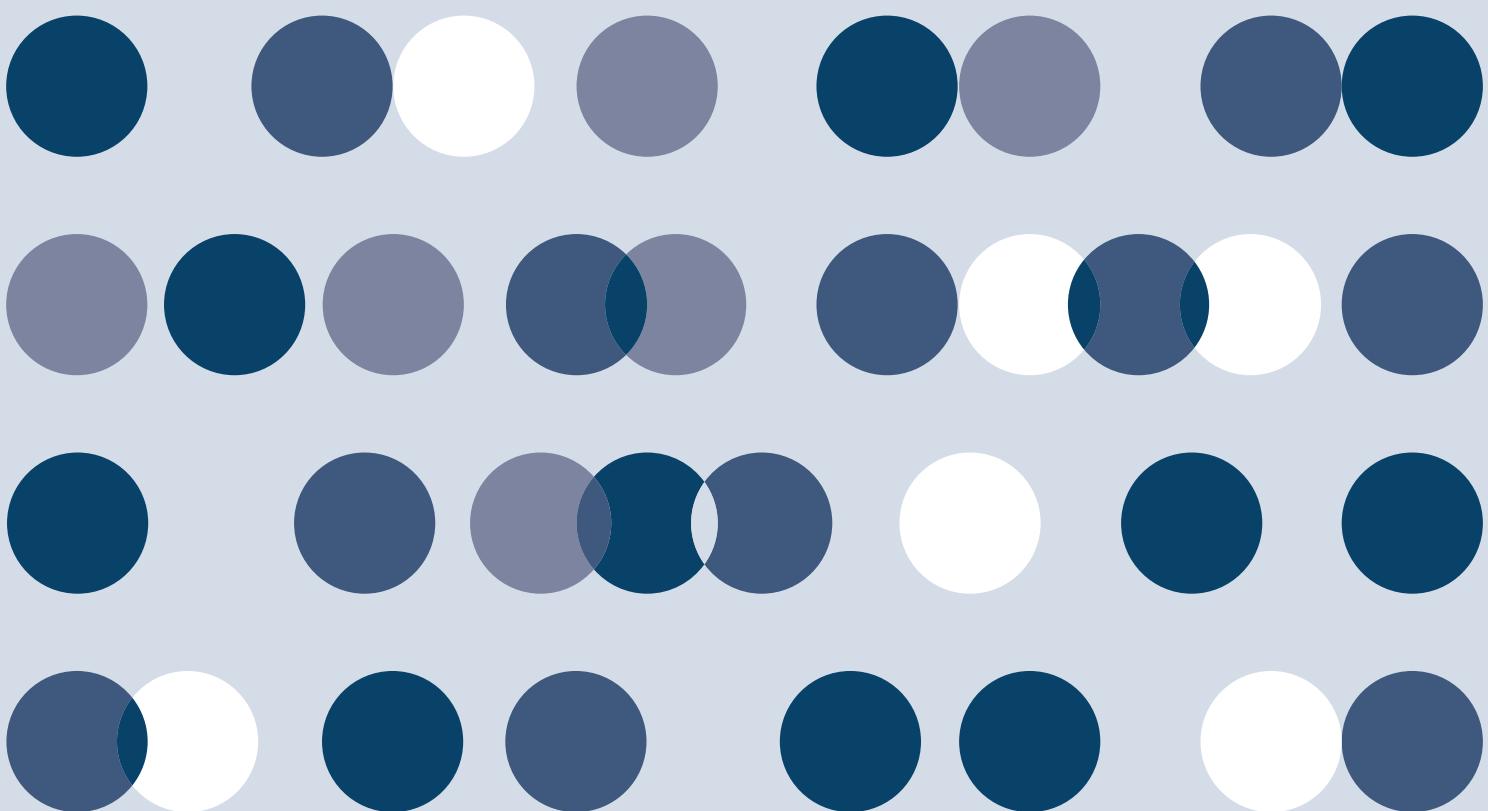


May 2018



## Analysis of Environment, Social and Governance Practice Disclosure in 2016/2017



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## EXECUTIVE SUMMARY

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1. The Stock Exchange of Hong Kong Limited (“**Exchange**”) has recently completed its review (“**ESG Review**”) of issuers’ compliance with the Environmental, Social and Governance Reporting Guide (“**Guide**”).<sup>1</sup>
2. Effective for the financial year starting 1 January 2016, the Listing Rules require issuers to publish Environmental, Social and Governance (“**ESG**”) reports under the Guide. The Guide consists of three aspects (“**Aspects**”) under “Environmental” and eight Aspects under “Social” making a total of 11 Aspects.<sup>2</sup> Each Aspect requires general disclosures (“**General Disclosures**”) on a “Comply or Explain” basis on the issuer’s policies (“**Policies**”) and in some cases, information on compliance with the relevant laws and regulations that have a significant impact on the issuer (“**Laws and Regulations**”).
3. The ESG Review analysed the disclosures made by 400<sup>3</sup> randomly selected issuers (“**Sample Issuers**”) across the industries set out in the Hang Seng Industries Classification System.<sup>4</sup>
4. The purpose of the ESG Review is primarily to give meaningful guidance to issuers on possible improvement areas to focus when preparing ESG reports so as to meet stakeholders’ expectations. This ESG Review seeks to gauge the timing and format of ESG reports; reporting level of each Aspect; reporting patterns between (i) different industries; and (ii) constituents of the Hang Seng Index (“**HSI Issuers**”) and those that are not (“**Non-HSI Issuers**”); and the level of disclosure of materiality assessment.
5. Overall the level of compliance with the Guide was high although the quality of reporting varied. At one end of the spectrum we saw some excellent reporting, both in terms of detail and clarity where issuers typically (a) provided comprehensive description of their Policies; (b) set out information on the Laws and Regulations that have a significant impact on them; (c) gave considered explanations under the “Comply or Explain” provisions; and (d) conducted materiality assessment by going through the stakeholder engagement process and were able to produce a materiality matrix to demonstrate their effort in this space.
6. At the other end of the spectrum, we saw some ESG reports that appeared to show that a “box-ticking” approach was adopted. For example, issuers either gave short and simple statements without any explanations or details, or lengthy narratives that purported to respond to the disclosure requirement. They identified material Aspects without disclosing the process on how they arrived at their selection.
7. Worthy of a particular mention is the importance of following the Guide’s “*ESG strategy and reporting*” and “*Reporting Principles*” which although not mandatory nor subject to “Comply or Explain” level of disclosure under the Listing Rules, they are information expected from stakeholders.

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<sup>1</sup> Appendix 27 of Main Board Listing Rules and Appendix 20 of GEM Listing Rules.

<sup>2</sup> The 11 Aspects are set out in paragraph 13.

<sup>3</sup> 300 are selected from issuers with a financial year end date of 31 December 2016 and 100 from financial year end dates of 31 March 2017 and 30 June 2017 – 357 Main Board issuers and 43 GEM issuers.

<sup>4</sup> All Hang Seng Industry Classifications in this document are provided by the Hang Seng Indices Company Limited. The Hang Seng Industry Classification System categories all companies into 11 industries, including Conglomerates, Consumer Goods, Consumer Services, Energy, Financials, Industrials, Information Technology, Materials, Properties and Construction, Telecommunications and Utilities.

8. To further improve the quality of ESG reports, and for issuers to benefit from the process of ESG reporting, issuers would do well to include the following key messages in their reports:
  - state the issuer's or the board's commitment to ESG, management approach and explain how they relate to its business;
  - the board's evaluation and determination of ESG risks and how it ensures that appropriate and effective ESG risk management and internal control systems are in place; and
  - the process of stakeholder engagement which is central to materiality assessment and is a channel for the company and its directors to engage and communicate with their stakeholders.
9. We found cases where issuers did not give considered reasons for non-disclosure in relation to an Aspect. In particular, we found some of the disclosures for Laws and Regulations were inadequate or not meeting the requirements. It is important to note that it is a Listing Rule requirement to report on the "Comply or Explain" provisions under the Aspects and non-compliance without giving considered reasons amounts to a breach of the Listing Rule. We urge issuers to take a closer look at their ESG reports and rectify any possible omissions in their next report. We will continue to monitor issuers' compliance in this connection.
10. We will discuss the benefits of ESG reporting and provide guidance on the common pitfalls of the current reporting in Chapter 4.
11. Going forward, we will continue to undertake periodic implementation reviews on issuers' ESG reporting with the primary objective to help issuers prepare better ESG reports. We believe stakeholders will also be expecting better quality disclosure on ESG matters. The intention and expectation is that through the discussions in this report, issuers may learn from others and improve their future reports.

## Key Findings

Publication of ESG reports	% of Sample Issuers
(i) Published within 3 months of annual report	100%
(ii) Incorporated into annual report	61%
(iii) Published standalone ESG report	39%
Aspects	% of Sample Issuers
(i) Compliance with all 11 Aspects	38%
(ii) Compliance with 9 or more Aspects	80%
(iii) Compliance with 7 or more Aspects	94%
(iv) Most complied Aspect	Use of Resources (98%)
(v) Least complied Aspect	Product Responsibility (73%)
Full Compliance <sup>5</sup> by Industries	Industry (% of Sample Issuers)
(i) Industry with highest proportion of companies achieving full compliance	Materials (57%)
(ii) Industry with lowest proportion of companies achieving full compliance	Energy (20%)
Full Compliance by HSI vs Non-HSI Issuers	% of HSI or Non-HSI Issuers
(i) HSI Issuers	36% of HSI Issuers
(ii) Non-HSI Issuers	38% of Non-HSI Issuers
Materiality Assessment Reportedly Conducted	Industry (% of Sample Issuers)
(i) Across all Sample Issuers	All (57%)
(ii) Industry with highest proportion of companies reportedly conducted on materiality assessments	Utilities (62%)
(iii) Industry with lowest proportion of companies reportedly conducted materiality assessments	Industrials (50%)

<sup>5</sup> Full compliance means compliance with all 11 Aspects.

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# CHAPTER 1: INTRODUCTION

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## Background

12. The Guide was introduced in 2012 as “Recommended Practice” (i.e. on a voluntary basis).
13. Following market consultation in 2015 and with effect from 1 January 2016, the Guide has been organised into two subject areas: “A. Environmental” and “B. Social”, with three Aspects under Environmental and eight Aspects under Social, making a total of 11 Aspects. The 11 Aspects are:

### Environmental

- Aspect A1: Emissions
- Aspect A2: Use of Resources
- Aspect A3: The Environment and Natural Resources

### Social

- Aspect B1: Employment
- Aspect B2: Health and Safety
- Aspect B3: Development and Training
- Aspect B4: Labour Standards
- Aspect B5: Supply Chain Management
- Aspect B6: Product Responsibility
- Aspect B7: Anti-corruption
- Aspect B8: Community Investment

14. Each Aspect requires General Disclosures of (a) Policies, and in some cases, (b) compliance with Laws and Regulations that have a significant impact on the issuer. These General Disclosures were also upgraded from “Recommended Practice” to “Comply or Explain” from issuers’ financial year beginning on or after 1 January 2016.
15. In addition, the “Comply or Explain” requirement to report on the Key Performance Indicators (“KPIs”) under Environmental only became effective for issuers’ financial years commencing on or after 1 January 2017.<sup>6</sup> Please see **Appendix I** for requirements under the ESG Guide and their relevant effective date.
16. The scope of the ESG Review is limited to the General Disclosures requirements that came into effect for the financial year beginning January 2016. Since the vast majority of issuers have not yet published their ESG reports for financial periods after 1 January 2017, the scope of the ESG Review does not include a review of the KPIs disclosure.

## Scope and Approach

### Selection of Sample Issuers

17. 400 Sample Issuers are randomly selected on a pro-rata basis to reflect the industry distribution of the listed issuers with financial year-end dates of 31 December 2016, 31 March 2017 and 30 June 2017.

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<sup>6</sup> The obligation to report on the KPIs under the Social subject area remains voluntary.

18. The distribution of the Sample Issuers across different industries is set out in table below.

#### **Industry distribution of Sample Issuers**

<b>Industry</b>	<b>Number of Issuers</b>
Consumer Goods	93
Properties and Construction	67
Consumer Services	54
Industrials	48
Information Technology	38
Financials	37
Materials	28
Energy	15
Utilities	13
Conglomerates	4
Telecommunications	3
<b>Total</b>	<b>400</b>

19. Amongst the 400 Sample Issuers, there are 14 HSI Issuers and 386 Non-HSI Issuers.

#### Determining compliance

20. Disclosure on each Aspect has been reviewed and classified as “compliance” or “non-compliance”. “Compliance” means disclosing against all disclosure requirements under a particular Aspect. “Non-compliance” means incomplete disclosure or no disclosure made (with or without explanation).

#### **Publication of ESG reports**

21. All Sample Issuers published their ESG reports within three months of publication of their annual reports. 61% of Sample Issuers integrated ESG reporting into their annual reports and 39% issued standalone reports<sup>7</sup>. Although it is an option, none of the Sample Issuers chose to present ESG information on their websites only.

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<sup>7</sup> Out of the Sample Issuers that published standalone reports, a small proportion of Sample Issuers published their standalone ESG reports together with their annual reports.

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## CHAPTER 2: BREAKDOWN BY ASPECTS

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22. In this chapter, we review ESG reporting of Sample Issuers from the following perspectives:
- (a) Overall;
  - (b) Breakdown by Aspects;
  - (c) Disclosure of materiality assessment; and.
  - (d) Compliance by HSI Issuers v. Non-HSI Issuers.

### A. Overall

23. 38% of Sample Issuers complied with all 11 Aspects. On average, each Sample Issuer complied with 9.6 out of 11 Aspects. See table below for a more detailed breakdown:

#### Compliance with Aspects

Compliance with Aspects	% of Sample Issuers
11	38%
10 or more	63%
9 or more	80%
8 or more	89%
7 or more	94%
<b>Total</b>	<b>100%</b>

24. Over 80% of the Sample Issuers complied with nine or more Aspects, indicating that the majority Environmental and Social Aspects identified in the Guide are generally recognised as being material to the vast majority of issuers.

### B. Breakdown by Aspects

25. Each Aspect is complied with by at least 73% of Sample Issuers.
26. The Aspect that most Sample Issuers complied with is Use of Resource (98% of Sample Issuers complied). On the other hand, the Aspect that the fewest Sample Issuers complied with is Product Responsibility (73% of Sample Issuers complied).

(See **Appendix II** for a breakdown of compliance in relation to each Aspect).

#### Environmental Aspects vs Social Aspects

27. On average, each Sample Issuer complied 2.7 out of three Environmental Aspects and 6.9 out of eight Social Aspects.
28. Each Environmental Aspect is complied with by at least 77% of the Sample Issuers whilst each Social Aspect is complied with by at least 73% of the Sample Issuers.

## Disclosure on Policies vs Disclosure on compliance with Laws and Regulations

29. There is a requirement to disclose the Policy in relation to each Aspect but only a requirement to disclose compliance with Laws and Regulation under six of the 11 Aspects.
30. The 10 most complied with disclosure requirements all relate to Policies which demonstrates that Sample Issuers have generally found it easier to disclose Policies than information on compliance with Laws and Regulations.

(See **Appendix III** for the compliance level of each Policy and compliance with Laws and Regulations disclosure requirement).

## **C. Materiality Assessment**

31. Materiality is the threshold that ESG issues become sufficiently important to investors and other stakeholders that they should be reported.
32. 57% of Sample Issuers reported that they conducted materiality assessment. Whilst 52% of the Sample Issuers provided varying degrees of details in their ESG reports on stakeholder engagement and materiality assessment process, a small percentage mentioned that they have conducted such an exercise without giving any details. The quality of the disclosures was varied, with some describing their engagement process clearly with a materiality matrix demonstrating their work whilst others may contain lengthy narratives that were vague and difficult to read.

## **D. HSI Issuers v. Non-HSI Issuers**

33. A slightly lower proportion of HSI Issuers (36%) complied with all 11 Aspects as compared with Non-HSI Issuers (38%).
34. The level of disclosure on each Aspect between HSI Issuers and Non-HSI Issuers were the same with the exception of Emissions<sup>8</sup>, Health and Safety and Product Liability<sup>9</sup>, where a significantly higher proportion of Non-HSI Issuers disclosed on these Aspects.
35. Whilst all HSI Issuers reported that they conducted a materiality assessment, only 55% of the Non-HSI Issuers reported that they had done so. Of those that reported, all HSI Issuers and a majority of the Non-HSI Issuers have provided details of their materiality assessment process but approximately 5% of the Non-HSI Issuers only mentioned that they conducted a materiality assessment without providing any details.

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<sup>8</sup> HSI Issuers 57%; Non-HSI Issuers 70%.

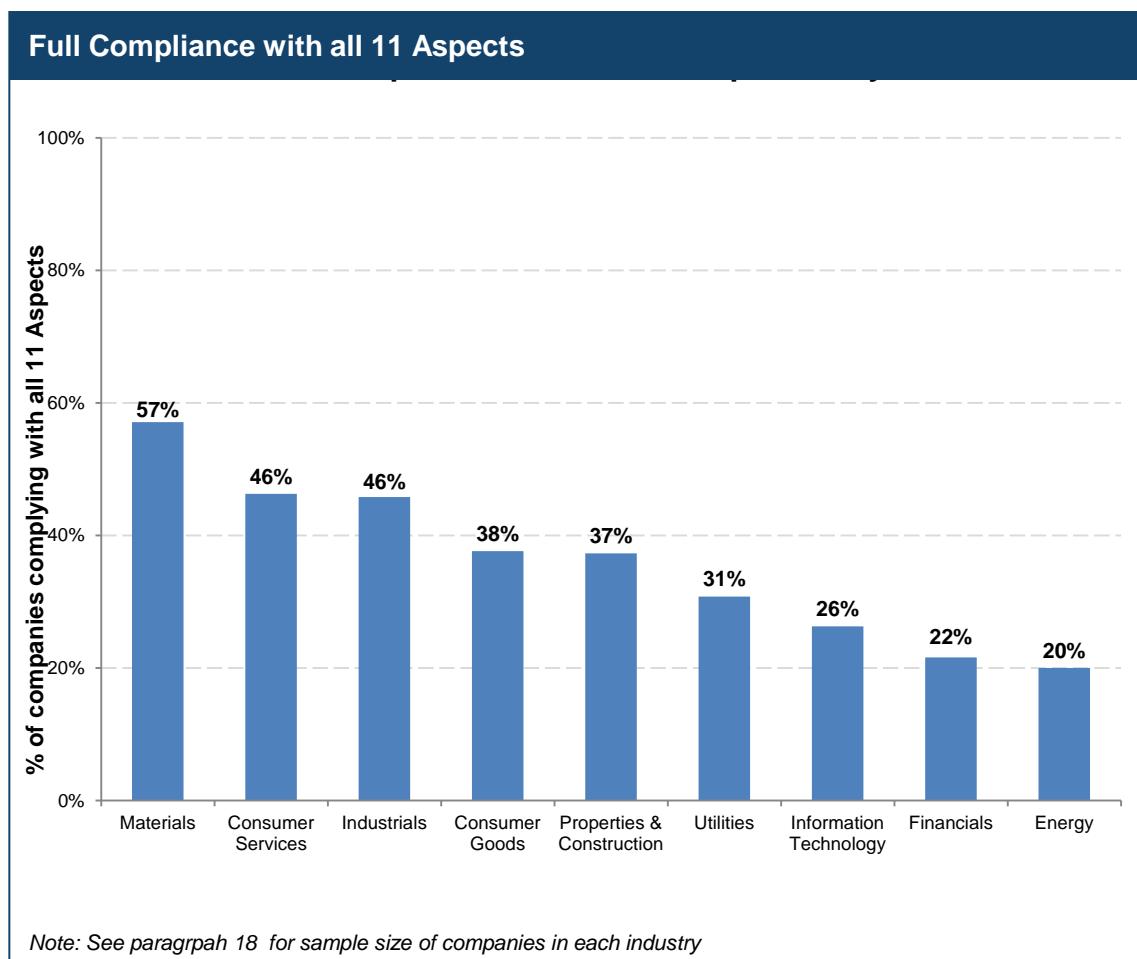
<sup>9</sup> Compliance with each of the Health and Safety and Product Liability Aspects was the same, with HSI Issuers at 57% and Non-HSI Issuers at 74%.

## CHAPTER 3: BREAKDOWN BY INDUSTRIES

36. In this chapter, we review ESG reporting of each industry except for Conglomerates and Telecommunication<sup>10</sup> from the following perspectives:
- Full compliance with all 11 Aspects;
  - Breakdown by Aspects; and
  - Disclosure of Materiality Assessment.

### A. Full compliance with all 11 Aspects

37. The three industries with the highest proportion of issuers complying with all 11 Aspects are Materials (57%), Consumer Services (46%) and Industrials (46%), whilst Energy (20%), Financials (22%) and Information Technology (26%) had the lowest proportion.
38. The chart below shows the percentage of companies in each industry that complied with all 11 Aspects.



<sup>10</sup> Due to the small number of Sample Issuers in Conglomerates and Telecommunications, they are not included for the purposes of analysis in this section.

## **B. Breakdown by Aspects**

### Environmental Aspects vs Social Aspects

39. Consistent with the findings under paragraph 37 above, the Materials industry has the highest proportion of Sample Issuers complying with all the Environmental Aspects and all the Social Aspects.

(See **Appendix IV** for the level of compliance in respect of the Environmental Aspects by industry and **Appendix V** for the Social Aspects by industry).

## **C. Disclosure of Materiality Assessment**

40. More than 50% of the Sample Issuers in each industry reported having conducted a materiality assessment. Utilities (at 62%) has the highest proportion of Sample Issuers reported materiality assessment whilst the Industrials (at 50%) has the lowest.

(See **Appendix VI** for the level of disclosure on materiality assessment by industry).

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## CHAPTER 4: AREAS FOR IMPROVEMENT

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41. Effective communication with stakeholders is crucial to a company's success. In addition to traditional financial and corporate governance reporting, ESG reporting should be seen as a channel of communication between issuers and their investors and other stakeholders. Apart from providing information and data on ESG performance, the primary function of ESG reporting is to communicate a company's commitment and approach to ESG reporting and the process by which it identifies relevant ESG areas.
42. The board's involvement in the ESG reporting process is important as it would enable the board to understand the company better and would send a message to the rest of the company that the board values ESG reporting. Through scrutinising the issuer's environmental and social policies and data, the board will also be in a better position to evaluate and respond to the issuer's environmental and social risks and opportunities.
43. Issuers are reminded that there are resources on the HKEX website to help them prepare ESG reports. The Exchange published a set of step-by-step practical guidance entitled "*How to do ESG Reporting?*" as well as recorded webcasts on ESG training seminars that are tailored to help issuers with ESG reporting on HKEX's website.<sup>11</sup> ESG reporting also forms part of the Director Training Programme 2017 released on 30 June 2017.<sup>12</sup>

### **ESG working group**

44. All issuers should have established an ESG working group that reports to the board, comprising members of senior management and other members of staff who have sufficient ESG knowledge to conduct internal and external materiality assessments. The ESG working group should have clear terms of reference that set out the powers delegated to it by the board, the authority to carry out various tasks including internal and external materiality assessments, the scope of its work, and the cost and resource commitment from the issuer.

### **ESG strategy and reporting and Reporting Principles**

45. A box-ticking approach to reporting should be avoided as it would not add value to the process and would deprive the company and its stakeholders of the benefits of ESG reporting.
46. In addition to the disclosure in relation to the Aspects as required under the Guide, for ESG reports to be meaningful and comprehensive, it is particularly important for the ESG reports to discuss and disclose matters set out under the Guide's "*ESG strategy and reporting*" and "*Reporting Principles*".

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<sup>11</sup> There is a dedicated webpage on HKEX website on ESG:

<http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/index.htm>

<sup>12</sup> The second webcast of the Director Training Programme 2017, titled "Risk Management and Internal Control, ESG Reporting", can be accessed at:

[http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/director\\_training\\_2017.htm](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/director_training_2017.htm)

### Strategy and reporting

47. It is important to set out in the beginning of the ESG report the company or the board's commitment to ESG and management approach and explain how they relate to its business. It should also include the board's evaluation and determination of ESG risks and how it ensures that appropriate and effective ESG risk management and internal control systems are in place.

### Reporting Principles

48. The Reporting Principles in the Guide underpin the preparation of every ESG report and as such, they should be followed without exception. The issuer is expected to explain in the ESG report how it applied the Reporting Principles, including the process for determining materiality, whether it has given a balanced picture of the issuer's ESG performance; and the entities in the issuer's group and/ or which operations that have been included.

- Materiality

49. For ESG reporting, there is no "one-size-fits-all" method of compliance. Depending on the industry, the geographical locations of the issuer's operations and other factors, an issuer may consider certain Aspects material whilst others may not. It is important for the issuer to ascertain the ESG issues that are most material to it from the outset.

50. To achieve long term success and sustainability, the company and its directors need to build and maintain successful relationships with their stakeholders. The stakeholder engagement exercise is central to materiality assessment and is a channel for the company and its directors to engage and communicate with their stakeholders. There are many tools available to help issuers conduct stakeholder engagements and map out and prioritise ESG issues.<sup>13</sup>

51. We note there were cases where the Sample Issuers reportedly having identified material Aspects, they nevertheless omitted to explain how they have arrived at that conclusion. In preparing future ESG reports, we strongly recommend issuers to not only carry out stakeholder engagement and materiality assessment but also disclose that process in the reports.

- Quantitative and Consistency

52. For 2017 issuers will need to report on Environmental KPIs which became "Comply or Explain" for issuers' financial years commencing on or after 1 January 2017. When preparing for the 2017 ESG reports, in addition to the above, we remind issuers to pay particular attention to these two Reporting Principles.

53. In the context of ESG reporting, "quantitative" means that KPIs need to be measurable and accompanied by a narrative statement, explaining its purpose and impacts. If comparative data is available, it should also be included.

54. The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.

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<sup>13</sup> See HKEX's ESG Resource page:  
<http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/howtoprepare.htm>.

### **Failure to explain reasons for non-disclosure of an Aspect**

55. We found a number of cases where the issuers did not give considered reasons for non-disclosure in relation to an Aspect. In particular, we found some of the disclosures for Laws and Regulations were inadequate or not meeting the requirements. It is important to note that it is a Listing Rule requirement to report on the “Comply or Explain” provisions under the Aspects and non-compliance without giving considered reasons amounts to a breach of the Listing Rule.<sup>14</sup> We urge issuers to take a closer look at their ESG reports and rectify any possible omissions in their next reports. We will continue to monitor issuers’ compliance in this connection.

### **Partial disclosure**

56. A small percentage of the disclosures were vague or only partially responded to the disclosure requirements and they are considered “non-compliant”. Issuers should ensure that their disclosures are clear, comprehensive and respond to each of the matters set out in the Aspect. For instance, where the Aspect calls for information on several areas, disclosure or reasons for non-disclosure in respect of each area is expected.
57. There were also cases where reporting on a policy is made by a simple statement to the effect that “we have an anti-corruption policy”. Such a statement was made without any details on what the policy might pertain. This type of statements is uninformative and not helpful to stakeholders. We appreciate that it may be impractical to set out the policy in full with its associated documents such as code of conducts, manuals or handbooks but would remind issuers to provide sufficient information about the policy to enable readers a better understanding of the company’s policy. Issuers may provide a summary of the policy or embed links to the relevant documents in the policy to enable easy access.

### **Information on compliance with Laws and Regulations**

58. The ESG Review revealed that more issuers disclosed their Policies than information on compliance with Laws and Regulations when they are both required under the same Aspect.
59. The issuers may have been silent or given incomplete disclosure in relation to their compliance on Laws and Regulations. For Aspects where there are no relevant Laws and Regulations that have significant impact on the issuer, the ESG report should state so to avoid breach of the Listing Rules.
60. However, where there are Laws and Regulations relevant to the issuer’s particular industry and which may have a significant impact on the issuer, the issuer should not simply state in its ESG reports that “we have complied with all Laws and Regulations”. The ESG report should specify the relevant Laws and Regulations and ways in which the issuer has ensured compliance so as to meet the disclosure requirement.

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<sup>14</sup> Breach of Main Board Rule 13.91/GEM Rule 17.103.

## **APPENDIX I: “Comply or Explain” reporting obligations**

Requirements for financial year beginning:	Jan 2016		Jan 2017
	Policies	Compliance with Laws and Regulations	KPIs
<b>Environmental</b>			
<b>Aspect A1: Emissions</b> <i>Air<sup>15</sup> and Greenhouse gas emissions<sup>16</sup>, discharges into water and land, and generation of hazardous and non-hazardous waste</i>	✓	✓	✓
<b>Aspect A2: Use of Resources</b> <i>Efficient use of resources, including energy, water and other raw materials</i>	✓	—	✓
<b>Aspect A3: The Environment and Natural Resources</b> <i>Minimising the issuer’s significant impact on the environment and natural resources</i>	✓	—	✓
<b>Social</b>			
<b>Aspect B1: Employment</b> <i>Compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare</i>	✓	✓	Recommended
<b>Aspect B2: Health and Safety</b> <i>Providing a safe working environment and protecting employees from occupational hazards</i>	✓	✓	Recommended
<b>Aspect B3: Development and Training</b> <i>Improving employees’ knowledge and skills for discharging duties at work. Description of training activities</i>	✓	—	Recommended
<b>Aspect B4: Labour Standards</b> <i>Preventing child and forced labour</i>	✓	✓	Recommended
<b>Aspect B5: Supply Chain Management</b> <i>Managing environmental and social risks of the supply chain</i>	✓	—	Recommended
<b>Aspect B6: Product Responsibility</b> <i>Health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress</i>	✓	✓	Recommended
<b>Aspect B7: Anti-corruption</b> <i>Bribery, extortion, fraud and money laundering</i>	✓	✓	Recommended

<sup>15</sup> Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.

<sup>16</sup> Greenhouse gases are defined as gases that contribute to the greenhouse effect by absorbing infrared radiation. Carbon dioxide and chlorofluorocarbons are examples of greenhouse gases.

Requirements for financial year beginning:	Jan 2016		Jan 2017
	Policies	Compliance with Laws and Regulations	KPIs
<b>Aspect B8: Community Investment</b> <i>Community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests</i>	✓	—	Recommended

## APPENDIX II: Statistics on compliance of each Aspect

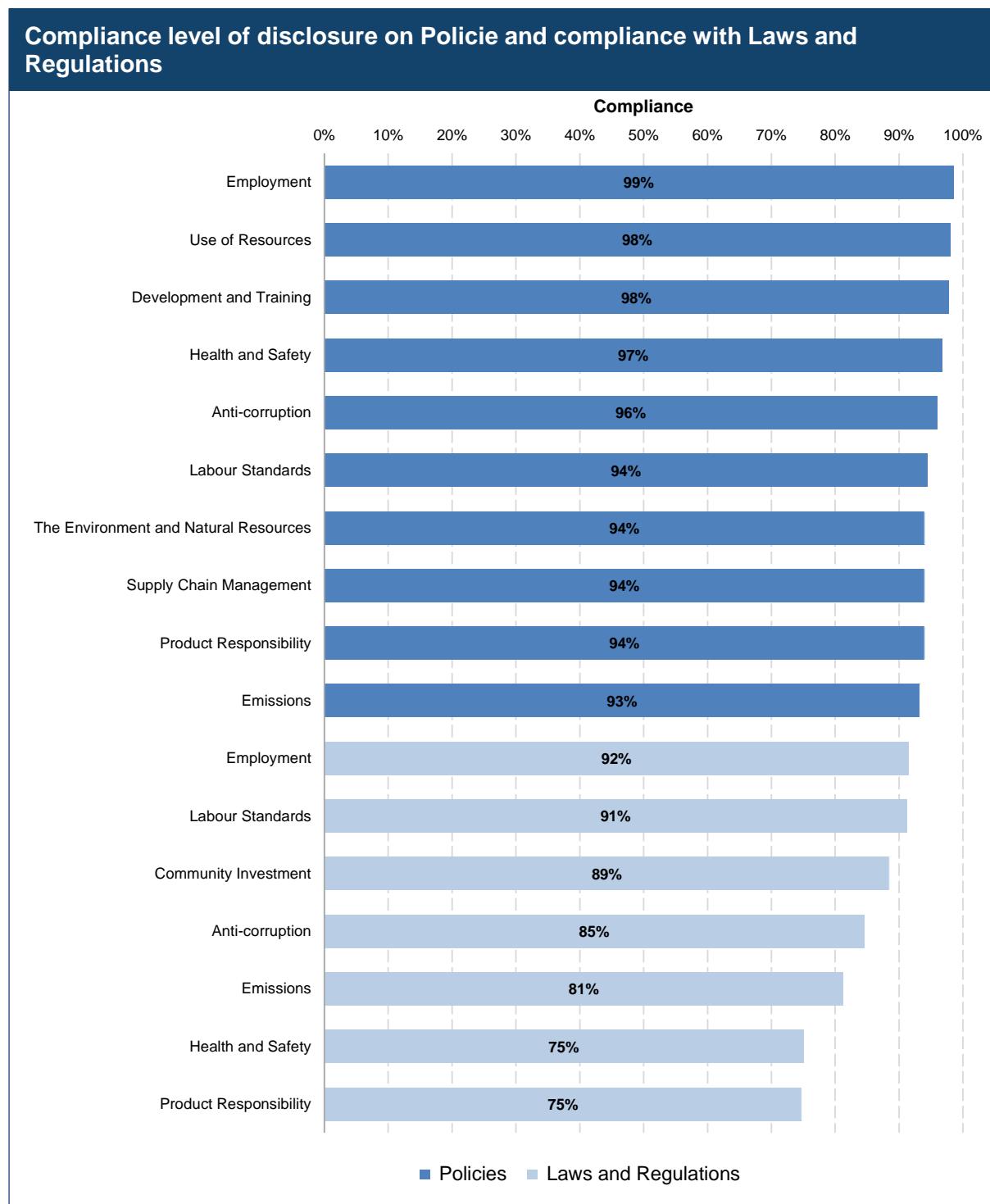
	Policies	Compliance with Laws and Regulations	Compliance with Aspect
<b>Environmental</b>			
<b>Aspect A1: Emissions</b> <i>Air<sup>17</sup> and greenhouse gas emissions<sup>18</sup>, discharges into water and land, and generation of hazardous and non-hazardous waste</i>			
All Sample Issuers	93%	81%	<b>77%</b>
HSI	100%	57%	57%
Non-HSI	93%	82%	78%
<b>Aspect A2: Use of Resources</b> <i>Efficient use of resources, including energy, water and other raw materials</i>			
All Sample Issuers	98%	-	<b>98%</b>
HSI	100%	-	100%
Non-HSI	98%	-	98%
<b>Aspect A3: The Environment and Natural Resources</b> <i>Minimising the issuer's significant impact on the environment and natural resources</i>			
All Sample Issuers	94%	-	<b>94%</b>
HSI	100%	-	100%
Non-HSI	94%	-	94%
<b>Social</b>			
<b>Aspect B1: Employment</b> <i>Compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare</i>			
All Sample Issuers	99%	92%	<b>91%</b>
HSI	100%	93%	93%
Non-HSI	98%	91%	91%
<b>Aspect B2: Health and Safety</b> <i>Providing a safe working environment and protecting employees from occupational hazards</i>			
All Sample Issuers	97%	75%	<b>74%</b>
HSI	100%	57%	57%
Non-HSI	97%	76%	74%

<sup>17</sup> Air emissions include NOx, Sox, and other pollutants regulated under national laws and regulations.

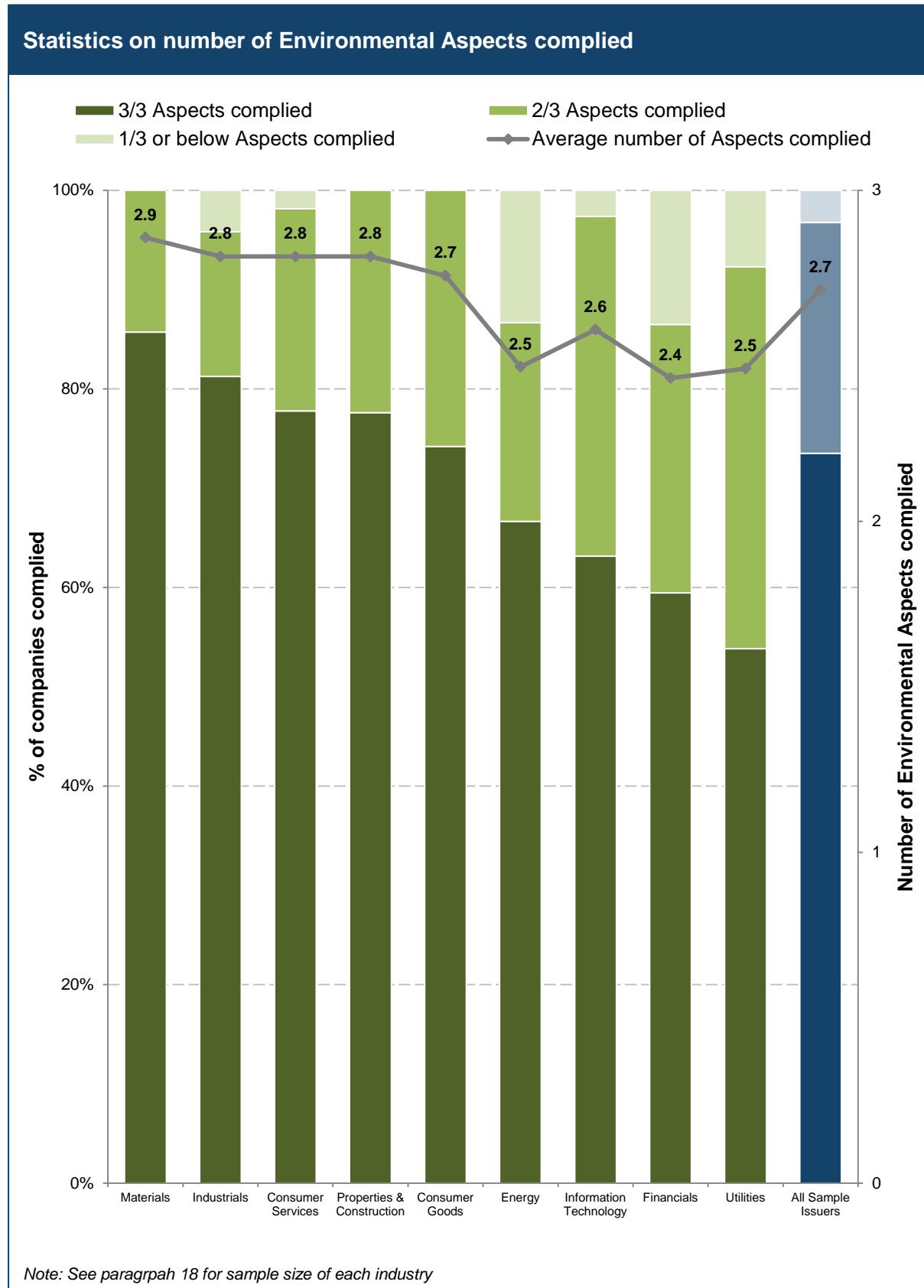
<sup>18</sup> Greenhouse gases are defined as gases that contribute to the greenhouse effect by absorbing infrared radiation. Carbon dioxide and chlorofluorocarbons are examples of greenhouse gases.

	Policies	Compliance with Laws and Regulations	Compliance with Aspect
<b>Aspect B3: Development and Training</b> <i>Improving employees' knowledge and skills for discharging duties at work. Description of training activities</i>			
All Sample Issuers	98%	-	<b>98%</b>
HSI	100%	-	100%
Non-HSI	98%	-	98%
<b>Aspect B4: Labour Standards</b> <i>Preventing child and forced labour</i>			
All Sample Issuers	94%	91%	<b>89%</b>
HSI	93%	93%	86%
Non-HSI	94%	91%	89%
<b>Aspect B5: Supply Chain Management</b> <i>Managing environmental and social risks of the supply chain</i>			
All Sample Issuers	94%	-	<b>94%</b>
HSI	100%	-	100%
Non-HSI	94%	-	94%
<b>Aspect B6: Product Responsibility</b> <i>Health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress</i>			
All Sample Issuers	94%	75%	<b>73%</b>
HSI	93%	57%	57%
Non-HSI	94%	75%	74%
<b>Aspect B7: Anti-corruption</b> <i>Bribery, extortion, fraud and money laundering</i>			
All Sample Issuers	96%	85%	<b>83%</b>
HSI	93%	86%	86%
Non-HSI	96%	84%	82%
<b>Aspect B8: Community Investment</b> <i>Community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests</i>			
All Sample Issuers	89%	-	<b>89%</b>
HSI	100%	-	100%
Non-HSI	88%	-	88%

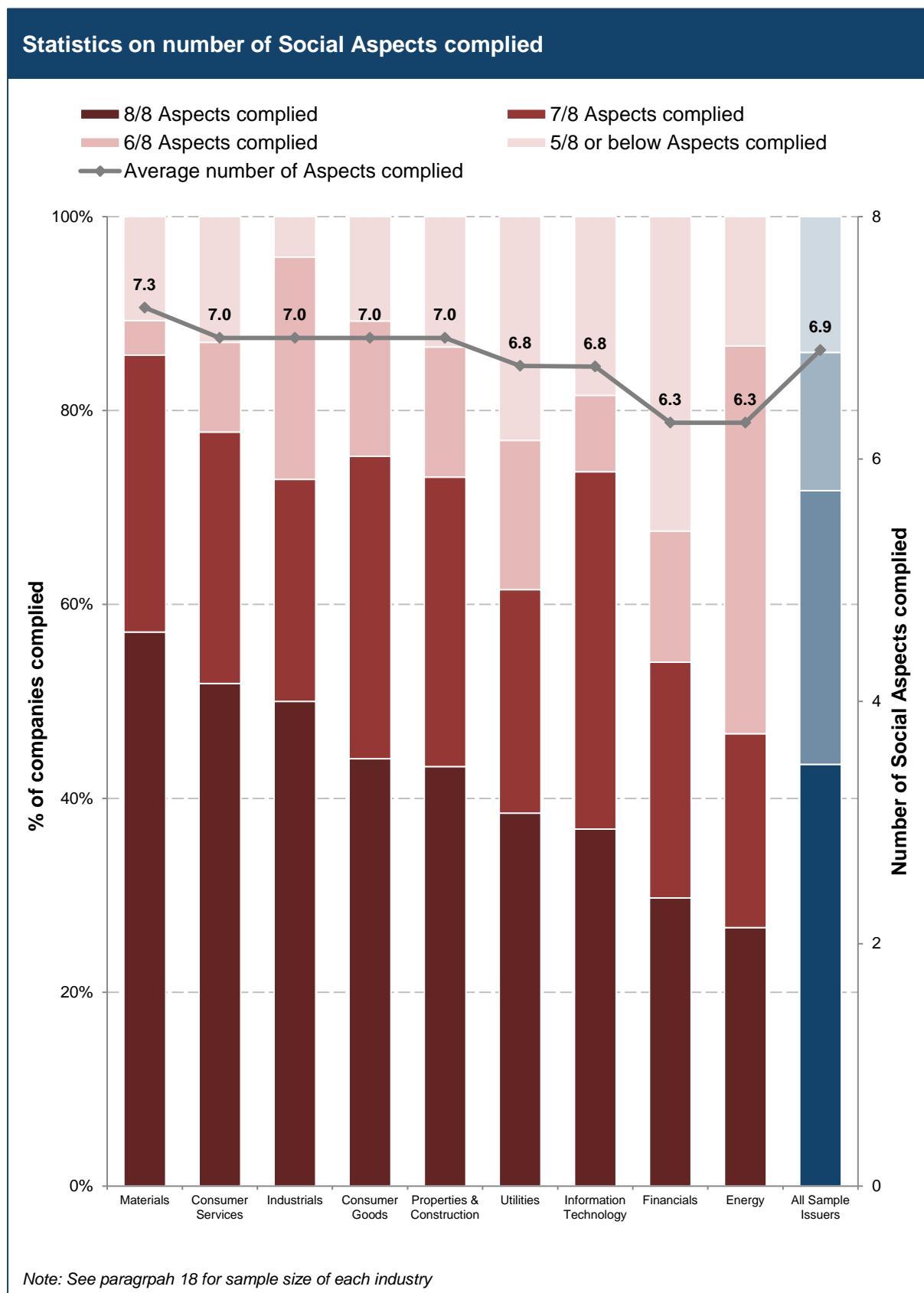
## APPENDIX III: Disclosure on Policies and Laws and Regulations



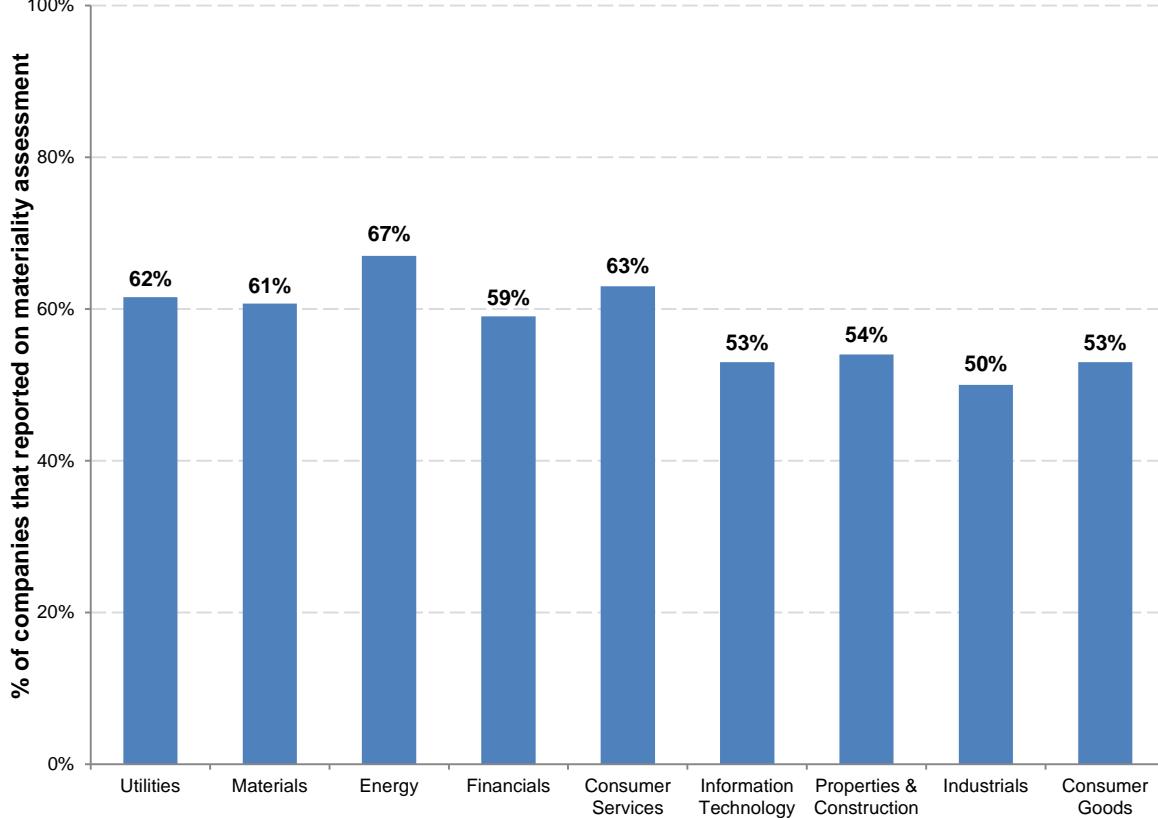
## APPENDIX IV: Environmental Aspects



## APPENDIX V: Social Aspects



## APPENDIX VI: Materiality Assessment



Note: See paragraph 18 for sample size of companies in each industry

