

**A Survey on institutional investors' views on
listed companies' environmental, social and
governance disclosure requirements**

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Chapter 1 | Introduction

1.1 Background

- 1.1.1 The notion of Corporate Social Responsibility (CSR) has received a lot of attention in the corporate world over the last three decades. It encourages corporations to act in socially responsible ways on a wide range of issues. Oxfam Hong Kong strongly believes that corporations play a crucial role in poverty reduction and sustainable development through the responsible and healthy growth of their business. Poor people would benefit if all companies integrated CSR into their operations and decision-making processes as this would provide people who live in poverty with decent work, access to credit, quality goods and services, help them benefit from economic development, and thus reduce poverty.
- 1.1.2 Oxfam Hong Kong is very concerned about how corporations integrate CSR into their operations, and has conducted several researches on this topic since 2004. CSR refers to a form of corporate self-regulation. It involves considering the impacts of corporations' supply chain and its business on society, the environment and the economy; reporting the impacts, and actively interacting with different stakeholders¹. According to this definition, CSR is not simply limited to charity donations and law abidingness, but also embraces how corporations can minimise the negative impacts of their business on society, environment, and economy as well as manage the relationship between different stakeholders. This can be achieved by employing CSR measures throughout the whole supply chain; for instance, a company could ethically source its resources and set up a mechanism to implement this code of conduct throughout its supply chain.
- 1.1.3 In recent years, institutional investors have put more and more emphasis on socially responsible investments (SRI); this refers to the investment philosophy that the best possible returns can be done by investing in corporations that show strong financial performance as well as positive Environmental Social, and Governance (ESG) performance² will ensure the

¹ Oxfam Hong Kong. (2012). Corporate social responsibility and poverty alleviation – experience from Oxfam. Retrieved from

<http://www.oxfam.org.hk/filemgr/38/CorporateSocialResponsibilityandPovertyAlleviation.pdf>

² Sparkes, R. (2008). Socially responsible investment. *Handbook of Finance II*: 1-14.

greatest returns. The more corporations are able to manage the risks of social, environmental, and governance issues, the greater the positive impact on their corporate valuation. This phenomenon has been demonstrated by a UK study which investigated the relationship between institutional investment and Corporate Social Performance (CSP)³ by 500 UK companies⁴. The result showed that long-term institutional investment is positively related with CSP.

1.1.4 Hong Kong is a major international financial centre providing a wide range of financial products and services to local and international investors. The city has 157 local and foreign banks; 64 foreign banking institutions set up local representative offices here⁵. At the end of 2014, there were 1,752 companies listed on the Hong Kong Stock Exchange – an increase of seven per cent compared with the previous year⁶. The securities market was so prosperous that the total market capitalisation in 2014 was HK\$25,071.8 billion, four per cent higher than the previous year⁷.

1.1.5 Such facts not only highlight Hong Kong's flourishing financial market and robust economy but also the importance of studying the investment selection among institutional investors in the city. In 2015, Policy 21 Limited was commissioned by Oxfam Hong Kong to conduct a survey on institutional investors in Hong Kong to explore their views on corporations practising CSR and the impacts of ESG reporting. The study was conducted to help Oxfam Hong Kong better understand corporations' social responsible investment.

1.2 *Survey objectives*

1.2.1 This survey aims to investigate how whether or not a corporation practises CSR affects the decision of institutional investors' long-term investments. It also explores institutional investors' views on gathering CSR information through ESG reports published by Hong Kong Exchange and Clearing Limited (HKEx). The objectives of this survey are as follows:

³ Corporate Social Performance refers to the way that corporation handles the CSR in action.

⁴ Cox, P., Brammer, S., & Millington, A. (2004). An empirical study examination of institutional investor preferences for corporate social performance. *Journal of business ethics* 52, 27-43.

⁵ Information Services Department. (2015). Hong Kong fact sheet - financial Services. Retrieved from http://www.gov.hk/en/about/abouthk/factsheets/docs/financial_services.pdf

⁶ Hong Kong exchange and clearing limited. (2014). Hong Kong exchange fact book 2014. Retrieved from <https://www.hkex.com.hk/eng/stat/statrpt/factbook/factbook2014/fb2014.htm>

⁷ Hong Kong exchange and clearing limited. (2014). Hong Kong exchange fact book 2014. Retrieved from <https://www.hkex.com.hk/eng/stat/statrpt/factbook/factbook2014/fb2014.htm>

- (i) To evaluate the impact of ESG performance on investment decisions;
- (ii) To identify the benefits of practising CSR;
- (iii) To understand the role of the HKEx;
- (iv) To understand the role of the Government of the Hong Kong Special Administrative Region (HKSAR); and
- (v) To evaluate the impact of ESG reporting on institutional investors

1.2.2 This report presents the findings of the survey and is divided into four sections:

- (a) Introduction;
- (b) Survey methodology;
- (c) Survey results; and
- (d) Conclusion.

Chapter 2 | Survey methodology

2.1 Questionnaire Design

- 2.1.1 In this survey, a seven-page questionnaire was designed to assess institutional investors' views on the objectives outlined in section 1.2.1. This questionnaire was divided into several sections: ESG impact on investment decisions, the benefits of practising CSR, the role of theHKEx, the role of the HKSAR Government, impact of ESG reporting and company information.
- 2.1.2 *ESG impact on investment decisions:* Institutional investors were asked whether they considered ESG in the process of making investment decisions, whether they believed that CSR issues had a substantial effect on the financial performance of corporations, and whether they agreed that the risk of investing in socially responsible corporations was lower than investing in non-socially responsible corporations. They were also asked to evaluate a list of factors – through a four-point scale ranging from ‘very low’ to ‘very high’ – that would affect their investment decisions in foreign direct investment (FDI). Respondents were further asked to rate a list of factors on a four-point scale – 0, 1, 2, and 3 denoted no, little, major, and decisive impacts respectively – that would encourage them to actively consider ESG factors in the process of making investment decisions.
- 2.1.3 *Whether practising CSR would benefit companies in various ways:* The respondents were asked to evaluate whether practising CSR would benefit companies in various ways. They answered this question by rating each aspect on a five-point scale ranging from no to high relevance. Besides, they were asked to evaluate a list of aspects that pertain to the assessment of companies that practise CSR and a set of guidelines for companies to practise CSR. They answered these two questions by scoring on a scale that ranged from very low to very high.
- 2.1.4 *Role of the HKEx:* The institutional investors were asked whether they agreed with the statements concerning the role of the HKEx in ESG reporting and in promoting the sustainability of the financial market in Hong Kong. They were required to evaluate each statement on a four-point scale that ranged from ‘strongly disagree’ to ‘strongly agree’.

- 2.1.5 *Role of government:* The institutional investors were asked whether they agreed with the statements concerning the role of the HKSAR Government in regulations for responsible investments and compulsory ESG reports. They were required to rate each statement on a four-point scale that ranged from ‘strongly disagree’ to ‘strongly agree’.
- 2.1.6 *Impact of publishing ESG report:* The institutional investors were asked to identify how ESG reporting could improve companies’ financial performance. They could select more than one choice from the list provided, including such ways as improved reputation or improved access to capital. In addition, they were asked to identify whether publishing ESG reports positively or negatively affected shareholder value in the short- and long-term. Respondents were further asked whether they had referred to the ESG reports in order to collect listed companies’ CSR information and whether they had referred to their financial or ESG reports to obtain FDI information.
- 2.1.7 *Company information:* The institutional investors were asked to identify their business types – such as asset management and insurance – and the positions of those who finished the questionnaires.

2.2 Data collection method

- 2.2.1 The target respondents of this study were institutional investors in Hong Kong. In this survey, institutional investors refer to large financial organisations that invest in securities markets on behalf of their clients.
- 2.2.2 A list of target respondents from four financial sectors – asset management, banking and finance, insurance, and mandatory provident fund (MPF) – was compiled for this survey. This list had 301 target respondents in total: 65 were from asset management companies, 100 were from insurance companies, 128 were from the banking and finance sector, and eight were from MPF companies. In the end, we received 42 questionnaires.
- 2.2.3 Information on asset management companies was collected from the Hong Kong Investment Funds Association⁸. These are financial companies which manage their clients’ assets, such as cash and investments.

⁸ Hong Kong investment funds association. (2015). Full and oversea members. Retrieved from <http://www.hkifa.org.hk/chi/full-overseas-members.aspx>

- 2.2.4 Information on insurance companies was collected from the Office of the Commissioner of Insurance⁹. These are companies which compensate for loss, damages, injury, and medical treatment in exchange for premium payments.
- 2.2.5 Information on banking and financial services was collected from the Hong Kong Monetary Authority¹⁰. In this survey, all licensed banks and restricted licensed banks were sampled. Licensed banks are allowed to operate savings accounts and accept deposits from the public. In contrast, the restricted licensed banks mainly engaged in merchant banking and capital market activities. Restricted licensed banks, on the other hand, can take deposits of HK\$500,000 or above without a maturity date.
- 2.2.6 Information on MPF companies was collected from the Mandatory Provident Fund Schemes Authority¹¹. MPF has been implemented in Hong Kong since the year 2000; its objective is to secure the retirement benefits of the workforce in Hong Kong.
- 2.2.7 In this study, questionnaires with return envelopes were sent to the selected companies respondents. A telephone survey was conducted several days later if Policy21 Limited had not received a response from the target respondents. After several follow-up calls, field visits were conducted to boost up the response rate.

⁹ Office of the commissioner of insurance. (2015). Particular of Insurers. Retrieved from <http://www.oci.gov.hk/chi/download/c-ins.pdf>

¹⁰ Hong Kong monetary authority. (2015). The Three-tier banking system. Retrieved from <http://www.hkma.gov.hk/eng/key-functions/banking-stability/banking-policy-and-supervision/three-tier-banking-system.shtml>

¹¹ Mandatory provident fund schemes authority. (2015). List of MPF approved trustees. Retrieved from http://www.mpfa.org.hk/eng/public_registers/approved_mpf_trustees/trlist.do

2.3 *Enumeration results*

2.3.1 The questionnaires and telephone survey were conducted during the period between March and June 2015. In total, 42 questionnaires were completed.

2.3.2 Some percentages in the descriptive figures might not add up to a total of 100 %, due to rounding. In the case of multiple answers, the total percentage might exceed 100%, since respondents could select more than one answer. In addition, the sample base for each question might vary due to the data missing in the completed questionnaires.

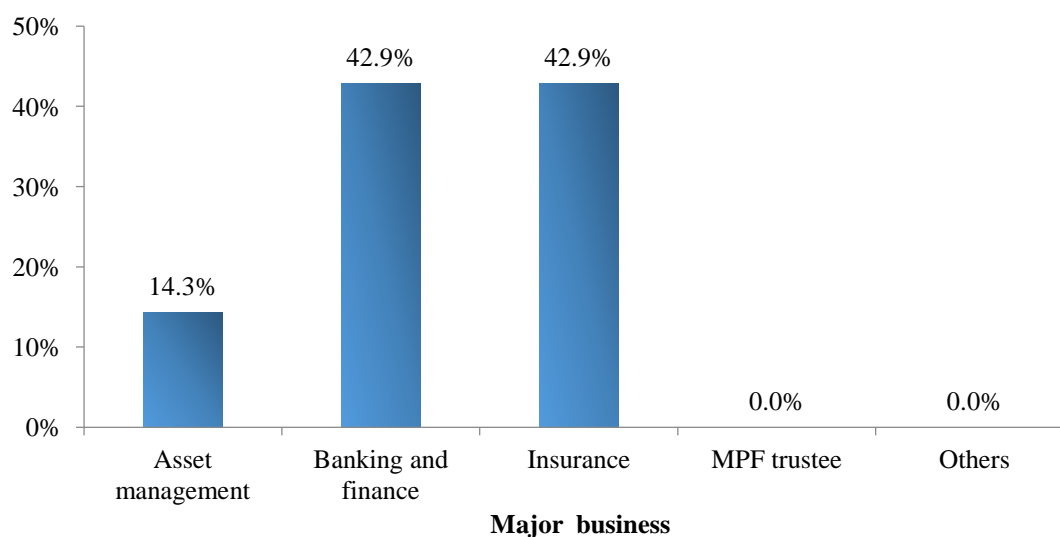
Chapter 3 | Survey results

3.1 Company information

The major business activity of respondents

3.1.1 Most of our respondents came from the insurance sector, and the banking and finance sector – both of them representing 42.9% of respondents respectively. A further 14.3% of respondents work in asset management.

Figure 1: The importance of SRI and ESG performance in the process of making investment decisions



The positions of those who finished the questionnaires

3.1.2 Half of the respondents (50.0%) were managers, 11.9% of respondents were directors, while 21.4% held other positions in the company such as Head of Legal & Compliance or Group Head of Sustainability.

Table 1: The positions of those who finished the questionnaires (%)

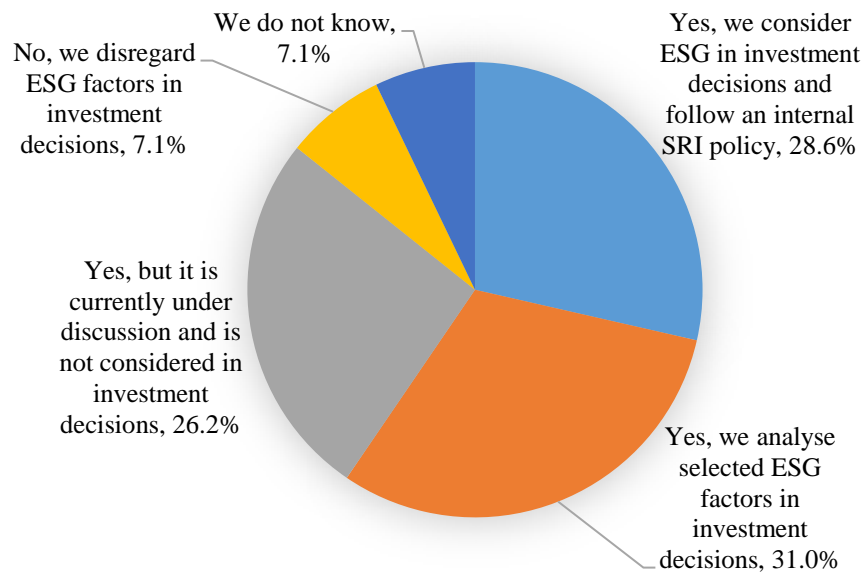
Positions	Percentage
Owner / Shareholder	2.4
Chairman / CEO	9.5
Director	11.9
Manager	50.0
Company Secretary	0.0
Public Relations Manager	2.4
Accountant	2.4
Others	21.4

3.2 Impact of ESG performance on investment decisions

Importance of SRI and ESG performance when making investment decisions

3.2.1 The majority (85.8%) of respondents considered SRI or ESG performance in the process of making investment decisions to different extents: 28.6% of respondents considered companies' ESG performance in investment decisions and followed an internal SRI Policy, while 31.0% of respondents considered selected ESG factors when making investment decisions. Another 26.2% of respondents said that it was still under discussion whether or not to consider these factors so they were not considered when making investment decisions, while 14.2% of disregarded SRI and ESG factors or were not aware of them.

Figure 2: Do you consider Socially Responsible Investing (SRI) / Environment, Social, Governance (ESG) in investment decisions?



The effect of practising CSR on the financial performance of companies

3.2.2 Respondents were asked to evaluate five CSR elements – environment, labour practices and decent work, human rights, society, and governance – in order to see whether these issues had a real effect on the financial performance of companies.

3.2.3 Regarding environmental issues, 14.3% of respondents expressed that these issues did not have a real effect on the financial performance of companies, whereas the majority (81.0%) of respondents believed that these issues had some or a full effect on the financial performance of companies. A slightly greater proportion of respondents felt that these issues had some (42.9%) rather than a great effect (38.1%) on the financial performance of companies.

3.2.4 In terms of labour practices and decent work issues, 4.8% of respondents expressed that these issues did not have a real effect on the financial performance of companies, whereas the majority (90.5%) of respondents believed that these issues had some to a great effect on the financial performance of companies. A larger proportion of respondents agreed that these issues have some effect (61.9%) rather than a great effect (28.6%) on the financial performance of companies.

- 3.2.5 With regard to human rights issues, 7.1% of respondents expressed that these issues did not have a real effect on the financial performance of companies, whereas the majority (88.1%) of respondents believed that these issues had some to a great effect on the financial performance of companies. More respondents agreed that human rights issues have some effect (57.1%) rather than a great effect (31.0%) on the financial performance of companies.
- 3.2.6 Regarding societal issues, 7.1% of respondents expressed that these issues did not have a real effect on the financial performance of companies, whereas the majority (88.1%) believed that these issues had some or a great effect on the financial performance of companies. A larger proportion of respondents agreed that these issues have some effect (59.5%) rather than a great effect (28.6%) on the financial performance of companies.
- 3.2.7 When asked about governance issues, 7.1% of respondents expressed that these issues did not have a real effect on the financial performance of companies, whereas the majority (85.7%) of respondents believed that these issues had some to a great effect on the financial performance of companies. Slightly more respondents agreed that these issues have a great effect (45.2%) rather than some effect (40.5%) on the financial performance of companies.

Table 2: Whether the following CSR issues have a real effect on the financial performance of companies

CSR issues	Options	Respondents (%)
Environmental issues	No	14.3
	Yes, somewhat	42.9
	Yes, fully	38.1
	Not applicable	4.8
Labour practices and decent work issues	No	4.8
	Yes, somewhat	61.9
	Yes, fully	28.6
	Not applicable	4.8
Human right issues	No	7.1
	Yes, somewhat	57.1
	Yes, fully	31.0
	Not applicable	4.8
Societal issues	No	7.1
	Yes, somewhat	59.5
	Yes, fully	28.6
	Not applicable	4.8
Governance issues	No	7.1
	Yes, somewhat	40.5
	Yes, fully	45.2
	Not applicable	7.1

Respondents' perception of socially responsible companies

3.2.8 Respondents were asked whether they thought socially responsible companies meant that their investments were lower risk and that these companies were more attractive to investors. Results showed that 4.8% of respondents did not think this, however, a large proportion of respondents (69.0%) agreed with this to some degree, while 26.2% fully agreed that investing in socially responsible companies was lower risk and that these companies were more attractive to investors.

Table 3: Whether respondents believe socially responsible companies represent lower-risk investments and are more attractive to investors

Options	Respondents (%)
No	4.8
Yes, somewhat	69.0
Yes, fully	26.2
I do not know	0.0

Importance of foreign company's information on FDI

3.2.9 Respondents were asked to evaluate whether information about foreign assets, foreign sale turnover, number of employees worldwide, organisational transparency, and financial accounts for each country of operation were important to them while making FDI decisions.

3.2.10 With regard to foreign assets, 7.1% of respondents believed that this information had little effect on their FDI decisions, whereas a large proportion of respondents (69.0%) agreed that this information was either highly important or of very high importance. A larger proportion of respondents felt that this information was highly important (45.2%) compared to those who felt it was of very high importance (23.8%).

3.2.11 In terms of the foreign sale turnover, 7.1% of respondents believed that this information had little effect on FDI decisions, whereas a large proportion of respondents (69.1%) agreed that this information was either highly important or of very high importance. There were more respondents who felt that this information was highly important (42.9%) than those who thought it was of very high importance (26.2 %).

3.2.12 Regarding the number of employees worldwide, 21.4% of respondents believed that this information had little effect on FDI decisions, whereas over half of the respondents (59.5%) felt that this information was either highly important or of very high importance. More respondents felt that this information was highly important (45.2%) than those who thought it was of very high level importance (14.3%).

3.2.13 As for organisational transparency, 7.1% of respondents believed that this information had little effect on FDI decisions, whereas the majority of

respondents (78.6%) agreed that this information was either highly important or of very high importance. A larger proportion of respondents felt that this information was of very high importance (47.6%) as compared with those who felt that it was highly important (31.0%).

3.2.14 Regarding financial accounts for each country of operation, 9.5% of respondents believed that this information either had little or very little effect on FDI decisions, whereas the majority of respondents (78.6%) agreed that this information was either highly important or of very high importance. A slightly greater proportion of respondents believed that this information was highly important (40.5%) as compared to those who felt it was of very high importance (38.1%).

3.2.15 Besides the above factors, 2.4% of respondents believed that the legal system in target countries highly effected FDI decisions.

Table 4: How the following information affects FDI decisions

Information	Options	Respondents (%)
Foreign assets	Very Low	0.0
	Low	7.1
	High	45.2
	Very High	23.8
	Not applicable	23.8
Foreign sale turnover	Very Low	0.0
	Low	7.1
	High	42.9
	Very High	26.2
	Not applicable	23.8
Number of employees worldwide	Very Low	0.0
	Low	21.4
	High	45.2
	Very High	14.3
	Not applicable	19.0
Organisational transparency (information on subsidiaries, affiliates, joint ventures and other entities)	Very Low	0.0
	Low	7.1
	High	31.0
	Very High	47.6
	Not applicable	14.3
Financial accounts for each country of operation (revenue, capital expenditure, pre-tax income, income tax, and community contribution)	Very Low	2.4
	Low	7.1
	High	40.5
	Very High	38.1
	Not applicable	11.9
Others	Very Low	0.0
	Low	0.0
	High	2.4
	Very High	0.0
	Not applicable	97.6

Consideration of ESG factors in investment decisions

3.2.16 Respondents were given four situations to choose from that they thought would best encourage investors to consider ESG when making investment decisions. The situations were as follows:

- (i). Legislative solutions that place a greater emphasis on ESG issues in funds
- (ii). Greater awareness of their clients (customer pressure to consider ESG in our business)
- (iii). Broader scope of CSR information published by companies (annual CSR reports presenting non-financial performance of the company including Environmental, Social and Governance aspects, describing initiatives and progress made in achieving ESG results, plans for the future)
- (iv). Adoption of CSR strategies that are closely integrated with companies' business strategies, indicating benefits of CSR initiatives to the company

3.2.17 In total, 90.4% of respondents believed that legislative solutions that place greater emphasis on ESG issues in funds would greatly or decisively encourage institutional investors to consider more ESG factors in investment decisions. An equal proportion of respondents (45.2%) agreed that this situation would have a major or decisive impact. Only 2.4% of respondents believed that this situation would have no impacts on institutional investors.

3.2.18 There were 76.2% of respondents that believed that greater awareness of their clients would greatly or decisively encourage institutional investors to consider more ESG factors in investment decisions. An equal proportion of respondents (38.1%) agreed that this situation would have a major or decisive impact. Only 2.4% of respondents believed that this situation would have no impact on institutional investors.

- 3.2.19 In total, 69.0% of respondents believed that if companies provide a broader scope of CSR information, this would greatly or decisively encourage institutional investors to consider more ESG factors when making investment decisions. A larger proportion of respondents agreed that this situation would have a major (57.1%) rather than a decisive impact (11.9%). On the other hand, 21.4% of respondents believed that this situation would have little impact on institutional investors.
- 3.2.20 Overall, 71.4% respondents believed that adopting CSR strategies and integrating them closely with companies' business strategies would greatly or decisively encourage institutional investors to consider more ESG factors when making investment decisions. There were more respondents who felt that this situation would have a major impact (52.4%) as compared with those who felt that it would have a decisive impact (19.0%). Only 2.4% of respondents believed that this situation would have no impact on institutional investors.
- 3.2.21 Besides the aforementioned factors, 2.4% of respondents believed that other factors would have decisively encourage institutional investors to consider more ESG factors when making investment decisions.

Table 5: Consideration of ESG factors when making investment decisions

	Options	Respondents (%)
Legislative solutions that place a greater emphasis on ESG issues in funds	No impact	2.4
	Little impact	2.4
	Major impact	45.2
	Decisive impact	45.2
	Not applicable	4.8
Greater awareness of our customers (customer pressure to consider ESG in our business)	No impact	2.4
	Little impact	11.9
	Major impact	38.1
	Decisive impact	38.1
	Not applicable	9.5
Broader scope of CSR information published by companies	No impact	0.0
	Little impact	21.4
	Major impact	57.1
	Decisive impact	11.9
	Not applicable	9.5
Adoption of CSR strategies that are closely integrated with companies' business strategies, indicating benefits of CSR initiatives to the company	No impact	2.4
	Little impact	21.4
	Major impact	52.4
	Decisive impact	19.0
	Not applicable	4.8
Others	No impact	0.0
	Little impact	0.0
	Major impact	2.4
	Decisive impact	0.0
	Not applicable	97.6

3.3 Benefits of practising CSR

Whether practising CSR would benefit various aspects of a company

- 3.3.1 Respondents were asked to evaluate whether practising CSR would benefit companies in any of the following eight areas/ways: supports share prices, expands businesses, demonstrates community engagement, raises company environmental standards, employee retention, improves community welfare, strengthens business partnerships and raises company standing in the community.
- 3.3.2 Half of the respondents (50.0%) felt neutral about whether practising CSR could help support share prices, while 23.8% of respondents indicated that it could either help a little or not at all. A further 26.2% of respondents indicated that practising CSR could moderately or greatly help support companies' share prices. More respondents felt that practising CSR was moderately beneficial to supporting share prices (23.8%) rather than highly beneficial (2.4%).
- 3.3.3 In total, 40.5% of respondents felt neutral about whether practising CSR could help expand companies' business, while 11.9% of respondents indicated that it could either help a little or not at all. A further 47.6% of respondents indicated that practising CSR could moderately or greatly help companies expand their business. More respondents felt that practising CSR was moderately beneficial to expanding companies' businesses (35.7%) rather than highly beneficial (11.9%).
- 3.3.4 Overall, 19.0% of respondents felt neutral about whether practising CSR could benefit companies in helping them demonstrate community engagement, while 2.4% of respondents indicated that it was of little benefit. A further 78.6% of respondents indicated that practising CSR could moderately or greatly benefit companies in helping them demonstrate community engagement. A slightly greater proportion of respondents felt that this could greatly benefit companies in helping them demonstrate community engagement (40.5%) as compared to those who felt that it could only moderately benefit companies (38.1%).

Table 6.1: Whether practising CSR would benefit companies in various ways

Aspects	Options	Respondents (%)
Support share prices	None	11.9
	Low	11.9
	Neutral	50.0
	Moderate	23.8
	High	2.4
Expand business	None	4.8
	Low	7.1
	Neutral	40.5
	Moderate	35.7
	High	11.9
Demonstrate community engagement	None	0.0
	Low	2.4
	Neutral	19.0
	Moderate	38.1
	High	40.5

3.3.5 In total, 26.2% of respondents felt neutral about whether practising CSR could help raise companies' environmental standards, while 7.2% of respondents indicated that practising CSR would offer little to no help in this area. A further 66.7% of respondents indicated that practising CSR would moderately or highly benefit companies' environment standards. More respondents felt that practising CSR would moderately benefit companies' environmental standards (42.9%) rather than highly benefit them (23.8%).

3.3.6 A total of 28.6% of respondents felt neutral about whether practising CSR would help companies retain employees, while 9.5% respondents indicated that it was of little relevance. A further 61.9% of respondents indicated that practising CSR could moderately or greatly help companies' retain employees. A larger proportion of respondents felt that practising CSR would moderately help companies' retain employees (38.1%) as compared to those who felt that it would greatly help companies retain employees (23.8%) relevance.

3.3.7 Overall, 28.6% of respondents felt neutral about whether practising CSR would help companies improve the community's welfare, while 4.8% of respondents indicated that it would offer little benefit to it. A further 66.7% of

respondents indicated that it would moderately or highly improve the community's welfare. More respondents felt that this would benefit communities moderately (42.9%) as compared to those who felt that it would highly benefit them (23.8%).

Table 6.2: Whether practising CSR would benefit companies in various ways

Aspects	Options	Percentages
Raise company environmental standards	None	4.8
	Low	2.4
	Neutral	26.2
	Moderate	42.9
	High	23.8
Employee retention	None	0.0
	Low	9.5
	Neutral	28.6
	Moderate	38.1
	High	23.8
Improve community welfare	None	0.0
	Low	4.8
	Neutral	28.6
	Moderate	42.9
	High	23.8

3.3.8 Overall, 28.6% of respondents felt neutral about whether practising CSR would help companies strengthen their business partnerships, while 7.1% of respondents indicated that it would have little effect on them. A further 64.3% of respondents indicated that it would moderately or highly strengthen business partnerships. More respondents felt that it would moderately strengthen business partnerships (47.6%) than highly strengthen them (16.7%).

3.3.9 In total, 23.8% of respondents felt neutral about whether practising CSR would improve companies' standing in the community, while 2.4% of respondents indicated that it would have little effect on it. A further 73.9% of respondents indicated that it would moderately or greatly improve companies' standing in the community. A greater proportion of respondents felt that it would highly improve companies' standing in the community (42.9%) as

compared to those who felt that it would moderately improve it (31.0%).

3.3.10 4.8% respondents had neutral and moderate attitude about the relevance of other factors in practicing CSR.

Table 6.3: Whether practising CSR would benefit companies in various ways

Relevant aspects	Options	Respondents (%)
Strengthening business partner relationships	None	0.0
	Low	7.1
	Neutral	28.6
	Moderate	47.6
	High	16.7
Raising company standing in the community	None	0.0
	Low	2.4
	Neutral	23.8
	Moderate	31.0
	High	42.9
Others	None	95.2
	Low	0.0
	Neutral	2.4
	Moderate	2.4
	High	0.0

Important factors that are considered when assessing companies that practise CSR

3.3.11 Respondents were asked to rate the level of importance of ten factors when assessing companies that practise CSR before making investment decisions. The factors are as follows:

- (i). Ethical procurement/sourcing
- (ii). Labour and human rights in purchasing and supply management
- (iii). Labour codes of conduct for supply chain
- (iv). Mechanism for monitoring/implementing code of conduct in supply chain

- (v). Incorporation of ESG strategies into company's strategy
- (vi). Occupational health and safety performance
- (vii). Discriminatory hiring and promotion practices with respect to race or gender
- (viii). Stakeholder engagement
- (ix). Pays a living wage to workers
- (x). Impact on society and on local communities

3.3.12 In total, 73.8% indicated that ethical procurement/sourcing was of high or very high importance when assessing companies that practise CSR. A larger proportion of respondents felt that this was highly important (45.2%) as compared to those who felt it was of very high importance (28.6%). A further 14.3% of respondents indicated that it was of little importance.

3.3.13 Furthermore, 73.9% of respondents indicated that 'labour and human rights in purchasing and supply management' was highly to very highly important when assessing companies that practise CSR. More respondents felt that this aspect was highly important (42.9%) as compared to those who felt it was of very high importance (31.0%). However, 16.7% of respondents indicated that this was of little importance to them when they assessed companies that practise CSR.

3.3.14 Overall, 73.8% of respondents indicated that it was highly or very highly important that companies that practise CSR implemented labour codes of conduct for supply chains. A larger proportion of respondents believed that this aspect was highly important (54.8%) compared to those who felt it was of very high importance (19.0%). A further 7.1 per cent of respondents indicated that this was of little importance when assessing companies that practise CSR.

Table 7.1: Importance of various factors when assessing companies that practise CSR

Assessment aspects	Options	Respondents (%)
Ethical procurement/sourcing	Very Low	0.0
	Low	14.3
	High	45.2
	Very High	28.6
	Not applicable	11.9
Labour and human rights in purchasing and supply management	Very Low	0.0
	Low	16.7
	High	42.9
	Very High	31.0
	Not applicable	9.5
Labour codes of conduct for supply chain	Very Low	0.0
	Low	7.1
	High	54.8
	Very High	19.0
	Not applicable	19.0

3.3.15 A total of 76.2% of respondents indicated that mechanisms for monitoring/implementing codes of conduct in supply chains were highly important or of very high importance. A larger proportion of respondents felt that this was highly important (45.2%) rather than of very high importance (31.0%). A further 4.8 per cent of respondents indicated that this was of very little or little importance when assessing companies that practise CSR.

3.3.16 In total, 81.0% of respondents indicated that it was highly or very highly important that companies that practise CSR incorporate ESG strategies into their strategy. A greater number of respondents believed that this was highly important (50.0%) rather than very highly important (31.0%). Besides this, 7.1% of respondents indicated that this is of little importance when assessing companies practicing CSR.

3.3.17 Overall, 78.5% of respondents indicated that occupational health and safety performance was highly or very highly important when assessing companies that practise CSR. There were more respondents who believed that this was highly important (45.2%) than those who felt it was of very high importance

(33.3%). A further 11.9% of respondents indicated that this was of very little or little importance.

Table 7.2: Importance of various factors when assessing companies that practise CSR

Assessment aspects	Options	Respondents (%)
Mechanism for monitoring/implementing code of conduct in supply chain	Very Low	2.4
	Low	2.4
	High	45.2
	Very High	31.0
	Not applicable	19.0
Incorporation of ESG strategies into company's strategy	Very Low	0.0
	Low	7.1
	High	50.0
	Very High	31.0
	Not applicable	11.9
Occupational health and safety performance	Very Low	2.4
	Low	9.5
	High	45.2
	Very High	33.3
	Not applicable	9.5

3.3.18 In total, 78.6% of respondents felt that discriminatory hiring and promotion practices with respect to race or gender were highly or very highly important when assessing companies that practise CSR. A larger proportion of respondents felt that this was highly important (50.0%) as compared to those who felt it was of very high importance (28.6%). A further 14.3% of respondents indicated that this was of very little or little importance when assessing companies that practise CSR.

3.3.19 Overall, 85.8% of respondents indicated that stakeholder engagement was highly or very highly important when assessing companies that practise CSR. There were more respondents who felt that this was highly important (54.8%) rather than very highly important (31.0%). A further 4.8% of respondents indicated that this was of very little or little importance when assessing companies that practise CSR.

3.3.20 In total, 83.3% of respondents indicated that it was highly or very highly important that companies that practise CSR pay living wages to workers. A larger proportion of respondents felt that this was highly important (61.9%) rather than very highly important (21.4%). However, 4.8% of respondents indicated that this was of very little or little importance to them when assessing companies that practise CSR.

Table 7.3: Importance of various factors when assessing companies that practise CSR

Assessment aspects	Options	Respondents (%)
Discriminatory hiring and promotion practices with respect to race or gender	Very Low	4.8
	Low	9.5
	High	50.0
	Very High	28.6
	Not applicable	7.1
Stakeholder engagement	Very Low	2.4
	Low	2.4
	High	54.8
	Very High	31.0
	Not applicable	9.5
Pays a living wage to workers	Very Low	2.4
	Low	2.4
	High	61.9
	Very High	21.4
	Not applicable	11.9

3.3.21 In total, 88.1% of respondents indicated that companies' impact on society and on local communities was highly or very highly important when assessing companies that practise CSR. A larger proportion of respondents felt that this was highly important (71.4%) rather than very highly important (16.7%). A further 4.8% of respondents indicated that this was of little importance when assessing companies that practise CSR.

3.3.22 In total, 2.4% of respondents indicated that other factors were highly important to them when assessing companies that practise CSR.

Table 7.4: Importance of various factors when assessing companies that practise CSR

Assessment aspects	Options	Respondents (%)
Impact on society and on local communities	Very Low	0.0
	Low	4.8
	High	71.4
	Very High	16.7
	Not applicable	7.1
Others	Very Low	0.0
	Low	0.0
	High	2.4
	Very High	0.0
	Not applicable	97.6

Importance of CSR guidelines

3.3.23 Respondents assessed the importance of five CSR guidelines, including: GRI G4 reporting guideline, the International Organization for Standardization’s ISO 26000, United Nations Guiding Principles on Business and Human Rights, the International Labor Organization’s Core Conventions, and the OECD Guidelines for Multinational Enterprises.

3.3.24 A total of 50.0% of respondents indicated that GRI G4 reporting guideline was highly or very highly important in terms of helping companies practise CSR. A larger proportion of respondents felt that this guideline was highly important (45.2%) rather than very highly important (4.8%). A further 9.5% of respondents indicated that these guidelines were of little or very little importance, while 40.5% of respondents indicated that these guidelines were not applicable to them.

3.3.25 In total, 64.3% of respondents indicated that ISO 26000 was highly or very highly important in helping companies practise CSR. More respondents felt that it was highly important (54.8%) rather than very highly important (9.5%). A further 2.4% of respondents indicated that the guideline was of very little importance, while 33.3% respondents indicated that the ISO 26000 was not applicable to them.

3.3.26 Overall, 66.6% of respondents indicated that the United Nations Guiding Principles on Business and Human Rights was highly or very highly important in helping companies practise CSR. More respondents felt that these guidelines were highly important (59.5%) rather than very highly important (7.1%). A further 4.8% of respondents indicated that these guidelines were of little importance, while 28.6% of respondents indicated that it was not applicable to them.

3.3.27 In total, 61.9% respondents indicated that the International Labor Organization's Core Conventions were highly or very highly important in helping companies practise CSR. More respondents felt that these guidelines were highly important (59.5%) rather than very highly important (2.4%). A further 7.2% of respondents indicated that these guidelines were of very little or little importance, while 31.0% of respondents indicated that it was not applicable to them.

3.3.28 In total, 54.8% indicated that the OECD Guidelines for Multinational Enterprises were highly or very highly important in helping companies practise CSR. More respondents felt that this guideline was highly important (50.0%) rather than very highly important (4.8%). A further 14.3% of respondents indicated that this guideline was of very little or little importance, while 31.0% of respondents indicated that it was not applicable to them.

3.3.29 Overall, 7.2% of respondents indicated that there were other guidelines that were highly or very highly important in helping companies practise CSR. These included the IFC S&E Guideline & UNEP FI Guideline as well as the Industry certification for sustainable supply chain such as. FSC, RSPO, and PEFC.

Table 8: Importance of various CSR guidelines

Guidelines	Options	Respondents (%)
GRI G4 reporting guideline	Very Low	2.4
	Low	7.1
	High	45.2
	Very High	4.8
	Not applicable	40.5
International Organization for Standardization's ISO 26000	Very Low	2.4
	Low	0.0
	High	54.8
	Very High	9.5
	Not applicable	33.3
United Nations Guiding Principles on Business and Human Rights	Very Low	0.0
	Low	4.8
	High	59.5
	Very High	7.1
	Not applicable	28.6
International Labor Organization's Core Conventions	Very Low	2.4
	Low	4.8
	High	59.5
	Very High	2.4
	Not applicable	31.0
OECD Guidelines for Multinational Enterprises	Very Low	4.8
	Low	9.5
	High	50.0
	Very High	4.8
	Not applicable	31.0
Others	Very Low	0.0
	Low	0.0
	High	2.4
	Very High	4.8
	Not applicable	92.9

3.4 Role of the stock exchange

The role of the Hong Kong Stock Exchange (HKEx)

3.4.1 Respondents were given seven statements concerning the role of the Hong Kong Stock Exchange (HKEx) in ESG reporting and promoting sustainability in Hong Kong's market. The seven statements are as follows:

- (i). Adopting the latest Global Reporting Initiative's standards as the standard of reporting
- (ii). Adopting standards of reporting that are comparable to international standards
- (iii). Adopting the 'comply or explain' approach for ESG reporting
- (iv). Making ESG reporting mandatory
- (v). Joining the United Nations Sustainable Stock Exchanges Initiative and making a public commitment to promote sustainability in the Hong Kong market
- (vi). Playing an active role in helping investors engage with listed companies on sustainability issues
- (vii). Engaging with listed companies for capacity building in ESG reporting

- 3.4.2 In total, 64.3% of respondents agreed or strongly agreed that HKEx should adopt the latest Global Reporting Initiative’s standards as the standard of reporting. More respondents agreed with this statement (54.8%) as compared with those who strongly agreed with it (9.5%). A further 4.8% disagreed with this statement and 31.0% of respondents indicated that it was not applicable.
- 3.4.3 Overall, 69.1% of respondents agreed or strongly agreed that HKEx should adopt standards of reporting comparable to international standards. A greater proportion of respondents agreed with this statement (52.4%) as compared with those who strongly agreed with it (16.7%). A further 4.8% disagreed with this statement, while 26.2% of respondents indicated that it was not applicable.
- 3.4.4 All in all, 64.3% of respondents agreed or strongly agreed that HKEx should adopt the ‘comply or explain’ approach for ESG reporting. More respondents agreed with this statement (54.8%) as compared to those who strongly agreed with it (9.5%). A further 7.1% disagreed with this statement, while 28.6% of respondents indicated that this was not applicable.

Table 9.1: The role of the Hong Kong Stock Exchange (HKEx)

	Options	Respondents (%)
Adopting the latest Global Reporting Initiative’s standards as the standard of reporting	Strongly disagree	0.0
	Disagree	4.8
	Agree	54.8
	Strongly agree	9.5
	Not applicable	31.0
Adopting standards of reporting that are comparable to international standards	Strongly disagree	0.0
	Disagree	4.8
	Agree	52.4
	Strongly agree	16.7
	Not applicable	26.2
Adopting the ‘comply or explain’ approach for ESG reporting	Strongly disagree	0.0
	Disagree	7.1
	Agree	54.8
	Strongly agree	9.5
	Not applicable	28.6

- 3.4.5 A total of 64.2% respondents agreed or strongly agreed that HKEx should make ESG reporting mandatory. More respondents agreed with this statement (57.1%) as compared to those who strongly agreed with it (7.1%). A further 9.5% disagreed with this statement, while 26.2% of respondents indicated that this was not applicable.
- 3.4.6 Overall, 69.1% of respondents agreed or strongly agreed that HKEx should join the United Nations Sustainable Stock Exchanges Initiative and made a public commitment to promoting sustainability in the Hong Kong market. More respondents agreed with this statement (64.3%) as compared with those who strongly agreed with it (4.8%). A further 4.8% disagreed with this statement, while 26.2% of respondents indicated that this was not applicable.
- 3.4.7 In total, 64.2% of respondents agreed or strongly agreed that HKEx should play an active role in helping investors engage with listed companies on sustainability issues. More respondents agreed with this statement (45.2%) as compared with those who strongly agreed with it (19.0%). A further 9.5% disagreed with this statement, while 26.2% indicated that this was not applicable.
- 3.4.8 A total of 66.7% respondents agreed or strongly agreed that HKEx should engage with listed companies for capacity building in ESG reporting. More respondents agreed with this statement (54.8%) as compared with those who strongly agreed with it (11.9%). A further 7.1% disagreed with this statement, while 26.2% indicated that this was not applicable.

Table 9.2: The role of the Hong Kong Stock Exchange (HKEx)

	Options	Respondents (%)
Making ESG reporting mandatory	Strongly disagree	0.0
	Disagree	9.5
	Agree	57.1
	Strongly agree	7.1
	Not applicable	26.2
Joining the United Nations Sustainable Stock Exchanges Initiative and making a public commitment to promote sustainability in the Hong Kong market	Strongly disagree	0.0
	Disagree	4.8
	Agree	64.3
	Strongly agree	4.8
	Not applicable	26.2
Playing an active role in helping investors engage with listed companies on sustainability issues	Strongly disagree	0.0
	Disagree	9.5
	Agree	45.2
	Strongly agree	19.0
	Not applicable	26.2
Engaging with listed companies for capacity building in ESG reporting	Strongly disagree	0.0
	Disagree	7.1
	Agree	54.8
	Strongly agree	11.9
	Not applicable	26.2

3.5 Role of the government

The role of the Hong Kong SAR Government

3.5.1 Respondents were given five statements concerning the role of the Hong Kong SAR Government in encouraging companies to practise CSR and promoting responsible investment. The statements are as follows:

- (i). Promoting CSR among listed companies through a legal framework
- (ii). Setting up relevant regulations to mandate ESG reporting among listed companies in Hong Kong
- (iii). Setting up a code or law to promote responsible investment
- (iv). Setting up a code or law to ensure responsible business practices among listed companies in Hong Kong
- (v). Promoting responsible investment among individual investors
- (vi). Engaging investors in policy discussions to promote CSR among listed companies

- 3.5.2 A total of 66.7% of respondents agreed or strongly agreed that the HKSAR Government should promote CSR among listed companies through a legal framework. More respondents agreed with this statement (54.8%) as compared to those who strongly agreed with it (11.9%). A further 21.4% disagreed with this statement, while 11.9% indicated that this was not applicable.
- 3.5.3 In total, 64.3% of respondents agreed or strongly agreed that the HKSAR Government should set up relevant regulations to mandate ESG reporting among listed companies in Hong Kong. More respondents agreed with this statement (52.4%) than those who strongly agreed with it (11.9%). A further 21.4% disagreed with this statement while 14.3% indicated that this was not applicable.
- 3.5.4 Overall, 73.8% respondents agreed or strongly agreed that the HKSAR Government should set up a code or law to promote responsible investment. More respondents agreed with this statement (57.1%) than those who strongly agreed with it (16.7%). A further 11.9% disagreed or strongly disagreed with this statement, while 14.3% indicated that it was not applicable.
- 3.5.5 A total of 78.5% of respondents agreed or strongly agreed that the Hong Kong SAR Government should set up a code or law to regulate companies listed in Hong Kong to ensure responsible business practices. More respondents agreed with this statement (59.5%) than those who strongly agreed with it (19.0%). A further 9.5% disagreed or strongly disagreed with this statement, while 11.9% indicated that this was not applicable.
- 3.5.6 In total, 80.9% of respondents agreed or strongly agreed that the Hong Kong SAR Government should promote responsible investment among individual investors. More respondents agreed with this statement (59.5%) than those who strongly agreed with it (21.4%). A further 7.2% disagreed with this statement, while 11.9% indicated non applicability.
- 3.5.7 Overall, 78.6% of respondents agreed or strongly agreed that the Hong Kong SAR Government should engage investors in policy discussions to promote CSR among listed companies. More respondents agreed with this statement (54.8%) than those who strongly agreed with it (23.8%). A further 21.4% indicated that this was not applicable.

Table 10: The role of the Hong Kong SAR Government in encouraging CSR and promoting responsible investment

	Options	Respondents (%)
Promoting CSR among listed companies through a legal framework	Strongly disagree	0.0
	Disagree	21.4
	Agree	54.8
	Strongly agree	11.9
	Not applicable	11.9
Setting up relevant regulations to mandate ESG reporting among listed companies in Hong Kong	Strongly disagree	0.0
	Disagree	21.4
	Agree	52.4
	Strongly agree	11.9
	Not applicable	14.3
Setting up a code or law to promote responsible investment	Strongly disagree	2.4
	Disagree	9.5
	Agree	57.1
	Strongly agree	16.7
	Not applicable	14.3
Setting up a code or law to regulate listed companies in Hong Kong to ensure responsible business practices	Strongly disagree	2.4
	Disagree	7.1
	Agree	59.5
	Strongly agree	19.0
	Not applicable	11.9
Promoting responsible investment among individual investors	Strongly disagree	2.4
	Disagree	4.8
	Agree	59.5
	Strongly agree	21.4
	Not applicable	11.9
Engaging investors in policy discussions to promote CSR among listed companies'	Strongly disagree	0.0
	Disagree	0.0
	Agree	54.8
	Strongly agree	23.8
	Not applicable	21.4

3.6 Impact of ESG reporting

How ESG reporting can improve companies' financial performance

- 3.6.1 The majority of respondents (90.5%) identified that ESG reporting could improve the financial performance of companies through improving their reputation.
- 3.6.2 More than half of the respondents (59.5%) identified that through increasing employee loyalty, ESG reporting could improve the financial performance of companies.
- 3.6.3 Only a small proportion of respondents identified that through improving access to capital (7.1%) and reducing insurance rates (7.1%), ESG reporting could improve the financial performance of companies.

Figure 3: How ESG reporting can improve companies' financial performance



Short-term impact of ESG on shareholder value

3.6.4 A total of 88.1% of respondents felt positively or very positively about the short-term environmental impact on shareholder value. A larger proportion of respondents indicated that it would positively impact shareholder value (78.6%) than those who indicated that it would substantially positively impact it (9.5%).

3.6.5 In total, 90.5% of respondents felt positively or very positively about the short-term social impact on shareholder value. A larger proportion of respondents indicated that it would positively impact shareholder value (78.6%) than those who indicated that it would substantially and positively impact it (11.9%).

3.6.6 Overall, 88.0% of respondents felt positively or very positively about the short-term governance impact on shareholder value. A larger proportion of respondents indicated that it would positively impact shareholder value (69.0%) than those who indicated that it would substantially and positively impact it (19.0%).

Table 11: Short-term impact of ESG on shareholder value

ESG impacts	Options	Respondents (%)
Short-term environmental impact	Substantially negative	0.0
	Negative	0.0
	Positive	78.6
	Substantially positive	9.5
	Not applicable	11.9
Short-term social impact	Substantially negative	0.0
	Negative	0.0
	Positive	78.6
	Substantially positive	11.9
	Not applicable	9.5
Short-term governance impact	Substantially negative	0.0
	Negative	2.4
	Positive	69.0
	Substantially positive	19.0
	Not applicable	9.5

Long-term impact of ESG on shareholder value

3.6.7 A total of 85.7% of respondents felt positively or very positively about the long-term environmental impacts on shareholder values. A larger proportion of respondents indicated that it would positively impact shareholder value (52.4%) than those who indicated that it would substantially and positively impact it (33.3%).

3.6.8 Overall, 88.1% of respondents felt positively about the long-term social impact on shareholder value. A larger proportion of respondents indicated that it would positively impact shareholder value (52.4%) than those who indicated that it would substantially and positively impact it (35.7%).

3.6.9 In total, 88.1% of respondents felt positively or very positively about the long-term governance impact on shareholder value. A slightly greater proportion of respondents indicated that it would positively impact shareholder value (45.2%) than those who indicated that it would substantially and positively impact it (42.9%).

Table 12: Long-term impact of ESG on shareholder value

ESG impacts	Options	Respondents (%)
Long-term environmental impact	Substantially negative	0.0
	Negative	0.0
	Positive	52.4
	Substantially positive	33.3
	Not applicable	14.3
Long-term social impact	Substantially negative	0.0
	Negative	0.0
	Positive	52.4
	Substantially positive	35.7
	Not applicable	11.9
Long-term governance impact	Substantially negative	0.0
	Negative	0.0
	Positive	45.2
	Substantially positive	42.9
	Not applicable	11.9

Whether respondents referred to ESG reports to gather CSR information on listed companies in Hong Kong

3.6.10 Over half of the respondents (59.5%) did not refer to the ESG reports to gather CSR information on listed companies in Hong Kong. Of the respondents (21.4%) who referred to ESG reports, 66.7% of them regarded that sufficient CSR information was disclosed whereas 33.3% of them did not. Furthermore, 19.0% of respondents did not know whether or not they referred to the ESG reports to gather CSR information.

Whether respondents referred to financial or ESG reports for listed companies' FDI information

3.6.11 Over half of the respondents (57.1%) did not refer to financial or ESG reports for listed companies' FDI information. Of the respondents (23.8%) who obtained this information from financial or ESG reports, 70.0% of them regarded that sufficient FDI information was disclosed whereas 30.0% of them did not. Two respondents who felt that there was insufficient FDI information in financial or ESG reports expressed the following:

1. Unsure of accuracy of information , proper verification is needed.
2. The disclosed information was not on par with industry standards.

3.6.12 Furthermore, 19.0% of respondents were not sure whether or not they referred to the ESG reports to gather CSR information. Only 26.2% of respondents considered that social responsible companies fully represented lower-risk investments and were attractive.

Chapter 4 | Conclusion

Company information

- 4.1.1 The majority of respondents in this survey were from either the insurance sector or the banking and finance sector. A total of 42.9% of respondents expressed that their main business activity was banking and finance, while 42.9% of respondents expressed that their business activity was insurance.
- 4.1.2 Half of the respondents (50.0%) were managers, while 11.9% of respondents were directors. 21.4% respondent held other position in the company such as Head of Legal & Compliance, Group Head of Sustainability.

ESG impact on investment decisions

- 4.1.3 To various extents, the majority (85.8%) of the respondents took SRI or ESG into consideration when making investment decisions: 28.6% of respondents took ESG into consideration when making investment decisions and followed an internal SRI Policy; 31.0% of respondents analysed selected ESG factors when making investment decisions; 26.2% of respondents indicated that their companies were still deciding whether or not to consider SRI or ESG in their investments, and were not considering these issues in their investment decisions.
- 4.1.4 The majority of respondents felt that the following had some or a great effect on the financial performance of companies: environmental issues (81.0%), labor practice and decent work issues (90.5%), human right issues (88.1%), societal issues (88.1%), and governance issues (85.7%).
- 4.1.5 A large proportion of respondents (69.0%) felt that socially responsible companies, to some extent, represented lower-risk investments and were attractive. Overall, 26.2% of respondents felt that socially responsible companies represented lower-risk investments and were attractive.
- 4.1.6 The majority of respondents felt that the following highly or very highly affected FDI decisions: foreign assets (69.0%), foreign sale turnover (69.1%), organisational transparency (78.6%) and financial accounts for each country of operation (78.6%).

4.1.7 The majority of respondents believed that the following would have a major or a decisive impact on institutional investors' decision to consider more ESG factors when making investment decisions: legislative solutions (90.4%), greater awareness of customers (76.2%), broader scope of CSR information (69.0%) and adoption and integration of corporate social responsibility strategies with business strategies (71.4%).

Benefits of practising CSR

4.1.8 The majority of respondents felt that practising CSR moderately or greatly benefits companies by helping them demonstrate community engagement (78.6%) and by raising their standing in the community (73.9%).

4.1.9 The majority of the respondents indicated that the following were highly or very highly important when assessing companies that practise CSR: ethical procurement/sourcing (73.8%), labour and human rights in purchasing and supply management (73.9%), labour code of conduct for supply chain (73.8%), mechanism for monitoring/implementing code of conduct in supply chain (76.2%), incorporation ESG strategy into company's strategy (76.2%), occupational health and safety performance (81.0%), discriminatory hiring and promotion practices with respect to race or gender (78.5%), stakeholder engagement (78.6%), pays a living wage to workers (83.3%), and impact on society and on local communities (88.1%).

4.1.10 Over 50.0% of respondents indicated that the following guidelines were highly or very highly important in terms of helping companies practise CSR: GRI G4 Guidelines (50.0%), International Organization for Standardization's ISO 26000 (64.3%), United Nations Guiding Principles on Business and Human Rights (66.6%), the International Labor Organization's Core Conventions (61.9%), and the OECD Guidelines for Multinational Enterprises (54.8%).

Role of the stock exchange and government

4.1.11 Over 60.0% of respondents agreed or strongly agreed that HKEx should do the following: adopt the latest Global Reporting Initiatives standard as the standard of reporting (64.3%), adopt standards of reporting that are comparable to international standards (69.1%), adopt the ‘comply or explain’ approach for ESG reporting (64.3%), adopting mandatory ESG reporting (64.2%), join the United Nations Sustainable Stock Exchanges Initiative and make a public commitment to promote sustainability in the Hong Kong market (69.1%), play an active role in helping investors engage with listed companies on sustainability issues (64.2%), and engage with listed companies for capacity building in ESG reporting (66.7%).

4.1.12 The majority of respondents agreed or strongly agreed that the Hong Kong SAR Government should do the following: set up a code or law to promote responsible investment (73.8%), set up a code or law to regulate companies listed in Hong Kong to ensure responsible business practices (78.5%), promote responsible investment among individual investors (80.9%), and engage investors in policy discussions to promote CSR among listed companies (78.6%).

Impact of ESG reporting

4.1.13 The majority of respondents (90.5%) identified that ESG reporting could improve the financial performance of companies by improving their reputation.

4.1.14 The majority of respondents felt positively or substantially positively about the short-term impact of the following aspects on shareholder value: environmental (88.1%), social (90.5%) and governance (88.0%). Respondents had similar responses about the the long-term impact of these aspects on shareholder value. The majority of respondents felt positively or substantially positively about the long-term impact of the following aspects on shareholder value: environmental (85.7%), social (88.1%) and governance (88.1%).

4.1.15 Over half of the respondents (59.5%) did not refer to ESG reports to gather listed companies' CSR information. Of the respondents who referred to ESG reports (21.4%), 66.7% of them felt that sufficient CSR information was disclosed, whereas 33.3% did not.

4.1.16 Over half of the respondents (57.1%) did not obtain listed companies' FDI information from financial or ESG reports. Of the respondents who referred to financial or ESG reports (23.8%), 70.0% felt that sufficient FDI information was disclosed, whereas 30.0% did not.

Appendix 1 | Questionnaire

ESG impact on investment decisions

1. Do you consider Socially Responsible Investing (SRI) / Environment, Social, Governance (ESG) factors when making investment decisions?

- 1 Yes, we consider ESG factors in investment decisions and follow an internal SRI policy
- 2 Yes, we analyse selected ESG factors in investment decisions
- 3 Yes, but it is currently under discussion and is not considered in investment decisions
- 4 No, we disregard ESG factors in investment decisions
- 9 I do not know

2. Can the following aspects of corporate social responsibility initiatives / issues have a real effect on the financial performance of companies?

		No	Yes, somewhat	Yes, fully	Not applicable
		1	2	3	9
a	Environmental issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b	Labour practices and decent work issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c	Human rights issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d	Societal issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e	Governance issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f	Others, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Do you believe socially responsible companies represent lower-risk investments and are more attractive to investors?

- 1 No
- 2 Yes, somewhat
- 3 Yes, fully
- 9 I do not know

4. Please rate the level of importance of the information below in terms of how it affects your FDI decisions.

		Very Low	Low	High	Very High	Not applicable
		1	2	3	4	9
a	Foreign assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b	Foreign sale turnover	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c	Number of employees worldwide	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d	Organisational transparency (information on subsidiaries, affiliates, joint ventures and other entities)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e	Financial accounts for each country of operation (revenue, capital expenditure, pre-tax income, income tax, and community contribution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f	Others, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. What would encourage you to consider ESG factors when making investment decisions?

		No Impact		Decisive Impact		Not applicable
		0	1	2	3	
a	Legislative solutions that place a greater emphasis on ESG issues in funds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b	Greater awareness of our customers (customer pressure to consider ESG in our business)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c	Broader scope of CSR information published by companies (annual CSR reports presenting non-financial performance of the company including Environmental Social, and Governance aspects, describing initiatives and progress made in achieving ESG results, plans for the future)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d	Adoption of CSR strategies that are closely integrated with companies' business strategies, indicating benefits of CSR initiatives to the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e	Others, please specify_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Benefits of practising CSR

6. From your perspective, please rate the relevance of the following aspects in practicing CSR.

		None	Low	Neutr al	Mode rate	High
		0	1	2	3	4
a	Supports share prices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b	Expands businesses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c	Demonstrates community engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d	Raises company environmental standards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e	Employee retention	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f	Improves community welfare	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g	Strengthens business partnerships	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h	Raises company standing in the community	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i	Others, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. From your perspective, please rate the level of importance of the following aspects in assessing companies' CSR practices when making investment decisions.

		Very Low	Low	High	Very High	Not applicable
		1	2	3	4	9
a	Ethical procurement/sourcing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b	Labour and human rights in purchasing and supply management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c	Labour code of conduct for supply chain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d	Mechanism for monitoring/implementing code of conduct in supply chain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e	Incorporation of ESG strategies into company's strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f	Occupational health and safety performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g	Discriminatory hiring and promotion practices with respect to race or gender	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h	Stakeholder engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i	Pays a living wage to workers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j	Impact on society and on local communities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k	Others, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. From your perspective, please rate the level of importance of the following CSR guidelines.

		Very Low	Low	High	Very High	Not applicable
		1	2	3	4	9
a	GRI G4 reporting guideline	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b	International Organization for Standardization's ISO 26000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c	United Nations Guiding Principles on Business and Human Rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d	International Labor Organization's Core Conventions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e	OECD Guidelines for Multinational Enterprises	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f	Others, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Role of the stock exchange

9. To what extent do you agree with the following statements concerning the role of the Hong Kong Stock Exchange - Hong Kong Exchanges and Clearing Limited (HKEx)?

		Strongly disagree	Disagree	Agree	Strongly agree	Not applicable
		1	2	3	4	9
a	Adopting the latest Global Reporting Initiatives standards as the standard of reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b	Adopting standards of reporting that are comparable to international standards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c	Adopting the ‘comply or explain’ approach for ESG reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d	Making ESG reporting mandatory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e	Join the United Nations Sustainable Stock Exchanges Initiative and making a public commitment to promote sustainability in the Hong Kong market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f	Play an active role in helping investors engage with listed companies on sustainability issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g	Engage with listed companies for capacity building in ESG reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h	Others, please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Role of the government

10. To what extent do you agree with the following statements concerning role of the Hong Kong SAR Government?

		Strongly disagree	Disagree	Agree	Strongly agree	Not applicable
		1	2	3	4	9
a	Promote listed companies' through a legal framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b	Set up relevant regulations in regulating companies listed in Hong Kong to enforce mandatory ESG reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c	Set up a code or law for promotion of responsible investment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d	Set up a code or law in regulating companies listed in Hong Kong to ensure responsible business practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e	Promote responsible investment among individual investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f	Engage investors in policy discussions to promote CSR among listed companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Impact of ESG reporting

11. From your perspective, please identify the ways in which ESG reporting can improve listed companies’ financial performance. (More than one choice may be chosen.)

- 1 Improves reputation
- 2 Increases employee loyalty
- 3 Reduces inaccurate information about the organisation’s corporate social performance
- 4 Helps the organisation refine its corporate vision or strategy
- 5 Increases consumer loyalty
- 6 Leads to waste reduction within the organisation
- 7 Improves relationships with regulatory bodies
- 8 Monitors long-term risk and improves long-term risk management
- 9 Leads to other forms of cost savings within the organisation
- 10 Helps the organisation to take measures to increase long-term profitability
- 11 Improves access to capital
- 12 Reduces insurance rates
- 13 Others, please specify: _____
- 14 I do not know

12. The long-term and short-term impact of ESG on shareholder value:

		Substantial ly negative	Negati ve	Positive	Substantial ly positive	Not applica ble
		1	2	3	4	9
Short-term						
a	Environmental	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b	Social	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c	Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Long-term						
a	Environmental	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b	Social	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c	Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Do you refer to ESG reports to gather CSR information on listed companies in Hong Kong?

- 1 Yes, is the disclosed information sufficient?
1.1 Sufficient
1.2 Not sufficient, please specify the area for improvement:

- _____
- 2 No
9 I do not know

14. Do you refer to financial or ESG reports for listed companies' FDI information?

- 1 Yes, is the disclosed information sufficient?
1.1 Sufficient
1.2 Not sufficient, please specify the area for improvement: _____

- 2 No
9 I do not know

Company information

15. The MAJOR activity of your company is:

- 1 Asset management
2 Banking and finance
3 Business services
4 Insurance
5 MPF trustee
6 Others, please specify: _____

16. Please indicate your position in the company. (Please tick the ONE option that you consider most appropriate.)

- 1 Owner / Shareholder
2 Chairman / CEO
3 Chairman
4 Manager
5 Company Secretary
6 Public Relations Manager
7 Accountant
8 Others, please specify: _____

-- Thank you very much for your cooperation --