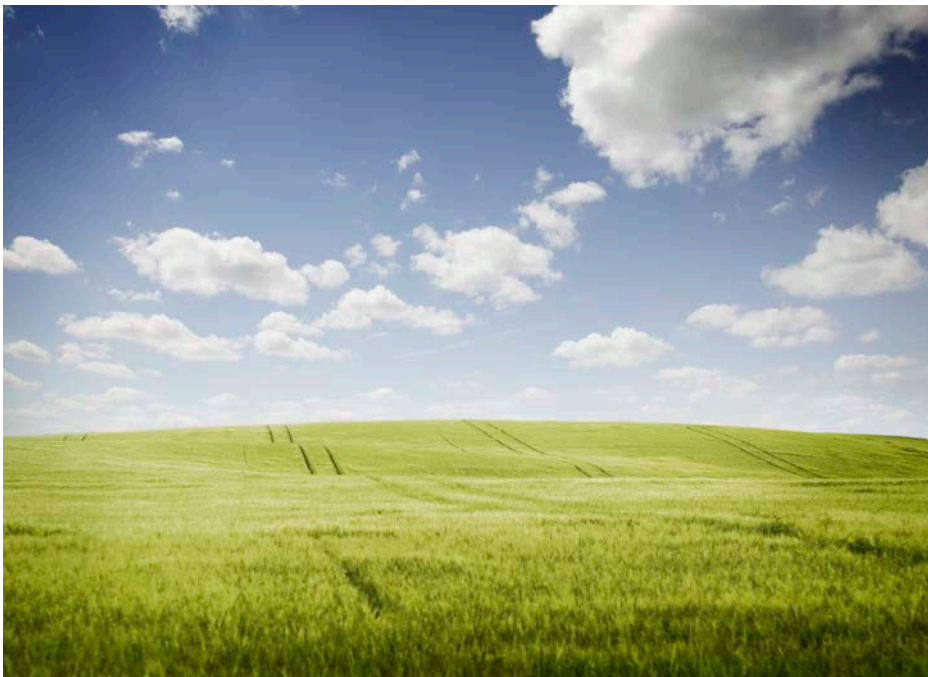


BDO NEWS

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ESG UPDATES August 2020 Issue



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To achieve corporate sustainability and generate long-term benefits, the integration of environmental, social and governance (ESG) factors into one company's business strategies, management and operation is the key to success. In every monthly issue of our 'ESG Updates' it will include the latest updates from various aspects in ESG.

HKEX announces to launch new Sustainable and Green Exchange

Hong Kong Exchanges and Clearing Limited (HKEX) announces plans to launch the HKEX Sustainable and Green Exchange, 'STAGE'. This pioneering new information platform is the first-of-its kind in Asia, and will act as a central hub for data and information on sustainable and green finance investments in the region. The launch of STAGE demonstrates HKEX's strong commitment to sustainability. Its goal is to help issuers raise awareness of their sustainable and green financial products, whilst also offering investors and asset managers easy access to information for their due diligence, selection and monitoring.

STAGE will promote the visibility, transparency, and accessibility of sustainable and green finance across asset class and product type. It will provide investors with access to a comprehensive database of sustainable and green investment options that are available on Hong Kong's securities markets. It will also act as a valuable education and advocacy platform, promoting knowledge sharing and stakeholder engagement in sustainable finance.

In the initial phase, STAGE will be home to a repository of information on sustainability, green and social bonds and ESG-related Exchange Traded Products listed on HKEX. Issuers with products that meet international standards or principles and provide post-issuance reports annually are invited to join STAGE without the need to pay any fees and to display their products on the platform. The online repository will be launched as early as later this year.

HKEX will further develop the platform in response to the evolving market landscape, and over time will consider expanding its coverage to introduce more asset classes and product types, such as derivative products linked to relevant sustainability or environmental, social, and governance indices, as well as other sustainable and green financial products.

Read more from the sources:

https://www.hkex.com.hk/News/News-Release/2020/200618news?sc_lang=en

<https://www.hkex.com.hk/eng/stage/index.htm>

Companies need to set more ambitious targets

The United Nations Global Compact, in partnership with DNV GL, released a progress report looking back on 20 years of corporate sustainability progress among its business participants. The progress report provides an assessment of how companies participating in the UN Global Compact are adopting the Ten Principles and taking action to deliver on SDGs. Based on data collected as part of the UN Global Compact annual survey supported by interviews with UN Global Compact participants from around the world, the report takes stock of how businesses are performing on critical sustainability topics. For the first time, the 2020 report reviews data from a sectoral perspective. It also dives into the current state of progress for specific industry contributions to the SDGs. Broadly, the report finds that companies need to take more ambitious actions, at scale, to meet the objectives of the 2030 Agenda.

The report reveals only 39% of companies surveyed believe they have targets that are sufficiently ambitious to meet SDGs by 2030. Less than a third consider their industry to be moving fast enough to deliver priority SDGs. While 84% of companies participating in the UN Global Compact are taking action on SDGs, only 46% are embedding them into their core business and only 37% are designing business models that contribute to the SDGs.

Progress is uneven across SDGs, the report finds, with many companies choosing to focus on Goal 8: Decent Work and Economic Growth, Goal 9: Industry, Innovation and Infrastructure, Goal 12: Responsible Consumption and Production, Goal 13: Climate Action, and Goal 3: Good Health and Well-being. Meanwhile, less traction has been made in

advancing the socially-focused SDGs such as reduced inequalities, gender equality, and peace, justice and strong institutions.

Other key findings from the research include:

- 61% of companies provide products and services that contribute to the SDGs (up from 48% in 2019).
- 57% of companies are measuring the impact of their own operations relating to the SDGs but very few extend this to suppliers (13%), raw materials (10%) and into product use (10%).
- Only 29% of companies publicly advocate the importance of action in relation to the SDGs (down from 53% in 2019).

With less than 4,000 days remaining until the 2030 target, the change we need to see in the Decade of Action will not happen through incremental improvements and adjustments to 'business-as-usual.' Companies need to step-up and transform their business models to turn policy commitments into action that can lead to actual performance improvements. Now is the time for CEOs to speak up and ensure all companies fully integrate the Ten Principles and raise their SDG Ambition to meet the needs of society and the planet.

Read more from the sources:

<https://www.unglobalcompact.org/news/4577-06-15-2020>

<https://ungc-communications-assets.s3.amazonaws.com/docs/publications/UN-Global-Compact-Progress-Report-2020.pdf>

BlackRock punishes 53 companies over climate inaction

BlackRock Inc., the world's largest asset manager, voted against dozens of management recommendations during the 2020 shareholder proxy season after finding that those companies were not making enough progress on climate issues.

The move came after BlackRock faced repeated accusations that it had failed to take meaningful action on environmental issues. BlackRock was criticised this year for failing to support several climate-change resolutions, including at Santos and Woodside Energy, the Australian oil companies. At Santos and Woodside meetings, resolutions to set targets in line with the Paris agreement, which aims to limit global temperature rises, received unprecedented support from shareholders. However, BlackRock voted against the proposals.

In a report released on July 14, it had identified 244 companies including Exxon Mobil Corp., TransDigm Group Inc. and Fortum Oyj that 'are making insufficient progress integrating climate risk into their business models or disclosures.'

Nearly 80% of those companies were placed 'on watch', a classification that BlackRock uses to tell those management teams that they have 12 to 18 months to meet its climate expectations or risk facing voting action next year. For the remaining 53 companies, BlackRock took several material actions against management including siding with shareholders on their proposals, voting against board members and raising governance concerns. The companies that BlackRock took voting action against during the 2020 proxy season came from a mix of industries, though energy dominated that cohort with 37 companies, according to the report. BlackRock also voted against proposals at seven utility companies, four industrials companies, four materials companies and one financial firm.

Read more from the sources:

<https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/blackrock-voted-against-management-at-53-companies-over-climate-concerns-59426142>

<https://www.ft.com/content/8809032d-47a1-47c3-ae88-ef3c182134c0>

How can BDO help?

At BDO, our Risk Advisory Services (RAS) team, a group of dedicated professionals trained in ESG reporting requirements, GRI Standard and ISO-14064, knowledge about carbon audit and experienced in providing all the assistance required to meet your needs in ESG practice. Please do not hesitate to contact us and talk to our consultants. We are pleased to provide further insight or assistance, if needed.

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