BDO NEWS

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ESG UPDATES
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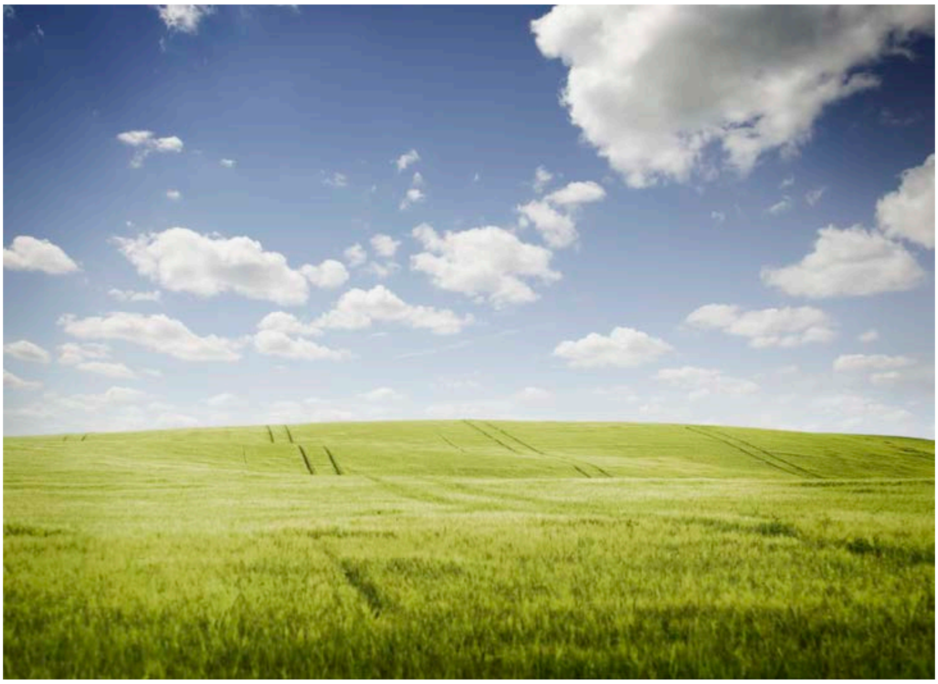

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To achieve corporate sustainability and generate long-term benefits, the integration of environmental, social and governance (ESG) factors into one company's business strategies, management and operation is the key to success. In every monthly issue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

Establishment of Green and Sustainable Finance Cross-Agency Steering Group

The Hong Kong Monetary Authority and the Securities and Futures Commission initiated the establishment of the Green and Sustainable Finance Cross-Agency Steering Group. Other members are the Environment Bureau, the Financial Services and the Treasury Bureau, Hong Kong Exchanges and Clearing Limited, the Insurance Authority and the Mandatory Provident Fund Schemes Authority.

The Steering Group aims to co-ordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the government's climate strategies through:

- examining policy and regulatory issues in green and sustainable finance, particularly those which may have a cross-sectoral impact;
- facilitating policy direction and coordination to ensure Hong Kong has a cohesive and comprehensive green and sustainable finance strategy;
- addressing technical cross-sectoral issues by, for example, forming technical working groups and consulting with different experts and stakeholders;

- tracking international and regional trends, issues and developments in green and sustainable finance, and considering how Hong Kong should better position itself and provide leadership in the region and globally; and
- identifying areas where Hong Kong can promote its strengths and thought leadership on green and sustainable finance regionally and globally.

Read more from the source:
https://www.hkma.gov.hk/eng/news-and-media/press-releases/2020/05/20200505-8/

ESG to be safe haven in market storm

Sustainable investing will sustain investment portfolios during times of market turmoil, according to BlackRock. Recent research from the firm shows that the majority of ESG investments outperformed their non-sustainable counterparts during the first quarter market crash. The research has found a correlation between sustainability and traditional factors such as quality and low volatility. As a result, the firm expects sustainable companies to be more resilient during downturns.

In the first quarter of 2020, the firm has observed better risk-adjusted performance across sustainable products globally, with 94% of a globally representative selection of widely analysed sustainable indices outperforming their parent benchmarks, from its recent report.

To demonstrate why sustainable funds tended to outperform during the crisis, BlackRock analysed how different sustainability characteristics drive performance. It argues that traditional financial accounting standards do not provide investors with a complete picture of all the risks and opportunities companies face. Armed with more information, investors are better positioned to evaluate risks.

The analysis is based on 15 so-called ‘descriptors’ that focus on a different material sustainability issue, and their relevance to a company’s long-term prospects. The descriptors are: 1) board effectiveness, 2) waste management, 3) audit, tax, and risk management, 4) customer relations, 5) energy production, 6) culture, 7) board independence, 8) water management, 9) clean technology, 10) energy management, 11) workers’ rights, 12) talent management, 13) community relations, 14) ownership and control, and 15) business ethics.

Each of the descriptors are intended to anticipate an adjustment to the expected growth rate of companies over the long term that market participants have not fully factored in. To test the descriptors, BlackRock created hypothetical portfolios for each one that was independent of other descriptors, such as a portfolio that examines the impact of board effectiveness, or one that shows the effect of energy management on returns. It also created a hypothetical portfolio that generates an overall sustainability assessment across all 15 descriptors.

The analysis of the descriptor portfolios showed that the overall sustainable portfolio generated a return of 1.5% from 1 January to 30 April 2020, and that 11 of the 15 descriptors showed positive returns over that same period. It also found that resilience is stronger for descriptors that are identified with issues that mattered most to companies during the downturn. For example, the board effectiveness portfolio returned 2.4% over the period, while the customer relations portfolio returned 1.7%.

It is believed that the full effects of sustainability are not yet included in market prices, given the long transition. It is expected this gradual transition alone will carry a long-term return advantage for sustainable investors over years and decades—an added bonus to greater portfolio resiliency.

Read more from the source:
https://www.equities.com/news/research-from-blackrock-and-bank-of-america-shows-esg-to-be-safe-haven-in-market-storm

The launch of GRI 306: Waste 2020

GRI has announced the launch of GRI 306: Waste 2020, a globally applicable tool for organisations to report and communicate on their waste impacts. The Waste Standard introduces a stronger relationship between materials and waste to assist reporters in identifying and managing their waste-related practices, and impacts, throughout their value chain.

By including updated disclosures, circularity and waste prevention concepts, the Waste Standard reflects global best practices on waste management. This provides for a practical and usable tool and harmonisation with Sustainable Development Goals 12. GRI 306: Waste 2020 includes two management approaches and three topic-specific disclosures that will support organisations to:

- Understand and publicly report how procurement, design and use of materials lead to waste-related impacts.
- Provide comprehensive insights into the quantity and quality of waste – including its causes, where it is generated and how impacts are managed.
- Identify and report on circularity and waste prevention opportunities and actions.
- Assess and take responsibility for waste generated throughout the value chain, both upstream and downstream.

The Waste Standard updates, expands and replaces GRI 306: Effluents & Waste 2016. It is applicable for organisations of all sizes, wherever they are in their waste management and reporting practice.

Read more from the source:
https://www.globalreporting.org/information/news-and-press-center/Pages/Coming-soon-updated-Waste-Standard-.aspx

https://www.globalreporting.org/standards/gri-standards-download-center/?g=f5435eaa-dd2d-4bbe-9594-66e4f7f421d2

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.

BDO'S SUPPORT AND ASSISTANCE

25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Tel: +852 2218 8288
Fax: +852 2815 2239
info@bdo.com.hk

RICKY CHENG
Director and Head of Risk Advisory
Tel: +852 2218 8266
rickycheng@bdo.com.hk