

○ Enabler 6

Preparing Sustainability Disclosure

About Enabler 6

Adopting the guidance in this Toolkit, your company may have started systematically managing sustainability issues from within. Nevertheless, sustainability management requires your company to continuously understand and address the expectations and concerns raised by external stakeholders as well. Building a feedback loop that includes them in the management process is thus crucial. Some SMEs may have chosen to ignore sustainability disclosure as it is not required for compliance, and they consider it resource intensive. In this last enabler, we will show you it is worth doing and can be done with your work completed in the previous enablers.

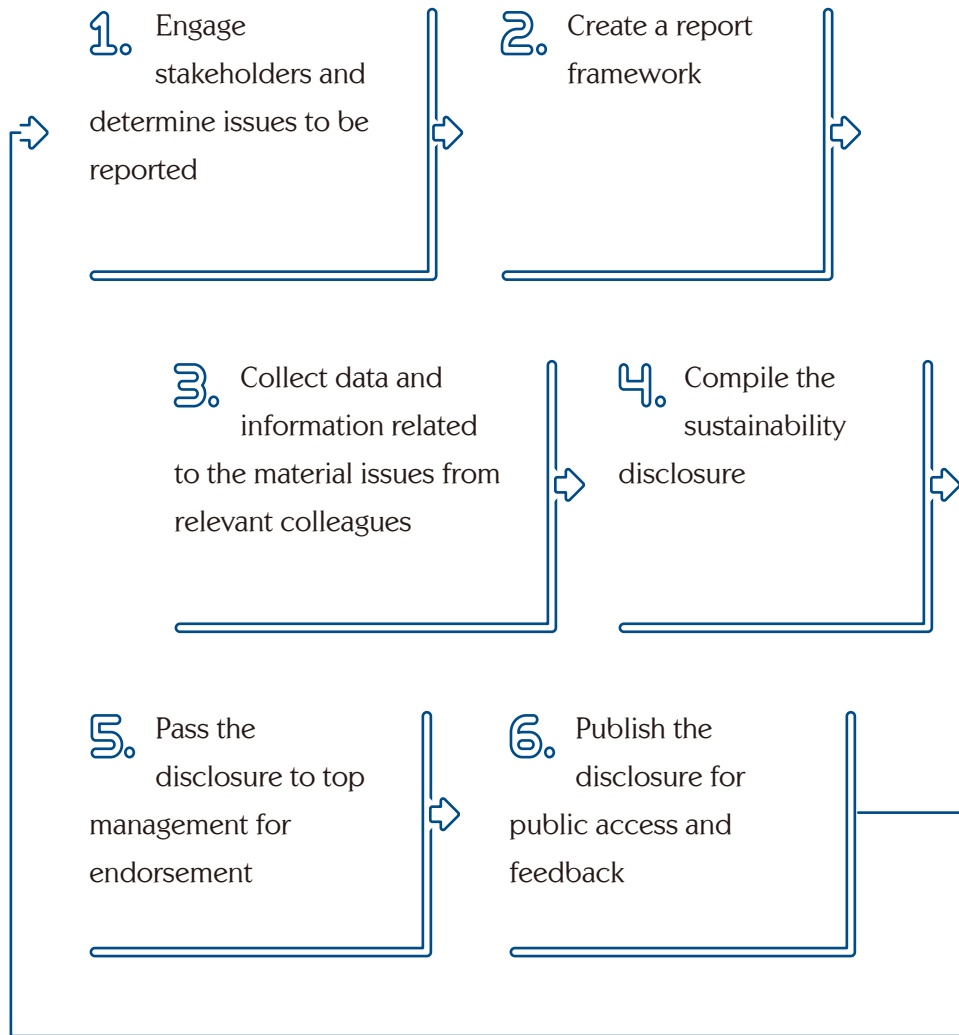


② What is Sustainability Disclosure

Sustainability disclosure is the practice of reporting publicly your company's management approach and actual performance on sustainability issues. Often updated annually, the disclosure can be documented in the form of a report or dedicated section on your company's website. Similar to financial report for corporates, sustainability disclosure provides the key stakeholders of a company with the latest information, suggesting how sustainable it has been. Such information has become an important reference for the stakeholders. For example, investors and business partners can use the information when making investment and procurement decisions, respectively.

The preparation of sustainability disclosure typically consists of the following steps:

Figure 6: Typical work steps to prepare sustainability disclosure



Transparency is key for business sustainability to work. Not only is it about branding, but also building and maintaining long-term, collaborative relationship with stakeholders. While sustainability disclosure requires time and inputs from different teams or departments to prepare, corporates are increasingly embracing it as the practice brings a variety of benefits to them. The reporting exercise enables your company to:



build a feedback loop with
external stakeholders



gain trust from stakeholders
with increased transparency



identify sustainability
risks and opportunities



review the overall
effectiveness of
sustainability management



appeal to credit providers
and business partners



enhance reputation as
sustainable business



Characteristics of Sustainability Disclosure

By referring to the two examples below, sustainability disclosure typically consists of the following elements:

1. Sustainability issue to be covered

2. Context of the issue

3. Company's policy in relation to the issue

4. Target and progress

5. Actions taken

6. Metrics and performance

Item 3 to 6 may seem familiar because they are the subjects in the previous enablers. Sustainability disclosure is as simple as connecting these elements to form the narratives. The narratives can be in the form of texts and graphs. With reference to the examples, readers can easily comprehend the performance trend in a glimpse with the line graphs.

Figure 7: Extract of Vitasoy's Sustainability Report 2019/20²⁶

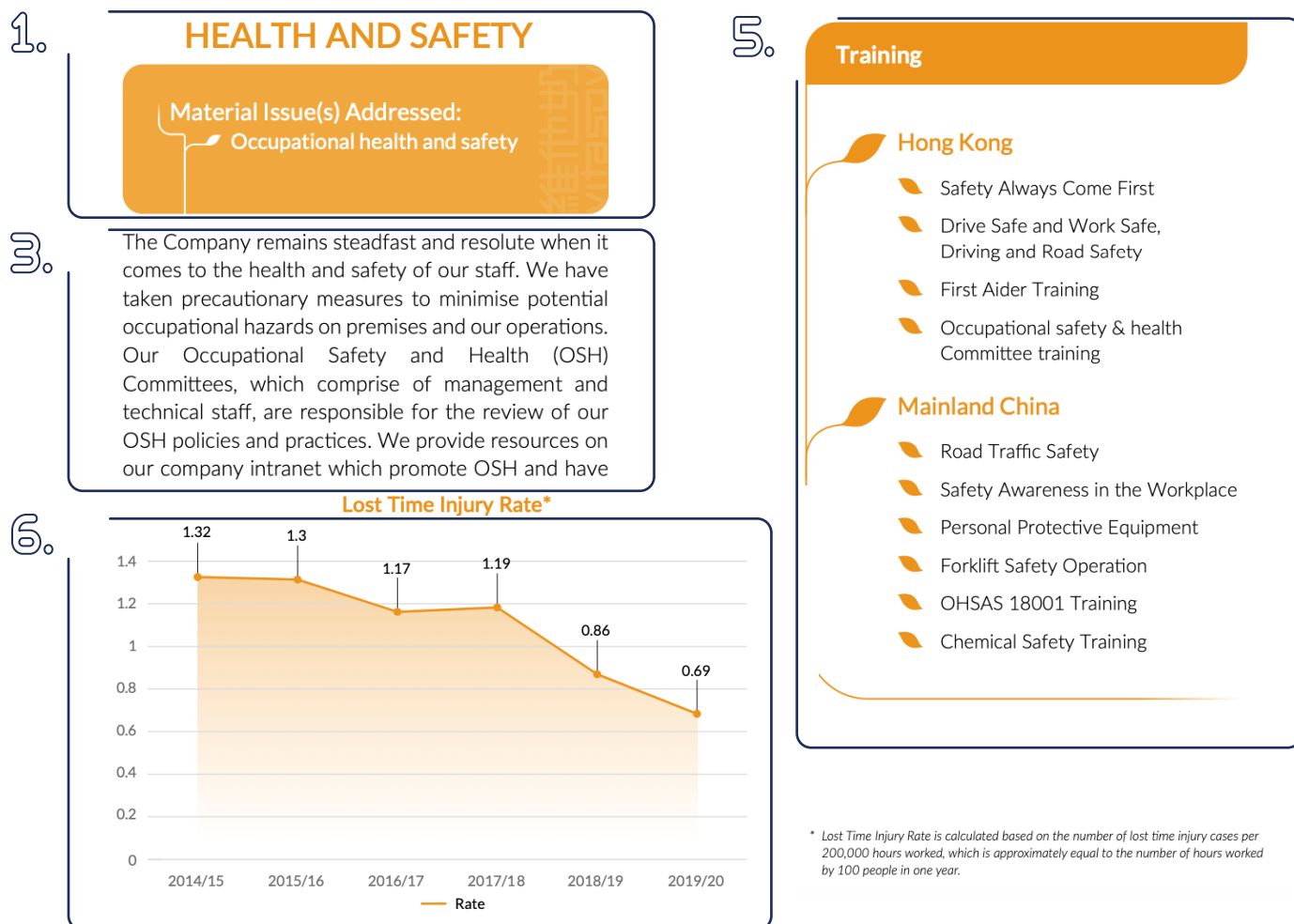
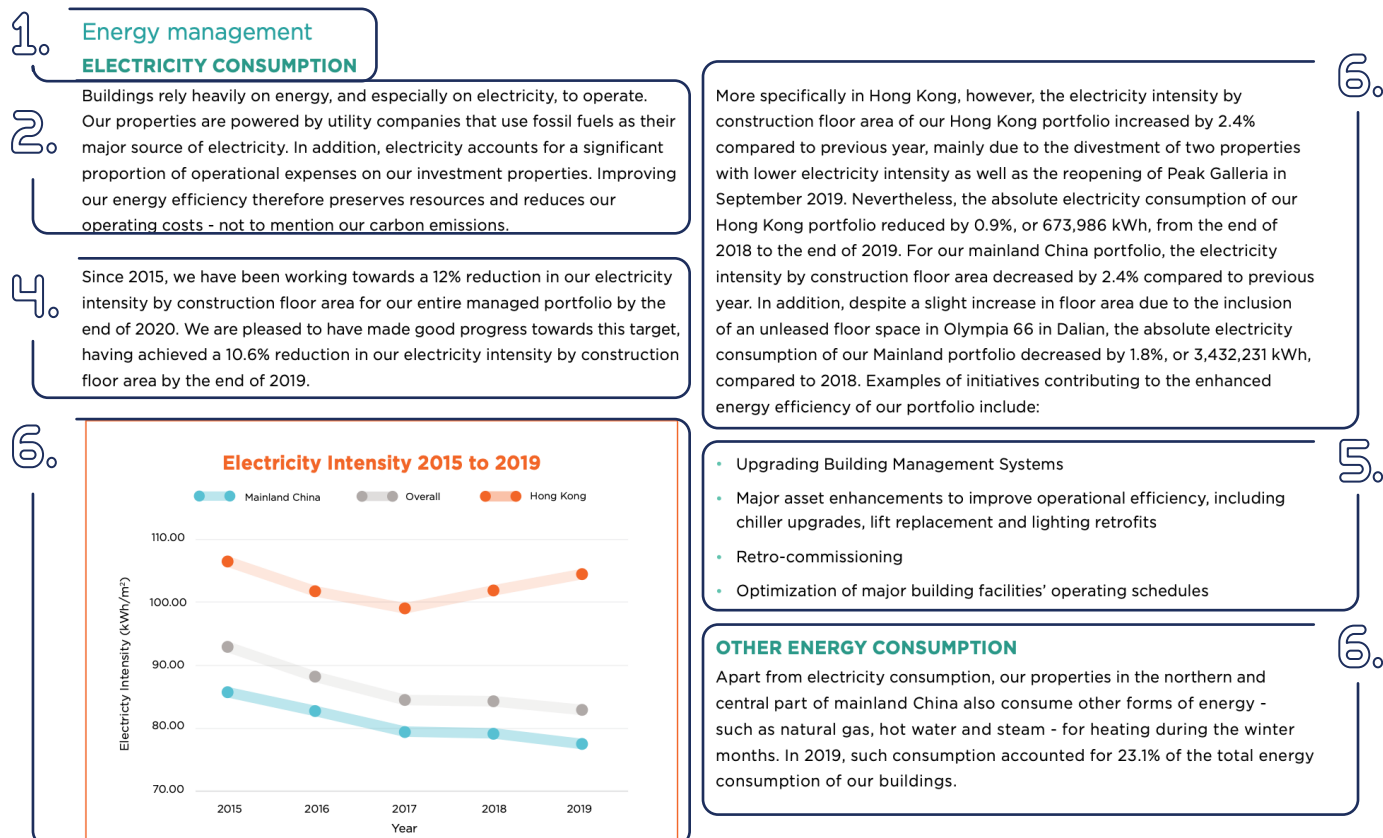


Figure 8: Extract of Hang Lung Properties' Sustainability Report 2019²⁷



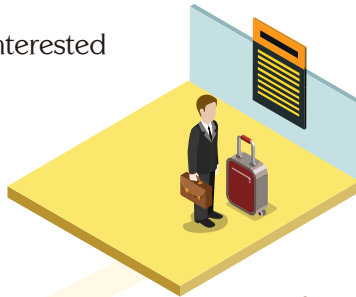
²⁶ https://www.vitasoy.com/sustainability/cms/reporting/report/Sustainability_Report_2019-20.pdf?language_id=1

²⁷ https://www.hanglung.com/getmedia/ff5ee725-9e0e-4196-b890-bd0fd5ab142a/hlp_sr_2019_en.pdf?ext=.pdf

In essence, the content to be disclosed is subject to the intended users. If a company has regularly engaged its stakeholders, it would find that different stakeholder groups have different concerns.

For example:

Investors tend to be more interested in knowing the company's governance and how it is responding to the industry trends



Customers are more concerned about the company's product and service responsibilities



Business partners may be keen on learning the company's ethical sourcing and overall sustainability performance



Employees focus more on workplace condition



Some international organisations have created and updated reporting standards or frameworks with the aim to standardise the disclosure approach for companies. Among those, [GRI Standards](#) are the most popular standard currently²⁸ that addresses the needs of multiple stakeholders. [SASB](#) and [Integrated Reporting](#), which are more investor-oriented, are also gaining popularity.

Using the reporting standards or frameworks, sustainability disclosure can still be very diverse among companies. While these standards or frameworks take into consideration many business sustainability issues, a company may find some issues more relevant to it than the others depending on the industry and geographical location(s) it operates in. Materiality, or the importance of the issues to both the business and stakeholders, underpins sustainability disclosure. The company would select those issues that are deemed more material to it to disclose. Illustrating this idea in a materiality matrix, it would focus on disclosing the management and performance of the issues that fall into Quadrant I, II and III. Materiality keeps the disclosure focused and reduces the reporting burden for companies.

²⁸ KPMG. KPMG Survey of Sustainability Reporting 2020. <https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/11/the-time-has-come.pdf>

Figure 9: **Materiality matrix for sustainability disclosure**

			Materiality Matrix						
External assessment (impact on stakeholders)	Crucial	5	Quadrant II Sustainability issues identified as relevant for disclosure			Quadrant I Sustainability issues identified as critical for disclosure			
		4							
		3							
	Not relevant	2	Quadrant IV Sustainability issues identified as not relevant for disclosure			Quadrant III Sustainability issues identified as relevant for disclosure			
		1							
		0							
		0							
			0	1	2	3	4	5	
			Not relevant					Crucial	
			Internal assessment (impact on business)						

In addition to materiality, meaningful sustainability disclosure should be reflected by being:



Complete
(cover all material issues and impact within the operation and period)



Comparable
(use consistent methods to measure the performance that support analysis of the changes over time)



Balanced
(show both positive and negative impacts for unbiased presentation of business sustainability performance)



Timely
(make the latest information available for stakeholders to make informed decisions by publishing regularly)

Prepare Your Sustainability Disclosure

Having read the above information, you are now ready to prepare sustainability disclosure for your company. We have designed a template on the next page to assist your company to do it in a structured manner. Depending on your commitment and desired level of practice to business sustainability management, you can choose how much to work on as indicated by the tags below:

For **Leader**

Publicise purpose statement, sustainability governance mechanism and policies with narratives of the actions taken, three years of performance data and targets on all five business sustainability dimensions and get the sustainability disclosures audited by third party

For **High Performer**

Publicise purpose statement, sustainability governance mechanism and policies with narratives of the actions taken, two to three years of performance data and targets on all five business sustainability dimensions

For **Beginner**

Publicise purpose statement, sustainability governance mechanism and policies with narratives of the actions taken, performance data and targets on all five business sustainability dimensions

Sustainability disclosure template

Sustainability issue to be covered

e.g. Low-carbon operation

Context of the issue

e.g.

- Extreme weather phenomena, such as typhoon, flood, heatwave and drought, are expected to become more frequent in the world due to climate change
- According to Policy Address 2020, the Hong Kong SAR government targets to reach carbon neutrality by 2050

Company's governance mechanism and policy in relation to the issue

e.g. Sustainability steering committee receives report from environmental management work group biannually; environmental policy on energy efficiency

Target and progress

e.g. Reduce our electricity consumption and hence Scope 2 carbon emissions by 20% by 2025 using 2018 as the base year (progress to date: reduced 5%)

Actions taken

e.g.

- Replaced all fluorescent lamps with LED lamps
- Carried out energy audit for improvement opportunities

Metrics and performance

e.g.

- [GRI 305-1] Direct (Scope 1) greenhouse gas emissions (2020: 62 tCO₂e; 2019: 66 tCO₂e)
- [GRI 305-2] Energy indirect (Scope 2) greenhouse gas emissions (2020: 387 tCO₂e; 2019: 412 tCO₂e)

Sustainability disclosure

e.g. Low-carbon operation

Our company recognises business has a role to play in mitigating climate change. We focus our efforts on enhancing energy efficiency as guided by our Environmental Policy. Supporting the Hong Kong SAR government's target to reach carbon neutrality by 2050, we are working towards reducing our electricity consumption and hence Scope 2 carbon emissions by 20% by 2025 compared to those in 2018. So far, we have made some progress to reduce the consumption and emissions by 10%. This was a result of the actions taken over the past two years, including:

- replaced all fluorescent lamps with LED lamps
- carried out energy audit for improvement opportunities

Our Scope 1 and 2 carbon emissions in 2020 were 62 tCO₂e and 387 tCO₂e, respectively. In comparison to the figures in 2019, a 6% reduction was recorded for both.

➤ What's Next

Sustainability disclosure is not a one-off task. Your company is recommended to update the disclosure annually. Not only will this benefit your stakeholders in getting the latest information but also your company in continuously engaging the stakeholders and being transparent. With the experience in preparing the sustainability disclosure, your company may identify ways to streamline the reporting process to make it more efficient. The disclosure can also be used for influencing your credit providers, suppliers and business partners to support your company's sustainability management.



Extended Readings

You can see how our Sustainable Value Chains (SVC) management framework helps you align closer with the United Nations Sustainable Development Goals (SDGs), the Companies Ordinance (Cap. 622) and HKEX's Listing Rules [here](#).

For SMEs wishing to do more for sustainability

As your company becomes more SDG-oriented, you may consider integrating SDGs in the disclosure. GRI has published Linking the SDGs and the GRI Standards, which is helpful for your company to communicate business impacts to SDGs

(<https://www.globalreporting.org/search/?query=Linking+the+SDGs+and+the+GRI+Standards>).

For SMEs wishing to get listed in Hong Kong

In addition to referring to HKEX's Main Board Listing Rules Appendix 27 or GEM Appendix 20 to for the disclosure requirements, your company may benefit from studying the following resources from the International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB) to enhance the disclosure quality.

IIRC –

<https://integratedreporting.org/wp-content/uploads/2021/01/InternationalIntegratedReportingFramework.pdf>

SASB –

<https://www.sasb.org/standards/>