

Planning for your company's business sustainability journey











永續坊
POLICY FOR SUSTAINABILITY LAB
公民社會與治理研究中心
CENTRE FOR CIVIL SOCIETY AND GOVERNANCE



Partnership for Sustainability
Leadership in Business
商界永續發展領袖計劃

Contents

Acknowledgement	1
Foreword	2
 Understanding Sustainability – What Does it Have to Do with SMEs?	4
 Enabler 1 – Creating Purpose Statement	19
 Enabler 2 – Establishing Sustainability Management Committee and Policies	33
 Enabler 3 – Developing Sustainability Action Plan	52
 Enabler 4 – Building Sustainability Baseline with Metrics and Data	63
 Enabler 5 – Formulating Sustainability Targets	75
 Enabler 6 – Preparing Sustainability Disclosure	86
 Additional Information	101

Acknowledgement

This Toolkit is part of the Partnership for Sustainability Leadership in Business programme initiated by the Centre for Civil Society and Governance and supported by The Hongkong and Shanghai Banking Corporation Limited (HSBC). Collaborators of the programme include:

- Hong Kong Exchanges and Clearing Limited (HKEX)
- Business Environment Council
- Hong Kong Productivity Council

We would like to express our sincere thanks to all parties who kindly contributed throughout the review and editorial processes.

Credits

Lead author: Kelvin Fok

Editorial team: Dr. Winnie Law, Darwin Leung, Donna Sit, Lianna Li

Foreword

A decade ago, sustainability was a relatively new idea to the business sector. Many considered they had already done their part through donation and volunteering. Nowadays, with better understanding of the associated risks to business, tightened regulatory requirements and increased stakeholders' awareness, businesses have gained better understanding of the idea. Their attention to sustainability management has also expanded from their own operations to value chains. More companies which are predominantly large in scale and listed are working on embedding it into their own strategies, operations and value chains. Small and medium enterprises (SMEs) which are essential business partners in their value chains are at a crossroads to understand sustainability and put it into practice for business growth. Nevertheless, SMEs may feel lost when approaching business sustainability with the limited knowledge and

talent they have. It is no secret that SMEs are particularly survival-conscious, and they are concerned about the amount of financial inputs to improve their sustainability management from the cost-effectiveness perspective. On the other hand, the existing resources available in the market tend to be sustainability issue-driven and large corporate-focused. SMEs which have little understanding of business sustainability may find the resources hard to follow and apply in their businesses. Indeed, all they need is SME-tailored roadmap and practical guidance suggesting that they are advancing their business sustainability by adopting them.

This is where we as academics step in, as our most impactful contribution would be to provide the know-how to support SMEs through their journey.

Together with the SME Sustainability Self-check Tool, the project team of Partnership for Sustainability Leadership in Business had developed this SME Sustainability Roadmap and Kick-Starter Impact Toolkit to bridge the knowledge gap and facilitate SMEs to integrate sustainability into their businesses on their own. Prepared with reference to internationally recognised environmental, social and governance (ESG) risk management framework, this Toolkit is the first-of-its-kind designed to provide a sustainability roadmap for SMEs in Hong Kong and beyond. The six enablers consist of practical guidance to help promote business sustainability in these companies step by step.

I encourage you to make use of this Toolkit to advance your company's sustainability performance.



Professor Wai-Fung Lam

Director, Centre for Civil Society and Governance,
The University of Hong Kong

Understanding Sustainability

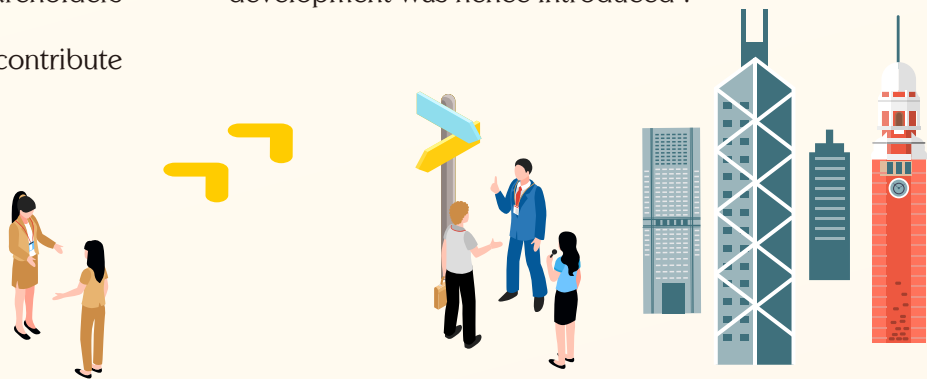
What Does it Have to Do
with SMEs?



From Corporate Social Responsibility to Business Sustainability

Prior to the emergence of sustainable development, social responsibility has been the subject that attempts to connect corporates and societies. In general terms, corporate social responsibility (CSR) addresses the expectations from stakeholders and society at large on companies' economic, legal, ethical and philanthropic responsibilities¹. From Confucianism entrepreneur² in the Chinese culture to the Western notion of "Social Responsibilities of the Businessman" in the 1950s³, CSR establishes the argument that companies should not purely focus on profit and serve the interest of their shareholders but adopt discretionary business practices and contribute corporate resources for community wellbeing⁴.

However, while donating money, building schools and hospitals and participating in volunteering work are doing good to the community, unrestrained development in business since the Industrial Revolution has taken a toll on the society and environment. Problems including poverty, over-population, inequality, climate change, resource depletion and environmental degradation made international organisations and academics questioned how to steer the world back on track where humanity could progress and survive sustainably. Sustainable development was hence introduced⁵:



Sustainable development is development



"that meets the needs of the present without compromising the ability of future generations to meet their own needs".

With the official introduction by The Brundtland Commission in 1987, sustainable development has been steadily mainstreamed and rewiring how the society approaches environmental and social issues. This trend started influencing the business sector over the past decade in particular due to increasing evidence that failure in managing sustainability risks harms the bottom line

and the market favours companies which proactively address sustainability concerns. Businesses regardless of industry and size can be impacted by the trend. The earlier the companies manage business sustainability, the better the business outcome and societal development.



- ¹ Carroll, A. B. and Shabana, K. M. (2010). The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice. *International Journal of Management Reviews: IJMR*, 12(1), 85-105.
- ² Tak, S. C. and King, Y. C. A. (2004). Righteousness and Profitableness: The Moral Choices of Contemporary Confucian Entrepreneurs. *Journal of Business Ethics*, 54(3), 245-260.
- ³ Bowen, H. R., Gond, J. P., and Bowen, P. G. (2013). *Social Responsibilities of the Businessman*. Iowa City: University of Iowa Press.
- ⁴ Kotler, P. and Lee, N. (2005). *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*. Hoboken, NJ: Wiley.
- ⁵ The World Commission on Environment and Development. *Our Common Future*. https://sustainabledevelopment.un.org/content/documents/5987_our-common-future.pdf

Basics of Business Sustainability

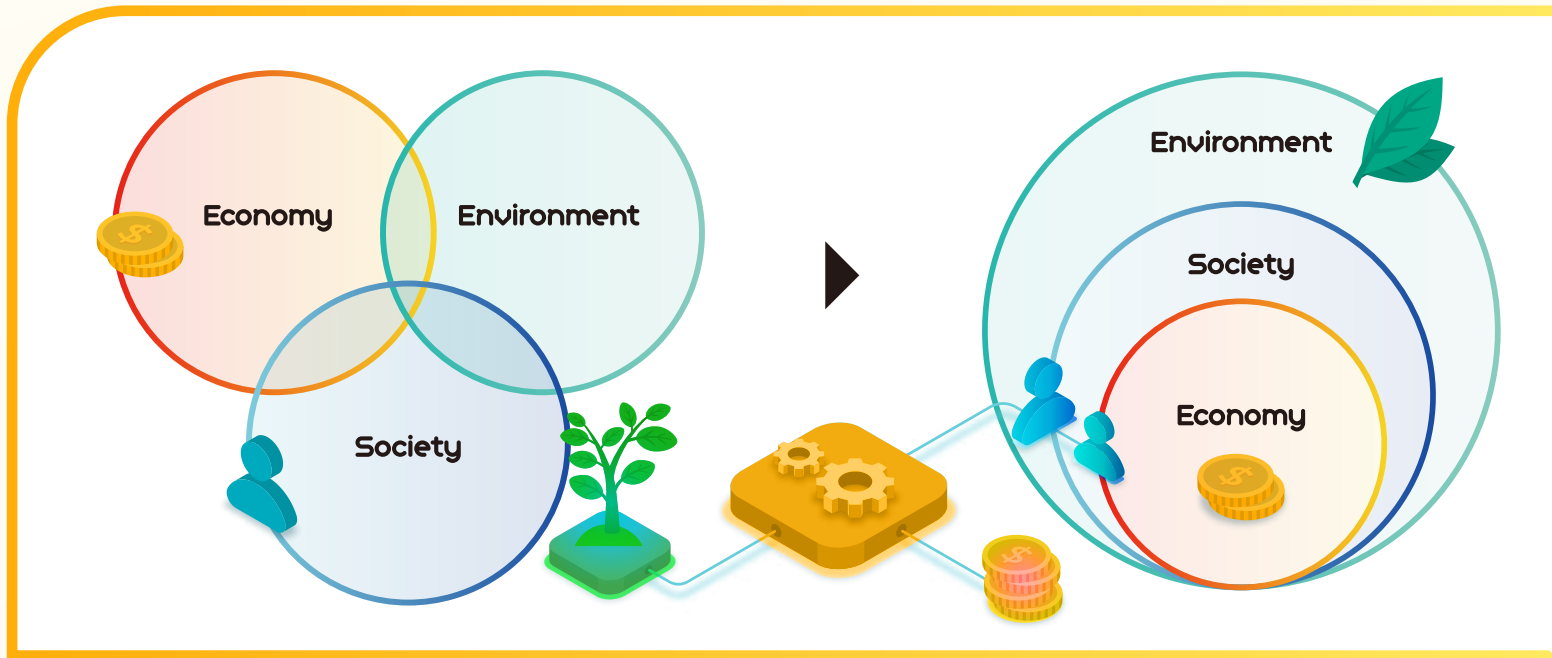
Business sustainability underlines the fact that business activities impact and, at the same time, are impacted by not only the economy but also the society and environment. Sustainable development is commonly known to comprise the three pillars – economy, society and environment. Graphically, they are represented by three circles of equal size, and sustainability is to strike a balance between them. Nevertheless, this thinking implies the three pillars are of same level of importance and can always allow trade-offs⁶ which does not reflect the reality.

Objectively, the presence of business essentially depends on the environment and society. Firstly, raw materials and daily essentials that business activities require to function, such as electricity, are all produced and extracted from the natural environment. Secondly, the economy needs human inputs, such as labour, productivity, innovation, technology, and more. Thirdly, the formation of society and its sustenance rely on the environment. Illustrated with the three-nested dependencies model, business or economy is built upon the society and, in turn, environment.



⁶ International Union for Conservation of Nature. The Future of Sustainability. <https://portals.iucn.org/library/sites/library/files/documents/Rep-2006-002.pdf>

Figure 1: **From three-pillar model to three-nested sustainability model**

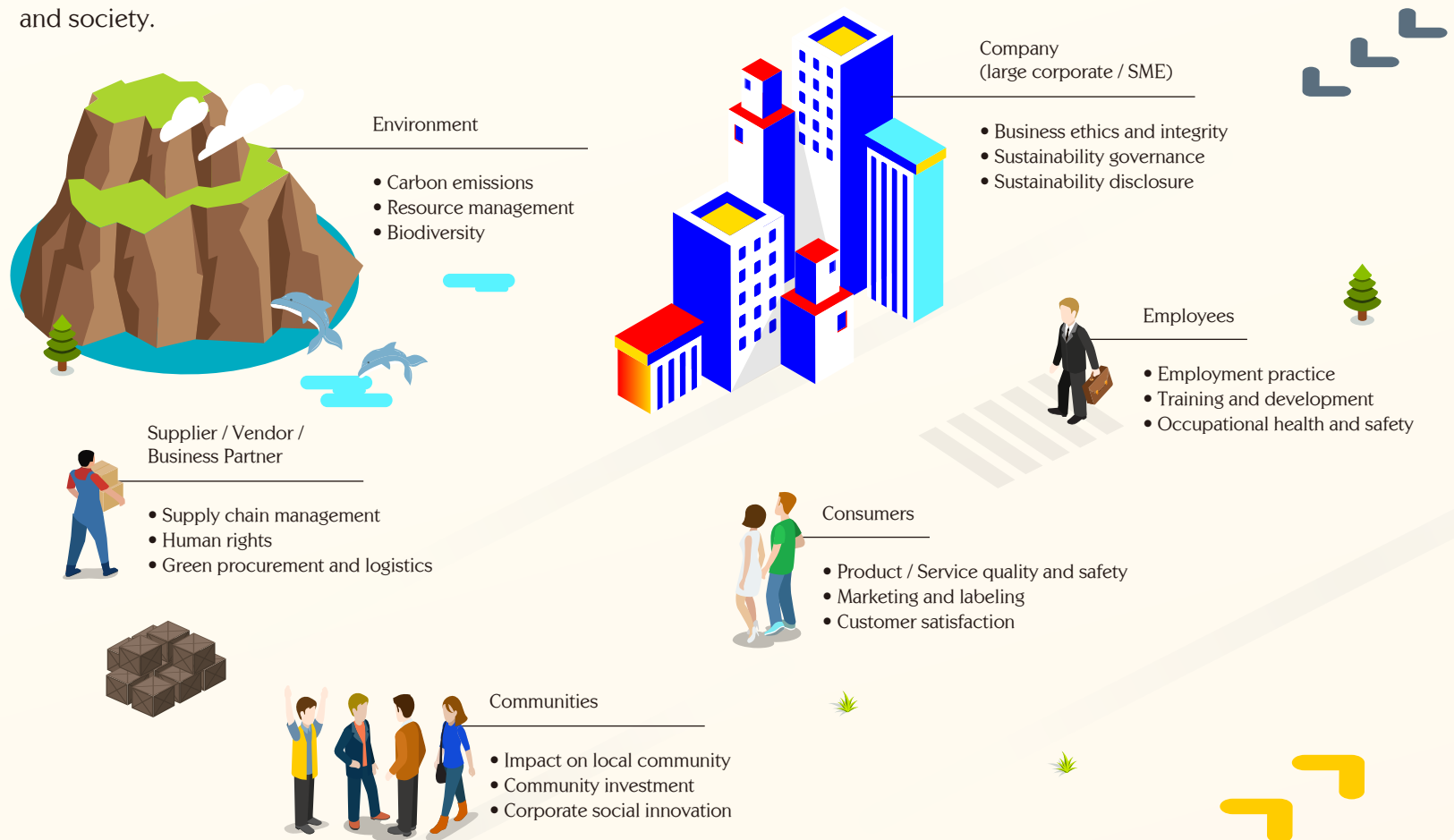


The three-nested sustainability model implies that business sustainability requires companies to conduct business activities in a manner that cause minimal negative impact on the environment and society and, if possible, bring positive contributions to them. Quality environment and social wellbeing are the prerequisites of a

flourishing economy that lasts. This is particularly evident with climate change and environmental degradation threatening the society and economy in terms of health and safety, resource availability and business operations.

In this sense, business sustainability goes beyond CSR of doing good for the society by donation and volunteering activities. Companies have to look into the sustainability issues arisen from the products, services, operations and value chains, and act for the interest of the environment and society.

Proactive management of the issues deemed material to the business maintains the license to operate and fosters the relationship with the key stakeholders.



Business Case of Sustainability Besides Compliance

Despite small in scale, SMEs' operations are affected by the environment and society, and the overall sustainability risk to the SME sector is not necessarily less than that from the large businesses. Executives nowadays consider sustainability strategy necessary to mitigate risks and stay competitive for their businesses. Many companies around the world have been adhering to the principles of sustainable development in their strategic management and operations which go beyond regulatory requirements.

From the application of green energy and practice of sustainable procurement to reduction of carbon footprint and adoption of ethical employment practices, these companies have progressively placed the sustainability agenda at the core of their business value. Business sustainability has presented companies numerous opportunities for sustainable growth:



Business Operation Resilience

Sustainability-orientated approach highlights issues of governance-related, environmental, social and other value chain-related risks which are to be addressed with strategy and business operations. It builds resilience across the business operations both today and going forward.



Company Reputation

With greater concerns on businesses from the public towards their sustainability impacts, being sustainable in business boosts corporate reputation. The brand helps company access to a wider talent pool, reinforce employee relationship, increase staff retention and become employer of choice.



Investment Decision

As attention about sustainability challenges have come front and centre for many institutional investors, responsible and sustainable investing have been on the rise. Investors are looking for companies that reflect linkages between financial performance, environmental management and social wellbeing when making investment decisions.



Customer Loyalty

Customers nowadays are more concerned about the supply chain management of a company's products or services. Being sustainable can reinforce the company's responsible reputation and respond to customer's demands, contributing to more business and referrals of new customers.



Business Innovation

Businesses are subject to the emerging sustainability issues such as climate change and ageing population. By considering them when formulating business strategies, companies can be benefited through innovating products, services or ways of conducting businesses. Integrating sustainability into business will help companies stay relevant and grow.

Strong sustainability performance conveys the potential for more sustainable revenue growth, greater appeal to employees and investors, higher customer retention and better access to new market opportunities.

Along this line of thinking, SMEs need to have a good grasp of sustainability issues to remain competitive in the market.

Implication of Sustainable Value Chain in Large Corporates to SMEs

On the other hand, driven by mandatory reporting requirements by stock exchanges, publicly listed companies are increasingly measuring and disclosing the management approach and performance on key sustainability issues annually. Such sustainability, or environmental, social and governance (ESG) reporting presents the big picture of a company in managing issues in not only its own operations but also the value chain. Taking the ESG Reporting Guide by The Stock Exchange of Hong Kong as an example, the listed companies need to report on how they have engaged their suppliers, how the climate, environmental and social risks have been identified in their supply chains, and how they are promoting environmentally preferable products and services when selecting suppliers⁷.

In fact, in response to the heightened stakeholder scrutiny, increasing number of large corporates and multinational corporations (MNCs) are going beyond the minimum requirements. In addition to going green and becoming more inclusive in their own operations, they are extending these commitments to the supply chains. These companies have been requiring their suppliers to complete sustainability questionnaires. Furthermore, the suppliers are asked to acknowledge and comply with the companies'



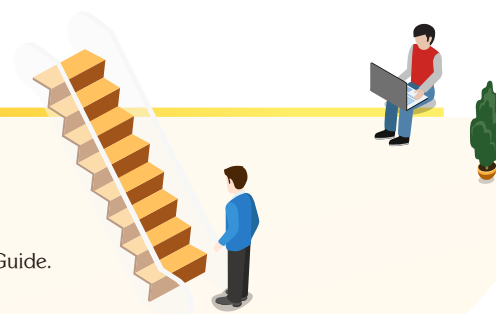
supplier code of conduct, which spells out their expectations on the suppliers' labour standards, health and safety practices and environmentally conscious behaviour. Some of these companies have also set science-based targets voluntarily, which address the carbon emissions from the operations and value chains, to contribute to low-carbon economy according to climate science⁸.

From this perspective, with sustainable value chain increasingly suggested by the large corporates, SMEs have to act on business sustainability now to sustain the partnership and create long-term values for the stakeholders.



So, as top management of your SME, is your company ready for seizing the opportunities of sustainable growth and meeting the heightened expectations from your clients and strategic business partners?

With this Toolkit and the six enablers, you will be able to better manage business sustainability and respond to the above questions.



⁷ The Stock Exchange of Hong Kong. Appendix 27 of the Listing Rules, Environmental, Social and Governance Reporting Guide. <https://en-rules.hkex.com.hk/rulebook/environmental-social-and-governance-reporting-guide-0>

⁸ Science Based Targets. <https://sciencebasedtargets.org/>

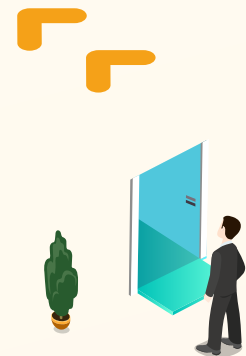
Introducing a Sustainability Roadmap for SMEs



As corporates are increasingly practicing business sustainability, more information about how to integrate sustainability into business has become available. Nevertheless, the information tends to focus on sophisticated systems and procedures (e.g. enterprise risk management, three lines of defense) which are applicable to large corporates but not SMEs. On the other hand, with limited knowhow, the lack of direction and shortage of ready-to-use resources are suggested to hinder SMEs in picking up business sustainability. While they may be eager to work on it, the knowledge gap challenges SMEs in advancing the agenda on their own.

This Kick-Starter Impact Toolkit is created with the aim to bridge the gap by recommending a sustainability roadmap tailored for SMEs in general. Developed by

sustainability professionals, the project team attempts to support SMEs' owners and senior management on the sustainability journey with the necessary knowledge and guidance. By adopting the Toolkit, companies will be able to put in place the structure and business process of sustainability management and improve transparency of sustainability disclosure. Whether the structure, business process and disclosure are of good quality in practice is beyond the scope and control of this Toolkit.



This Toolkit is unique in the market:

It is the first all-in-one booklet outlining the essentials about business sustainability in local and regional context

Being the first step-by-step guide for company's capacity building in sustainable value chain management, the Toolkit includes the first sustainability roadmap tailored for SMEs in Hong Kong and beyond as well as specific methodologies for sustainability practitioners' application

The methodologies are applicable to companies of all nature working on sustainable value chain management regardless of their paces and aspirations

The Toolkit is developed with reference to international enterprise risk management framework to ESG⁹, namely governance and culture, strategy and objective-setting, performance, review and revision as well as information, communication and reporting, focusing on practicality for SMEs

Following the steps would help companies align closer with the Companies Ordinance (Cap. 622), HKEX Main Board Listing Rules Appendix 27 or GEM Listing Rules Appendix 20, GRI Standards, sustainability indices and United Nations Sustainable Development Goals

The Toolkit forms part of the key component of and is recognised by companies signing the [Sustainable Value Chains Commitment](#)

⁹ COSO and WBCSD. Enterprise Risk Management – Apply enterprise risk management to environmental, social and governance-related risks. <https://www.coso.org/Documents/COSO-WBCSD-ESGERM-Guidance-Full.pdf>



As an introduction, Understanding Sustainability - What Does it Have to Do with SMEs? briefly presents the basic concept of business sustainability and the relevance to SMEs. It is followed by six enablers which provide practical information, templates and tasks to facilitate SMEs' sustainability management. They cover the topics

from purpose statement, sustainability governance and action plan to metrics, targets and disclosure. Some external references are also included for additional support. SMEs are advised to study this Toolkit in this order, especially for the enablers, to build the capacity strategically and systematically.

Figure 2: **Suggested sequence to study the Toolkit**



The project team understands that SMEs are practicing business sustainability at different paces with varying aspirations on what to achieve. To make the enablers more relatable, the tasks in each enabler can be taken at three levels of practice as indicated by the tags:

For **Leader**

For **High Performer**

For **Beginner**



Based on the company's current status, sustainability aspiration and available resources, SMEs can choose the suitable tasks to complete. To make an informed choice, you are suggested to complete the project's [SME Sustainability Self-check Tool](#) or refer to the [Business Sustainability Maturity Rubrics](#) on the next page to evaluate the current status on sustainable value chain management.

Table 1: **Business Sustainability Maturity Rubrics**

	Novice	Beginner	High Performer	Leader
Top Management’s Understanding of Business Sustainability	Top management has no understandings of business sustainability and implications to the company	Top management has simple understandings of business sustainability (e.g. triple bottom line, corporate social responsibilities) and implications to the company (e.g. crisis management, compliance)	Top management has good understandings of business sustainability (e.g. creating shared values, corporate social innovation) and implications to the company (e.g. operational efficiency, risk management)	Top management has detailed and impressive understandings of business sustainability (e.g. the United Nations Sustainable Development Goals, sustainable value chain, enterprise risk management to ESG risks) and implications to the company (e.g. market differentiation, business resilience)
Structure of Sustainability Governance	Dedicated director-or executive-led governance structure on sustainability is absent, and the company’s governance structure does not deal with sustainability	Dedicated director- or executive-led governance structure on sustainability is absent, but sustainability is dealt with in other governance structure in an ad hoc manner	Dedicated director- or executive-led governance structure on sustainability is present, and sustainability is dealt with on regular basis by the governance structure	Dedicated director- or executive-led governance structure on sustainability is present, and sustainability is dealt with on regular basis by the governance structure. Working groups are in place to further support the governance structure on sustainability governance
Assessment of Sustainability Issues	The company has no knowledge about sustainability issues	The company has good knowledge about sustainability issues and has identified those issues that are material for management through internal discussion and review	The company has good knowledge about sustainability issues and has identified those issues that are material for management through both internal and external stakeholder engagement	The company has good knowledge about sustainability issues and has identified those issues that are material for management through both internal and external stakeholder engagement with regular review
Extent of Sustainability Management in Value Chain	Sustainability is not at all managed in the business	Certain sustainability projects have been initiated to manage sustainability, but the scope is limited to certain business operations	Sustainability is systematically managed (e.g. policy, management structure) within the company’s own operations, but limited efforts have been paid to manage sustainability along the business’s value chain (e.g. issues arising from the product or service lifecycle)	Sustainability is systematically (e.g. policy, management structure) and constantly managed both within the company’s own operations and value chain
Collection and Analysis of Sustainability Information and Data	Sustainability information and data are not at all collected and analysed in the company	Project-specific sustainability information and data are collected and analysed in the company	Company-wide information and data concerning material sustainability issues identified are collected and analysed in the company	Besides information and data concerning material sustainability issues arising from the company’s own operations, information and data arising from the business’s value chain are collected and analysed
Allocation of Resources for Sustainability	The company does not allocate any resources to sustainability management	The company allocates resources to carry out certain projects for sustainability management	The company allocates resources to carry out programmes for sustainability management and provide sustainability training to employees	The company allocates resources to carry out programmes for sustainability management, provide sustainability training to employees, and educate suppliers, customers and other value chain partners

○ Enabler 1

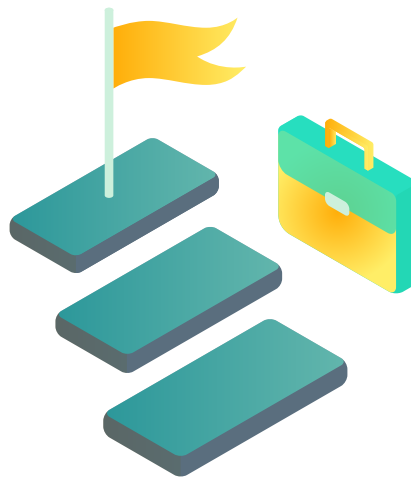


Creating Purpose Statement



About Enabler 1

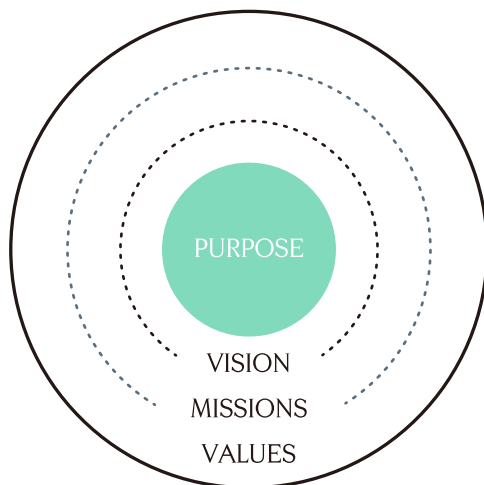
Your company may have a vision and/or mission statement that articulates where you want the business to get to and how you would achieve that. More fundamentally, though, does it have a purpose statement to address why you have founded your business in the first place? If the answer is no, read on as this enabler will guide you to establish a business-aligned and meaningful purpose statement for your company.



🔗 What is a Purpose Statement

Purpose statement is a simple sentence or line to communicate why your company exists. Gone are the days that creating value solely for shareholders justifies a company's existence. With the business sector recognising their impacts to environmental and social sustainability as well as the rising expectations from stakeholders, a purpose statement that clearly defines your company's objectives has become more popular.

Figure 3: Relationship between company's purpose, vision, missions and values



Purpose: Why your company or brand exists

Vision: Where you want to get to by a specific point in time in line with the Purpose.

Missions: What bold moves do you need to take to achieve the Vision.

Values: How you behave as a brand, what behaviours and attitudes you display

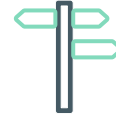
Having your brand's purpose defined is more than marketing gimmick of telling a story to your customers. Rather, the process and product facilitate your company's strategic management¹⁰ as purpose statement:



sharpens a firm's
business focus



ensures that the interests of
key stakeholders are not ignored



guides the resource allocation
process in a manner that
produces consistency and focus



inspires and motivates
organisational members to
exceptional performance



provides a sense of purpose
and direction



promotes shared values
and behavioural standards

Characteristics of Purpose Statement

While each company has its own purpose of existence and focus areas, how it articulates that in the form of purpose statement is similar to one another, with the choice of word and level of detail vary.

¹⁰ Bart, C. K. (1997), Sex, Lies and Mission Statements. Business Horizons, pp. 9-18, November-December 1997, Available at SSRN: <https://ssrn.com/abstract=716542>

Table 2: **Real-world examples of purpose statement**

Company	Industry	Purpose Statement
Patagonia ¹¹	Textiles, apparel and luxury goods	Patagonia is in business to save our home planet
Kellogg ¹²	Food products	Creating better days and a place at the table for everyone through our trusted food brands
Sony ¹³	Leisure equipment and products and consumer electronics	Fill the world with emotion, through the power of creativity and technology
MTR Corporation ¹⁴	Transportation and transportation infrastructure	Keep cities moving
HKEX ¹⁵	Finance	To promote and progress our financial markets and the communities they support for the prosperity of all

By referring to the examples above, the purpose statements concisely express the positive changes the companies have a role to make to the underlying challenges in one line. These challenges, or focus areas, can be any environmental or social issues that are of your company’s and stakeholders’ concerns, and are impacted by your business activities.

¹¹ <https://www.patagonia.com.au/pages/our-mission>
¹² https://www.kelloggcompany.com/en_US/our-vision-purpose.html
¹³ https://www.sony.net/SonyInfo/CorporateInfo/purpose_and_values/
¹⁴ <https://www.mtr.com.hk/purpose-vision-values/en/index.html>
¹⁵ https://www.hkexgroup.com/About-HKEX/About-HKEX/Our-Purpose-Vision-and-Values?sc_lang=en

In terms of pattern, they generally pair the action(s) with target stakeholder(s) plus business relevance as shown below:

Positive Change

Action + Targeted Stakeholder (+ Business Relevance)

e.g.

- Patagonia is in business to save our home planet
- Creating better days and a place at the table for everyone through our trusted food brands
- Fill the world with emotion , through the power of creativity and technology
- Keep cities moving
- To promote and progress our financial markets and the communities they support for the prosperity of all

No matter how you are going to frame the purpose statement, it should be:



Simple
(easy wording,
clear structure)



Concise
(to the point, no
more than 20 words)



Outcome-oriented
(focus on
business impact)



Make Your Purpose Statement

Having read the above information, you are now ready to create a purpose statement for your company. The process of creating the purpose statement is divided into three parts:

- 1.** engaging stakeholders,
- 2.** forming problem statement and business case, and
- 3.** writing purpose statement and consulting internally.

Depending on your commitment and desired level of practice to business sustainability management, you can choose where to start as indicated by the tags below:

Part 1 – Engaging stakeholders

As senior or top management, while you may have some initial thoughts about the purpose of your company, you may want to start with understanding how your stakeholders perceive the business and what challenges they wish your company to address. You can start by engaging your staff and customers through interview or focus group to brainstorm some ideas. Through this process, you should be able to generate a list of problems that you can make use of in Part 2.

Questions to ask:

By what means should I collect feedback from the stakeholders?

.....

.....

.....

What are the common topics that the stakeholders are concerned about?

.....

.....

.....

What are the challenges that the stakeholders think my company can address?

.....

.....

.....

To frame your company’s purpose, firstly you need to identify the challenges that are relevant to your business. Secondly, you have to determine your company’s role on these challenges with regard to the products, services or brand influence. You are recommended to choose the challenges that your business can directly address. This process will facilitate you to pinpoint one to two most relevant area(s) that form the basis of your purpose statement.

The list below puts forward some of the sustainability problems which may be related to your business.

Table 3: **Examples of sustainability challenges** ^{16 17 18}

Environmental	Social
<ul style="list-style-type: none">• Renewable energy• Energy efficiency• Pollution prevention and control• Biodiversity conservation• Clean transportation• Sustainable water and wastewater management• Climate change adaptation• Green and/or circular economy• Green building• Sustainable forestry• Desertification, land degradation and drought	<ul style="list-style-type: none">• Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)• Access to essential services (e.g. health, education and vocational training, financing and financial services)• Affordable housing• Employment generation• Food security and sustainable food systems• Socioeconomic advancement and empowerment• Rural development• Poverty eradication• Violence against children• Sustainable tourism• Sustainable cities and human settlements• Disaster risk reduction

Questions to ask:

What are the existing problems in the location(s) my business operates in?

How does my business contribute to these problems, and/or how do the problems affect my business operations?

How can my products, services or the way my company conducts business help alleviate the problems or benefit the situation?

¹⁶ International Capital Market Association. Green Bonds Principles.
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf>

¹⁷ International Capital Market Association. Social Bonds Principles.
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Social-Bond-PrinciplesJune-2020-090620.pdf>

¹⁸ United Nations Department of Economic and Social Affairs. Sustainable Development. <https://sdgs.un.org/topics>

With your company’s purpose identified, you can make use of the “Action + Target Stakeholder” pattern to put together the statement. The purpose statement should express the positive outcome(s) your company is trying to create. The following table contains some of the useful words for your company’s purpose statement.

Table 4: **Selected words for purpose statement**

Action		Target Stakeholder	
Help	Create	World	Nature
Build	Connect	Planet	Society
Nourish	Make	Environment	People

After writing the statement, you should go around and ask all your employees for comments to settle any disagreement on the direction or wording. This process will help secure the internal support to your company’s purpose.

Questions to ask:

Does the purpose statement reflect the specific value of my company instead of being general?

Can my stakeholders understand from the purpose statement what my company is trying to address?

Does this purpose statement specify the focus so I can further translate the purpose into a business strategy or plan?

Your Purpose Statement:

➤ What's Next

You can make the purpose statement visible in your company's office, portfolio, policies, website, marketing materials, or even tendering documents. You are also advised to review your business actions against the purpose from time to time to measure your progress and adjust.

A purpose statement is nothing but words if your company does not follow through it. You should have sustainability governance structure, policies, programmes or projects that can support the stated purpose. The subsequent enablers will give you more ideas on how to set these up.





Extended Readings

For SMEs wishing to do more for sustainability

Engaging both internal and external stakeholders are essential to steer sustainability management within your company. AA1000 has issued a standard about the essentials of conducting stakeholder engagement

(<https://www.accountability.org/standards/aa1000-stakeholder-engagement-standard/>).

For SMEs wishing to get listed in Hong Kong

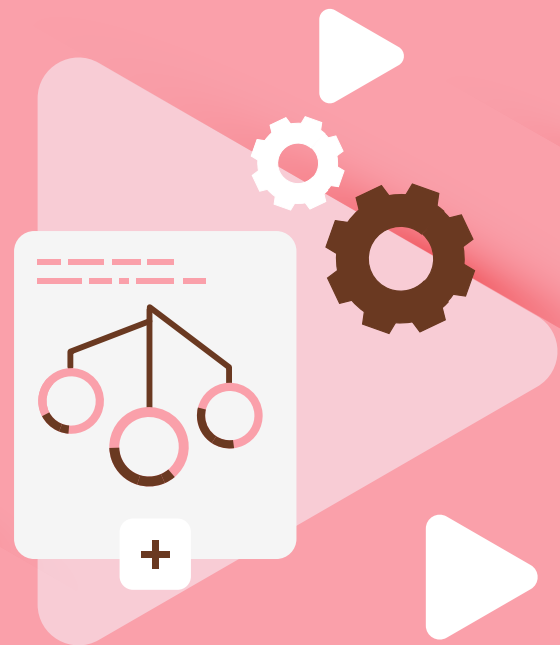
Your stakeholders may raise concerns on a variety of sustainability issues but not all of these are material in relation to your company's business focus. You may refer to the materiality table published by HKEX for more information

(https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/step_by_step.pdf?la=en).

○ Enabler 2

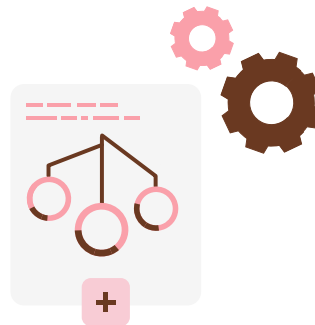


Establishing Sustainability Management Committee and Policies



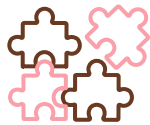
About Enabler 2

As top management of your SME, you may think that establishing sustainability-governing committee as well as written, standalone sustainability policies not required by regulations are only for large corporates. Afterall, they have more resources and larger organisational structure than yours. However, they are important for your company's sustainability management as the former, with the leadership of the top management, can foster the integration of sustainability strategy across business operations and the latter can list the principles or rules for your staff to refer to and follow when dealing with particular subjects, without the need of full involvement from the top management. Read further to learn about how you can develop sustainability management committee and policies for your company.



② What are Sustainability Management Committee and Policies

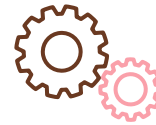
Sustainability management committee is a formal governance structure to provide oversight of the company-wide sustainability management. In general, the committee meets regularly to carry out duties including formulating sustainability strategy, managing sustainability risk and reviewing compliance on sustainability matters. A sustainability management committee can:



demonstrate leadership
commitment to
sustainability management



clarify the roles and
responsibilities in
sustainability management

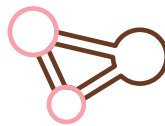


integrate sustainability
into different
business aspects

On the other hand, sustainability policies are a means for the top management of a company to set the tone to consistently manage sustainability issues in the operations throughout the organisation. Business sustainability covers a vast range of issues, such as energy, water, waste, climate change, biodiversity, occupational health and safety, sustainable procurement and human rights. By stating the principles and rules, the documents provide standards for your employees and/or suppliers to adhere to. They also guide your employees to think about how their daily work can support the company's sustainability objectives. Simply put, establishing sustainability policies can help your company:



consistently
manage major
sustainability risks



demonstrate commitment
both internally and externally
(if published)



satisfy tender
requirements from
large corporates

Characteristics of Sustainability Management Committee and Policies

Being a governance structure, sustainability management committee typically includes personnel at the senior and top management level (e.g. senior management, executive and director) from different functions. Some companies have formally documented in the terms of reference the composition, meeting frequency, attendance, responsibilities and authority of the committee. For example:

Table 5: **Real-world examples of sustainability management committee**

Company	Terms of Reference
CK Hutchison Holdings Limited	https://www.ckh.com.hk/upload/assets/downloads/en/e_SC_TOR.pdf
Hysan Development Company Limited	https://www.hysan.com.hk/app/uploads/2021/01/e_Board-Sustainability-Committee-TOR-Jan-2021.pdf
Vitasoy International Holdings Limited	https://www.vitasoy.com/wp-content/uploads/2015/01/ESG-Committee-Terms-of-Reference-Board-approved_0422.pdf

On the other hand, different companies may take different approaches when making the policies. Some would put all relevant sustainability issues within one policy#. Others would address one issue in one policy ^. The examples below may give you more ideas of the approaches:

Table 6: **Real-world examples of sustainability policies**

Policy	Example
Corporate social responsibility policy#	Hutchison Telecommunications Hong Kong Holdings Limited – https://www.hthkh.com/en/esg/csr.pdf
Sustainability policy#	HKR International Limited – https://www.hkri.com/en/CSR/Sustainability-Policy
Health, safety and environmental policy ^	The Hong Kong and China Gas Company Limited – https://www.towngas.com/getmedia/f244d84a-d945-4726-8ab7-a995428f9449/CHSE_Polocy_ver10_Poster_Eng.pdf.aspx
Environmental policy ^	CLP Power Hong Kong Limited – https://www.clp.com.hk/en/community-and-environment/sustainable-future/environmental-policy
Climate change policy ^	Swire Properties Limited – https://www.swireproperties.com/en/sustainable-development/policies/climate-change-policy.aspx
Occupational health and safety policy ^	HK Electric Investments Limited – https://www.hkelectric.com/en/CorporateInformation/Documents/HKEI%20Policy_Health%20and%20Safety%20Policy_E.pdf
Responsible procurement policy ^	Vitasoy International Holdings Limited – https://www.vitasoy.com/wp-content/uploads/2019/03/Vitasoy-Group-Responsible-Procurement-Policy.pdf
Speak up policy ^	The Hongkong and Shanghai Hotels Limited – https://www.hshgroup.com/en/corporate-governance/speak-up-policy

Figure 4: **Swire Properties' Climate Change Policy**

1. As a developer, owner and operator of mixed-use properties, Swire Properties Limited (the “Company”) is committed to managing climate change risks across its operations and developing strategies in line with global best practices to mitigate the impact of climate change on its operations, to adapt its operations to climate change and to increase its resilience to climate change.

1
2

2. It is the policy of the Company to:

Mitigation

- (a) reduce its carbon footprint through the establishment and implementation of long-term carbon emissions reduction targets;
- (b) adopt industry best practices to improve energy efficiency across its operations – from development of green buildings to energy and carbon management of its buildings;
- (c) increase the use of renewable energy in its buildings through on-site energy generation, purchase of renewable energy supplied externally and other methods where applicable;
- ...
- (k) ensure that relevant information and resources are available for building adaptive capacity for monitoring climate change impact on its operations and carbon management objectives and targets;
- (l) communicate with those with whom the Company works, including employees, suppliers, tenants, other customers and local communities, regarding climate change impacts and the Company's climate change strategies in order to help improve their resilience against future climate change; and
- (m) disclose to the public its climate-related risks and how these risks are managed.

3

3. The Company will review this Climate Change Policy from time to time as appropriate, and in any event, once every three years.

4

By referring to the screenshots of the policies in Figure 4 and 5, a policy typically consists of the following elements:

1.

Company’s commitment on the issue
2.

Scope of the policy
3.

Approach and principles
4.

Review of policy

Figure 5: **The Hongkong and Shanghai Hotels' Speak Up Policy**

We are committed to the highest standards of openness, probity and accountability. In line with that commitment, we welcome suppliers, customers, and all other people with whom the Group engages in business relations to express any concerns they have about suspected illegal or illegitimate practices.

1
2

Internally, we encourage colleagues to speak up if they suspect wrongdoing of any kind. All queries about the interpretations and application of our Code of Conduct will be treated seriously and respectfully and assessed with confidentiality in a timely manner.

When making a report, this must be done in good faith and not for the purposes of spreading false information or making a report with malicious intent. Please provide as much information and be as specific as possible so we can follow up efficiently. It is our policy that retaliation is not permissible against any person raising a concern in good faith.

3

No matter how many sustainability issues you are going to include in a policy, the policy should be:



Specific
(what topics to address,
which stakeholders to include)



Clear
(policy structure,
wording, review)



Operation-focused
(commitment-operation
alignment)

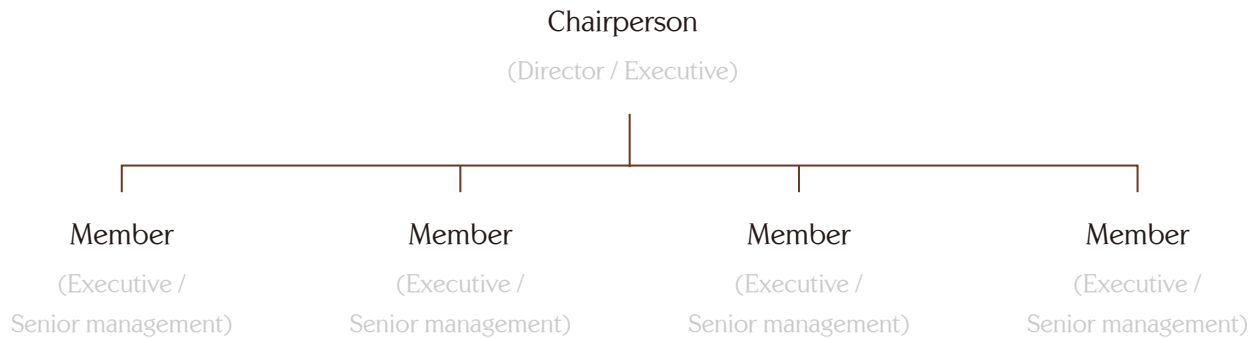
Establish Your Sustainability Management Committee and Policies

Having read the above information, you are now ready to establish sustainability management committee and policy(ies) for your company.

You will first need to form a director- or executive-led sustainability management committee with the suitable mix and number for your company. The use of the following questions and organisational chart will facilitate the process:

- Which director(s) and / or executive(s) should I include in the committee?
- Who should I further include in the committee?
- Who should be the secretary of the committee?
- Can the people in the committee represent all the major aspects of my business?
- How often should the committee meet?
- What sustainability issues that are of my company's concerns should be discussed in the committee meeting?

[Company Name] Sustainability Management Committee



Secretary:

Meeting frequency: 

Duties:

Now you can arrange a meeting with the members of the sustainability management committee and develop sustainability policies. Depending on your commitment and desired level of practice to business sustainability management, you can choose which policy(ies) to work on as indicated by the tags below:

Policy to address industry-specific sustainability issue
(e.g. green building, sustainable investment, animal welfare)

Company's Letterhead
POLICY TITLE

Commitment

[Company name] recognises that

Approach

Review

We will review this policy as deemed appropriate or every _____ year(s) / months.

SUSTAINABLE PROCUREMENT POLICY

Commitment

[Company name] is committed to managing the environmental and social impacts arising from our operations. This commitment also extends to our supply chain as we procure goods and services. By integrating environmental and social considerations into our procurement policy and practices, we strive to improve our procurement performance and work with our suppliers for sustainable development.

Approach

In addition to working only with suppliers who adhere to applicable law and regulations, we will:

[Elaborate on the following issues concerning sustainable procurement where applicable:]

- Buying decisions integrating environmental considerations (e.g. energy efficiency, pollution, toxicity, recycled content, use of natural resources)
- Buying decisions integrating social considerations (e.g. working hours, salary and benefits, occupational health and safety, non-discrimination of contractors' workers)
- Product innovation with suppliers
- Preference to suppliers with recognised certifications (e.g. FSC®, ENERGY STAR®, Fairtrade), management systems (e.g. ISO 14001 Environmental Management System, ISO 50001 Energy Management System, ISO 45001 Occupational Health and Safety Management)
- Supplier's acknowledge to the company's supplier code of conduct
- Regular supplier monitoring, audit, assessment and engagement

Review

We will review this policy as deemed appropriate or every _____ year(s) / months.

For **Beginner**

For **High Performer**

For **Leader**

Company's Letterhead

ENVIRONMENTAL POLICY

Commitment

[Company name] recognises that our business activities impact the environment. We are committed to reducing the adverse impact and continually improving the environmental performance from our day-to-day operations. We will encourage customers, suppliers and other stakeholders to do the same.

Approach

In addition to complying with the relevant regulatory requirements,
[Choose from the list below¹⁹]

Paper

- We will minimise the use of paper in the office.
- We will reduce packaging as much as possible.
- We will seek to buy recycled and recyclable paper products.
- We will reuse and recycle all paper where possible.

Energy and water

- We will seek to reduce the amount of energy used as much as possible.
- Lights and electrical equipment will be switched off when not in use.
- Air-conditioning will be adjusted with energy consumption in mind.

¹⁹ Adopted from <https://startups.co.uk/sustainability/how-to-create-an-environmental-policy-statement/>

Office supplies

- We will evaluate if renting / sharing is an option before purchasing equipment.
- We will evaluate the environmental impact of any new products we intend to purchase.
- We will favour more environmentally friendly and efficient products wherever possible.
- We will reuse and recycle everything we are able to.

Transportation

- We will reduce the need of business travel.
- We will promote the use of travel alternatives such as e-mail or video / phone conferencing.
- We will favour electric vehicles and maintain them rigorously to ensure ongoing efficiency.

Maintenance and cleaning

- Cleaning materials used will be as environmentally friendly as possible.
- Materials used in office refurbishment will be as environmentally friendly as possible.
- We will only use licensed and appropriate organisations to dispose of waste.

Monitoring and improvement

- We will continually improve and monitor environmental performance.
- We will incorporate environmental factors into business decisions.
- We will increase employee awareness through training.

Culture

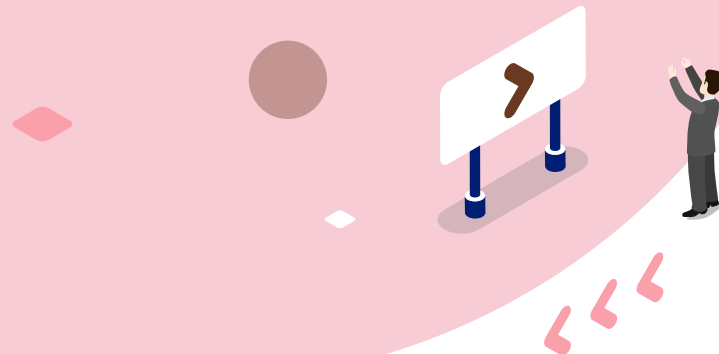
- We will involve staff in the implementation of this policy, for greater commitment and improved performance.
- We will work with suppliers, contractors and sub-contractors to improve their environmental performance.
- We will use local labour and materials where available to help the community and reduce carbon emissions.

Review

We will review this policy as deemed appropriate or every _____ year(s) / months.

➤ What's Next

Having developed a director- or executive-led sustainability management committee, you can set up dedicated working groups (e.g. environmental management working group, occupational health and safety working group) to involve personnel at the working level to facilitate the management of specific sustainability issues in your company. The working groups will meet regularly (e.g. quarterly, biannually) and report to the sustainability management committee. For the working groups to perform their duties, you have to make sure they have adequate resources.



You should officially introduce the sustainability policies you have developed to your employees and other relevant stakeholders, and keep the documents accessible. This can be done by sending internal email, putting them up on the notice board and uploading them to the company's shared folder or Intranet, for example. To make sure the policies can be effectively implemented, you can organise regular training.

Now that you have a strategic approach to manage sustainability issues, your company will be further benefited by having action plans, metrics for monitoring the performance and setting targets to realise the commitments stated in the policies. The subsequent enablers can give you more ideas on these.

Extended Readings

For SMEs wishing to do more for sustainability

While every business is subject to different sustainability risks, climate risks have been suggested to impact all companies. The Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) to promote climate governance, strategy, risk management, metrics and targets among companies (<https://www.fsb-tcfd.org/recommendations/>).

For SMEs wishing to get listed in Hong Kong

You may refer to HKEX's publication on good corporate governance and sustainability management to understand how you can integrate them into your company's strategies and operations (https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Corporate-Governance-Practices/Practitioners_insights.pdf?la=en).

○ Enabler 3



Developing Sustainability Action Plan



About Enabler 3

So far, the enablers have guided you on how to create purpose statement, establish sustainability management committee and sustainability policies for your company. They are nonetheless pointless if your company does not take concrete actions. Planning is the first step of success, and putting your thoughts in an action plan is essential to drive real changes in your company. While you will need to take some time to research on what can be done and analyse the cost and benefit, the project team has prepared an action plan template in this enabler to suggest a systematic workflow for your consideration and use.



What is Sustainability Action Plan

A sustainability action plan is for the company's management to plan for change. It primarily outlines the concrete actions that a company has identified and wishes to take in the future to improve corresponding sustainability performance with timeline and responsibility. In addition, the associated cost (e.g. equipment, manpower, vendor) and estimated benefit (e.g. additional savings, increased sales) are often included to help the management decide which actions should be prioritised. The plan is thus a tool for your company to better manage sustainability performance instead of only documentation. It is typically limited to internal use.

The preparation along with the sustainability action plan can help your company:



identify areas
of improvement
in your business



translate
commitments into
concrete actions



make sensible
decision with
cost-benefit analysis



track the action
status with clarity
(e.g. roles and
responsibilities,
timeline)

Characteristics of Sustainability Action Plan

As a management tool, a sustainability action plan has at least seven components, and they are arranged in table format when used by companies. When drafting the action plan, these components imply the following questions for the company to consider:

Table 7: **Seven components in sustainability action plan and corresponding questions**

Component	Question to the Company
Sustainability issue	What is affecting my business / is being affected by my business that the company needs to manage?
Specific action	Where can my company take action and how?
Timeframe	How long does it need from introducing to completing the action?
Party in charge	Who are the relevant parties for the action?
Budget	How much does the action cost to make it happen?
Estimated business benefit	Why is the action worth taking?
Priority	Based on the information, which action should my company take first?

To keep the decision-making process effective, the plan should be:



Detailed

(specific action, budget,
estimated business benefits)



Clear

(timeframe, party
in charge)



Practical

(based on resource availability
and cost-benefit analysis)

When developing a sustainability action plan for your company, the more details the plan contains, the better. Given that your company wishes to address two sustainability issues: “Energy efficiency” and “Employee wellbeing”, Table 8a which consists of general descriptions of actions and estimated business benefits with some blank cells should be avoided.

* figures are for illustration purpose only

Table 8a: **Possible issues in sustainability action plan**

Sustainability Aspect	Specific Action	Timeframe	Budget	Estimated Business Benefit	Party in Charge	Priority
Resource efficiency	Save energy in operation	1 week		Reduce energy cost		
Employee wellbeing	Prevent injury			Maintain employee’s productivity	OHS team	

Instead, your company should aim to state the items with details as illustrated in Table 8b. To do so, your company will have to take some time to find potential measures to improve the sustainability issues. If the action plan can answer the questions listed in Table 7, it is very likely to be a useful plan (see Table 8b for reference).

* figures are for illustration purpose only

Table 8b: **Revised sustainability action plan**

Sustainability Aspect	Specific Action	Timeframe	Budget	Estimated Business Benefit	Party in Charge	Priority
Resource efficiency	Reduce electricity use in office by replacing all fluorescent lamps with LED lamps	1 month	HK\$50,000	Save 10% electricity use and cost	Admin, vendor	1
Employee wellbeing	Unannounced inspection in manufacturing area every day for proper use of equipment	Ongoing	HK\$ /	Reduce 5% of workplace injury and maintain employee's productivity	OHS team	1



Develop Your Sustainability Action Plan

Having read the above information, you are now ready to create sustainability action plan for your company. If you have already completed our [SME Sustainability Self-check Tool](#), the opportunities stated in your result summary will be a good start. Alternatively, our [Sustainable Value Chains \(SVC\) management framework](#)²⁰ can serve as a reference on which issue(s) you can tackle.

You can find our sustainability action plan template on the next page. 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:

²⁰ The Business Sustainability Dimensions in the Sustainable Value Chains management framework are distilled by the PSLB project team from extensive academic literature on sustainability, sustainable development, corporate social responsibility, business ethics, corporate citizenship, corporate social performance and stakeholder theory, as well as existing standards in the market, such as ISO 26000 Social Responsibilities, SASB and RobecoSAM's Corporate Sustainability Assessment.

For **Leader**

Plan for three issues under all five Business Sustainability Dimensions each

For **High Performer**

Plan for two issues under all five Business Sustainability Dimensions each

For **Beginner**

Plan for one issue under all five Business Sustainability Dimensions each

Sustainability action plan template

Sustainability Aspect	Specific Action	Timeframe	Budget	Estimated Business Benefit	Party in Charge	Priority
e.g Resource efficiency	Replace 40 pieces of T5 lightings with 40 pieces of LED lightings in office	1 week	HK\$,xxx 1 staff 1 vendor	Save xx% electricity use and cost	Vendor Admin	1
e.g. Employee wellness	Inspect office and manufacturing area every day for proper use of equipment	Ongoing	HK\$ 2 staff / vendor	Reduce number of injury and incident	OHS team	1
e.g. Sustainability advocacy	Introduce Fair Trade and our related products via social media for consumer education	2 weeks	HK\$xxx 1 staff / vendor	Increase product awareness Drive potential sales	Marketing	2
e.g. Corporate social innovation	Work with NGO to develop a programme that uses our IT expertise to benefit the elderly	1 year	HK\$,xxx 3 staff / vendor	Extend business reach Maintain responsible brand	Business development	3

➤ What's Next

Having developed the sustainability action plan for your company, you should seek the top management for endorsement to get the necessary resources and start the actions. The plan should also be articulated to all the relevant parties to keep them on the same page. In addition, you can discuss and follow up on the plan in your company's management meetings regularly.

Setting metrics and targets can complement your sustainability action plan by measuring and keeping track of the performance. Our next two enablers will introduce and guide you on each of the topics.





Extended Readings

For SMEs wishing to do more for sustainability

However insignificant they may seem, your sustainability actions can create impact to the international sustainability agenda. The United Nations introduced 17 Sustainable Development Goals (SDGs) in 2015 that call for actions in all sectors, including businesses. You can refer to the SDG Compass to integrate SDGs into your business actions

(https://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf).

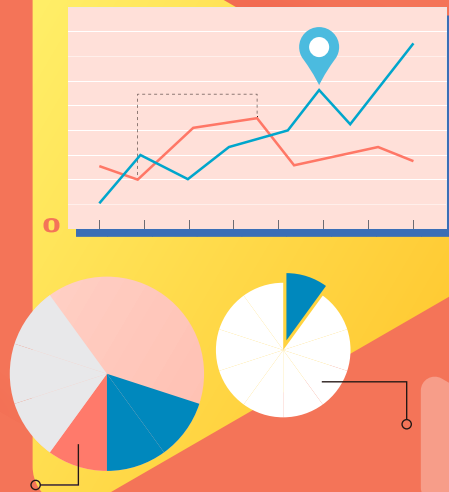
For SMEs wishing to get listed in Hong Kong

Having effective management systems will facilitate your company to manage business sustainability performance better. You may find some relevant ISO management system standards to work on

(<https://www.iso.org/popular-standards.html>).

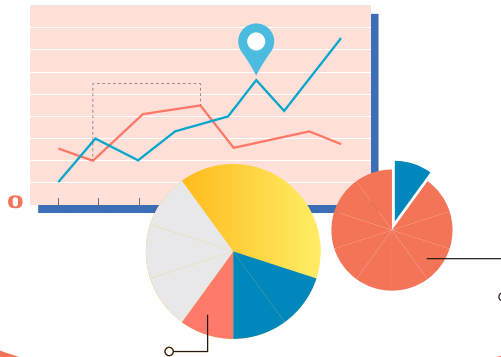
○ Enabler 4

Building Sustainability Baseline with Metrics and Data



About Enabler 4

Perhaps your company has already planned and taken some actions to manage sustainability. Nevertheless, is the situation getting better as planned? On what basis can you say it is or is not? What else can your company do to further improve the performance? To answer these questions, you will need to build the baseline with metrics and data. Indeed, capturing and analysing data are key to sustainability stewardship for your company in the long run. With the last section comprising the common metrics tracked by other companies for sustainability management, this enabler is designed to help you get started on building sustainability baseline with metrics and data.



② What are Sustainability Metrics and Data

Sustainability metrics are used for measuring a company's performance on topics such as resource management, low-carbon transition, employment practice, health and safety, supply chain management, product responsibility, business ethics and community investment. As the saying goes, "If you can't measure it, you can't manage it." The measure of sustainability performance on specific actions taken or overall business operations is essential to the management of business sustainability. Fundamentally, the metrics establish the standard of how to consistently collect and consolidate the data for your programmes and company over time. In practice, sustainability metrics can help your company:



understand baseline
condition and trend



track and evaluate performance
and programmes' effectiveness



drive continual
improvement

Characteristics of Sustainability Metrics and Data

Sustainability metrics consist of description of the indicator and unit of measurement. To put them into use, your company will also need to collect and consolidate the underlying data. The following table highlights what your company will need to consider when setting metrics and gathering data:

Table 9: **Considerations on setting metrics and collecting data with corresponding questions**

Consideration	Question to the Company
Indicator	What do I use to measure the performance of my company or effectiveness of my programmes?
Unit	How should I measure so comparison can be made across operations over time (i.e. total amount or amount relative to business metrics)?
Frequency	How often do I need to collect the data (i.e. monthly, quarterly, biannually or annually)?
Data source	Where do I find the data (e.g. utility bills, log sheet)?
Scope	Which operations does the data cover (e.g. all facilities, office only etc.)?
Party in charge	By whom is the data owned, prepared and cross-checked (e.g. human resources, administration etc.)?
Data system	How do I store the data and conduct analysis (e.g. Excel or vendor platform)?

To effectively measure the sustainability performance of your company or programme, the metrics and data have to be:



Relevant
(indicator)



Consistent
(method, scope,
unit)



Reliable
(document proof)



Clear
(definition, frequency,
responsibility)

Build Your Sustainability Baseline with Metrics and Data

Having read the above information, you are now ready to build sustainability baseline. The template can be found on the next page. With reference to GRI Standards, the project team has suggested the corresponding sustainability metrics by business sustainability aspect and dimension (see [Suggested Metrics of Sustainable Value Chain Management Framework](#)) which should be helpful to you in this task. 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**

Identify 30 metrics and collect three years of data (current year inclusive) to build the baseline and observe the trend on all five Business Sustainability Dimensions

For **High Performer**

Identify 20 metrics and collect three years of data (current year inclusive) to build the baseline and observe the trend on all five Business Sustainability Dimensions

For **Beginner**

Identify 10 metrics and collect current year data to build the baseline on all five Business Sustainability Dimensions

Sustainability metrics and data collection template

[illegible]

The blank version can be downloaded [here](#), if needed.

Suggested Metrics of Sustainable Value Chain Management Framework

For definitions and details of the metrics, please refer to [GRI Standards](#).

Table 10: **Sustainability metrics from GRI Standards by dimension and aspect**

Dimension	Aspect	Sustainability Metrics from GRI Standards
Governance	Strategy and oversight	<ul style="list-style-type: none">• [GRI 102-22, 405-1] Composition of the Board, advisory committee or the like (i.e. executive or non-executive, independence, tenure, gender, age group and other diversity categories)• [GRI 102-31] Frequency of the governance body’s review of sustainability topics
	Ethics and integrity	<ul style="list-style-type: none">• [GRI 205-1] Number and percentage of operations assessed for risks related to corruption• [GRI 205-2] Number and percentage of governance body members that have received training on anti-corruption• [GRI 205-2] Number and percentage of employees that have received training on anti-corruption• [GRI 205-2] Number and percentage of governance body members that the company’s anti-corruption policies and procedures have been communicated to• [GRI 205-2] Number and percentage of employees that the company’s anti-corruption policies and procedures have been communicated to• [GRI 205-3] Number of confirmed incidents of corruption• [GRI 205-3] Number of confirmed incidents in which employees were dismissed or disciplined for corruption• [GRI 206-1] Number of legal actions pending or completed regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation
	Sustainability risk management	<ul style="list-style-type: none">• [GRI 201-2] Financial implications of the risks and opportunities due to climate change
	Stakeholder engagement	/
	Sustainability disclosure	/

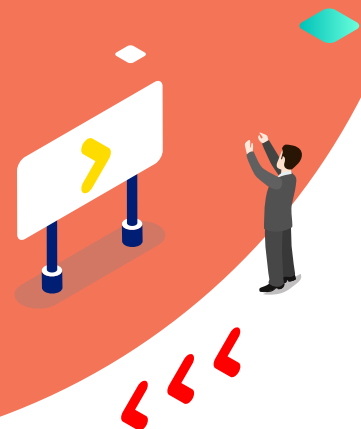
Workplace culture	Employment practice	<ul style="list-style-type: none"> • [GRI 102-8, 405-1] Number of employees by rank by age group, gender and other diversity categories • [GRI 401-1] Number and rate of new employee hires by age group and gender • [GRI 401-1] Number and rate of employee turnover by age group and gender • [GRI 401-3] Return to work and retention rates of employees that took parental leave by gender • [GRI 405-2] Ratio of the basic salary and remuneration of women to men for each rank • [GRI 406-1] Number of incidents of discrimination • [GRI 419-1] Non-compliance with laws and regulations in social and economic area
	Training and development	<ul style="list-style-type: none"> • [GRI 404-1] Average hours of training per employee by gender and rank • [GRI 404-3] Percentage of employees receiving regular performance and career development reviews
	Employee wellbeing	<ul style="list-style-type: none"> • [GRI 403-8] Number and percentage of all employees and workers who are covered by occupational health and safety management system • [GRI 403-9] Number and rate of fatalities as a result of work-related injury • [GRI 403-9] Number and rate of high-consequence work-related injuries (excluding fatalities) • [GRI 403-9] Number and rate of recordable work-related injuries • [GRI 403-10] Number of fatalities as a result of work-related ill health • [GRI 403-10] Number of cases of recordable work-related ill health • [GRI 419-1] Non-compliance with laws and regulations in social and economic area
Customer supplier relationship	Customer satisfaction and trust	<ul style="list-style-type: none"> • [GRI 418-1] Number of substantiated complaints received concerning breaches of customer privacy • [GRI 418-1] Number of identified leaks, thefts, or losses of customer data • [GRI 416-1] Percentage of product and service for which health and safety impacts are assessed • [GRI 416-2] Number of incidents of non-compliance with regulations concerning the health and safety impacts of products and services • [GRI 417-2] Number of incidents of non-compliance with regulations concerning product and service information and labeling • [GRI 417-3] Number of incidents of non-compliance with regulations concerning marketing communications, including advertising, promotion and sponsorship
	Value chain risk management	/
	Ethical and green sourcing	<ul style="list-style-type: none"> • [GRI 205-2] Number and percentage of business partners that the company's anti-corruption policies and procedures have been communicated to • [GRI 205-3] Number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption • [GRI 308-1] Percentage of new suppliers that were screened using environmental criteria • [GRI 414-1] Percentage of new suppliers that were screened using social criteria • [GRI 308-2] Number of suppliers assessed for environmental impacts • [GRI 414-2] Number of suppliers assessed for social impacts

	Sustainability advocacy	<ul style="list-style-type: none"> • [GRI 417-1] Percentage of product or service that has information and labeling on disposal of the product and environmental or social impacts
Resource management	Resource efficiency	<ul style="list-style-type: none"> • [GRI 301-1] Materials used by weight or volume • [GRI 301-2] Percentage of recycled input materials used • [GRI 301-3] Percentage of reclaimed products and their packaging materials • [GRI 302-1] Energy consumption within the company • [GRI 302-2] Energy consumption outside the company • [GRI 302-3] Energy intensity • [GRI 303-3] Water withdrawal in volume • [GRI 303-4] Water discharge in volume • [GRI 305-7] Nitrogen oxides, sulfur oxides and other significant air emissions • [GRI 306-3] Waste generated in weight • [GRI 306-4] Waste diverted from disposal in weight • [GRI 306-5] Waste directed to disposal in weight
	Low-carbon operations	<ul style="list-style-type: none"> • [GRI 305-1] Direct (Scope 1) greenhouse gas emissions • [GRI 305-2] Energy indirect (Scope 2) greenhouse gas emissions • [GRI 305-3] Other indirect (Scope 3) greenhouse gas emissions • [GRI 305-4] Greenhouse gas emissions intensity • [GRI 305-5] Reductions from carbon offsets • [GRI 204-1] Proportion of spending on local suppliers
Innovation	Innovation culture	/
	Knowledge management	/
	Research and development	/
	Sustainability capacity building	/
	Corporate social innovation	<ul style="list-style-type: none"> • [GRI 201-1] Direct economic value generated and distributed • [GRI 203-2] Significant indirect economic impacts

➤ What's Next

Having the sustainability metrics set and data collected, you can analyse the company's performance and evaluate the programmes' effectiveness by using simple Excel functions, including comparing year-on-year performance, plotting trendline and creating pie chart. You can then see how well the actions taken have improved your company's sustainability performance. Your findings will help adjust the actions to make your company more sustainable.

Your company can also make use of the data collected for formulating sustainability targets and creating disclosure. The next two enablers will introduce and guide you through how to do them.



Extended Readings

For SMEs wishing to do more for sustainability

Different sectors create different impacts from their activities. In addition to the metrics from GRI Standards, you can refer to GRI's website for the sector-specific metrics applicable to your company

(<https://www.globalreporting.org/standards/sector-program/>).

For SMEs wishing to get listed in Hong Kong

You may refer to HKEX's Main Board Listing Rules Appendix 27 or GEM Listing Rules Appendix 20 for the required metrics and disclosures

(<https://en-rules.hkex.com.hk/rulebook/environmental-social-and-governance-reporting-guide-0>).

○ Enabler 5



Formulating Sustainability Targets



About Enabler 5

Business sustainability will contribute to the long-term success for your company – that is if your company consistently attends to the issues. It takes more than actions that last for only one year but longer-term improvement to attain it. Your company may need reminders on the sustainability direction from time to time. To this, sustainability targets are good management tool, and it can also keep your company on track. This enabler provides you with some hands-on information to formulate sustainability targets for your company.



② What are Sustainability Targets

A target is the level your company attempts to achieve within a specified time frame. For sustainability targets, they express the ambition and concrete commitments that your company has towards sustainable development. While such targets can be for specific programmes in your action plan, they are more often formulated in relation to the company's performance on particular issues (e.g. energy use, occupational health and safety, management diversity etc.). Sustainability targets are beneficial to your company as they:



set clear
aspiration for all
staff to work
together



facilitate evaluation
of company's
performance on the
particular issues



drive continuous
improvement on
sustainability
management



enhance
corporate
sustainability
image

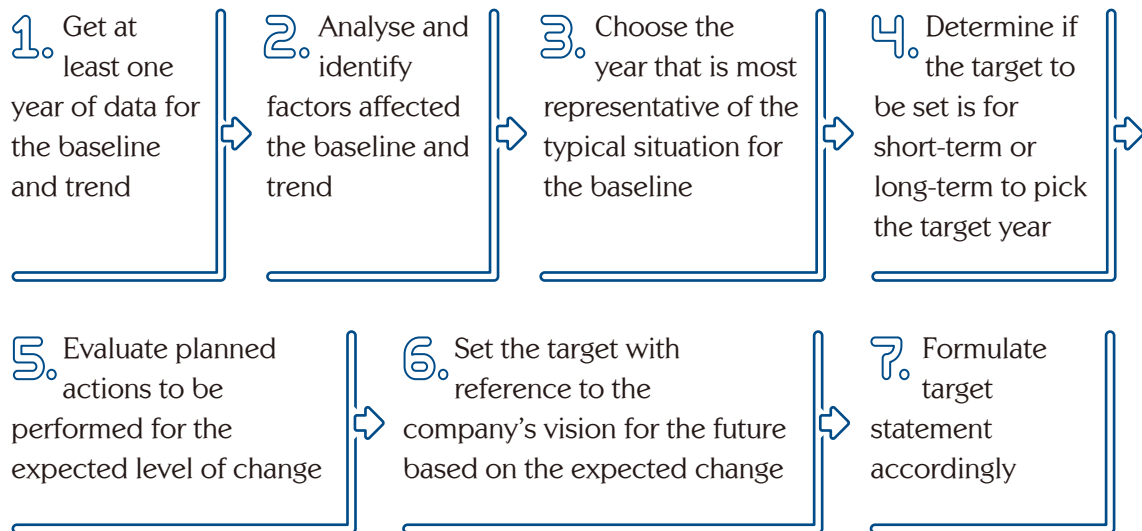
Characteristics of Sustainability Targets

While sustainability targets can be expressed in a variety of ways, the elements are similar. Companies typically include the change to be made, scope, figure, base year and target year in the targets. In addition, their targets are formulated for the sustainability issue(s) most relevant to the business operations. You can observe these with the following examples:

Table 11: **Real-world examples of sustainability targets**

Company	Industry	Target
HSBC ²¹	Finance	Provide between USD750 billion and USD1 trillion in sustainable financing and investment by 2030
Starbucks ²²	Food and beverage	A 50% reduction in carbon emissions in our direct operations and supply chain for 2030
CLP ²³	Utilities	To achieve gender balance in leadership positions by 2030 against a 2016 baseline of 22%
Swire Properties ²⁴	Real estate	One of our 2020 KPIs is to maintain a lost time injury rate ("LTIR") of below 2.0 for our employees
The Hongkong and Shanghai Hotels ²⁵	Accommodation services	Contribute 100,000 hours of community service by 2020

Sustainability targets can be short-term or long-term. For example, a company may set an energy reduction target to be achieved within the next two, five, ten or more years. While looking into the future, targets should take past performance into account. Regardless of how many years your company would like to look ahead for a specific sustainability issue, the following steps are to be performed to set the targets from scratch:



On the other hand, sustainability targets can be in absolute or intensity term. The former shows the desired change in total (e.g. reducing energy use by 200,000 GJ). Nevertheless, such target can be difficult for companies of which the business is growing. For instance,

the energy reduction target may not be possible if a company hopes to establish manufacturing plants in the future for expansion. Intensity target which states the desired change relative to business metrics may hence make more sense (e.g. reducing energy use per gross floor area by 15%) for them. Typical business metrics include revenue, gross floor area, number of employee and number of product manufactured.

All in all, sustainability targets are highly contextualised to your company. Except the standards from the United Nations Sustainable Development Goals and Science Based Targets, your company will need to figure out your own way to set them. S.M.A.R.T. is a common approach for formulating sustainability targets that communicate your ambition clearly. Following this, your company should set targets that are:



Specific
(achievement
your company is
attempting to make)



Measurable
(metrics for
the targets)



Attainable
(have possible
actions)



Relevant
(work towards
the purpose
and strategy)



Time bound
(by when)

²¹ <https://www.about.hsbc.com.hk/our-company/sustainability>

²² <https://stories.starbucks.com/stories/2020/message-from-starbucks-ceo-kevin-johnson-starbucks-new-sustainability-commitment>

²³ <https://sustainability.clpgroup.com/en/2019/the-cip-group-business/guiding-principles>

²⁴ <https://sd.swireproperties.com/2019/en/people/safety-health-and-wellbeing/2019-health-and-safety-performance>

²⁵ <https://www.hshgroup.com/en/Sustainable-luxury/2020-Vision/Community>

Formulate Your Sustainability Targets

Having read the above information, you are now ready to formulate sustainability targets for your company. The table below can be used as a template for this exercise. 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:

Sustainability target setting template

Sustainability Issue	Change to be Made	Scope	Baseline		Target	
			Year	Value	Year	Value
e.g. food waste	Increase food waste recycling	At events organised	2020	0 kg	2021	50 kg

The blank version can be downloaded [here](#), if needed.

For **Leader**

- 2 short-term targets on resource management
- 2 long-term targets on resource management and workplace culture
- 1 long-term target extending to your suppliers

Target 1

Grid of dots for Target 1

Target 2

Grid of dots for Target 2

Target 3

Grid of dots for Target 3

Target 4

Grid of dots for Target 4

Target 5

Grid of dots for Target 5

For **High Performer**

- 2 short-term targets on resource management
- 2 long-term targets on resource management and workplace culture

Target 1

• •

Target 2

• •

Target 3

• •

Target 4

• •

For **Beginner**

- 2 short-term targets on resource management

Target 1

• •

Target 2

• •

➤ What's Next

Having formulated the sustainability targets for your company, you should engage the senior management, colleagues and other relevant stakeholders to refine the targets and get everyone onboard. Using the metrics, you should review the progress against the targets from time to time, and plan actions for your company to move towards them. The target statements can be placed in the commitment section of the relevant sustainability policies.

With the works you have done in this and the previous enablers, now you have enough content to create your company's sustainability disclosure. Our final enabler will tell you how to use sustainability disclosure to foster communications with stakeholders.





Extended Readings

For SMEs wishing to do more for sustainability

Increasing number of companies is committed to setting science-based emissions reduction target driven by the Science Based Targets initiative (SBTi). You can visit SBTi's website to learn more about what constitutes a science-based target and how SMEs can take part in it

(<https://sciencebasedtargets.org/resources/?p=resources>).

For SMEs wishing to get listed in Hong Kong

You may refer to HKEX's Main Board Listing Rules Appendix 27 or GEM Appendix 20 to for the required targets and disclosures

(<https://en-rules.hkex.com.hk/rulebook/environmental-social-and-governance-reporting-guide-0>).

○ 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.

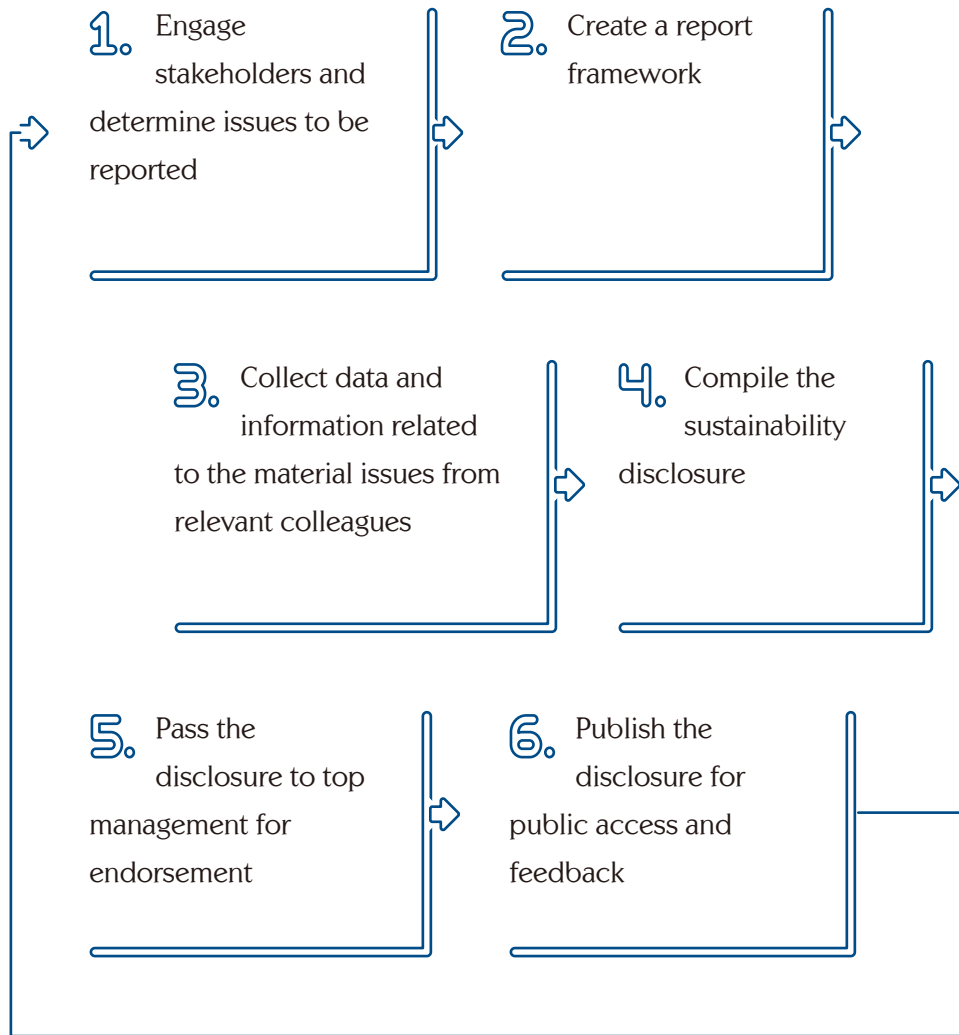


② What is Sustainability Disclosure

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

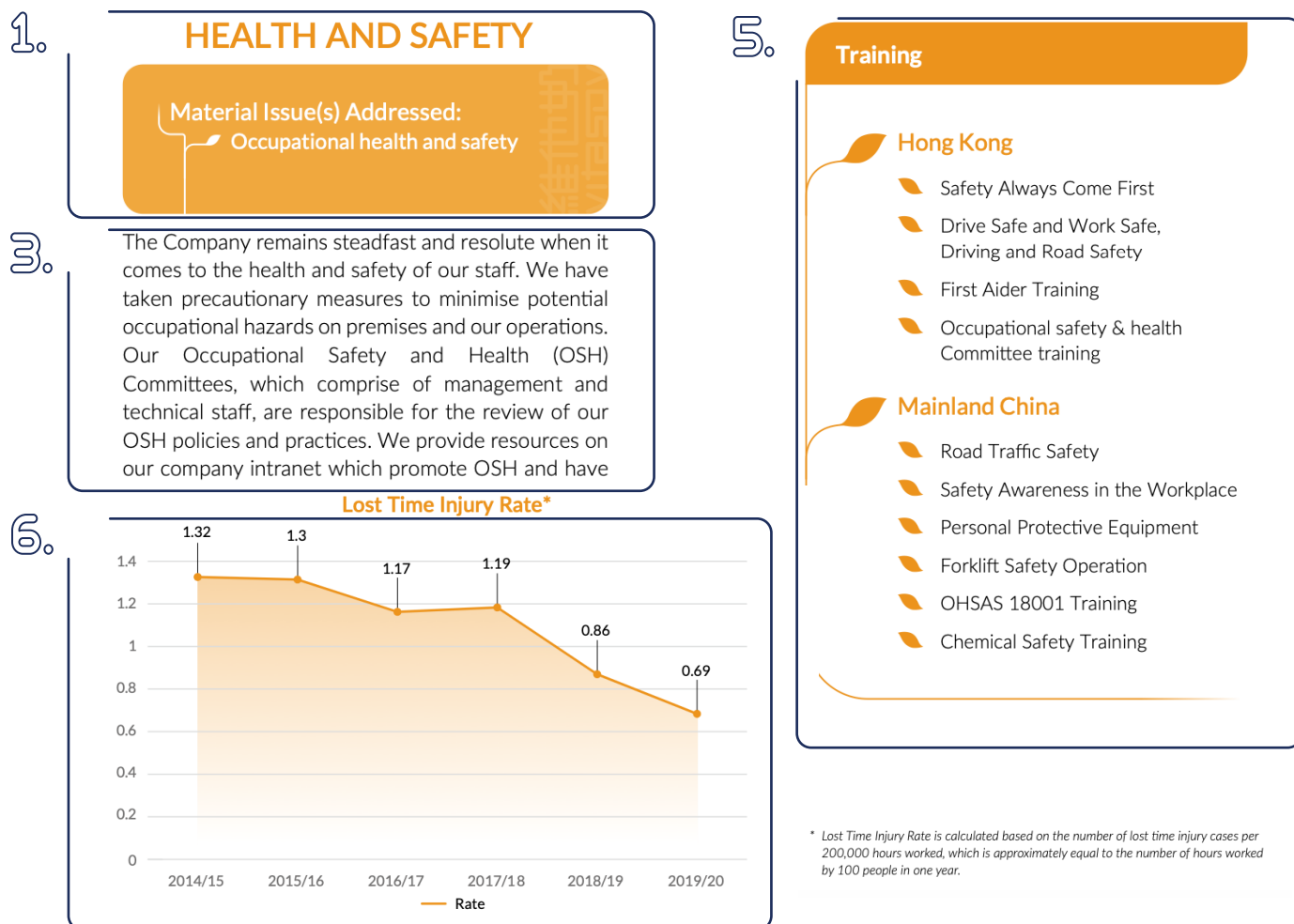
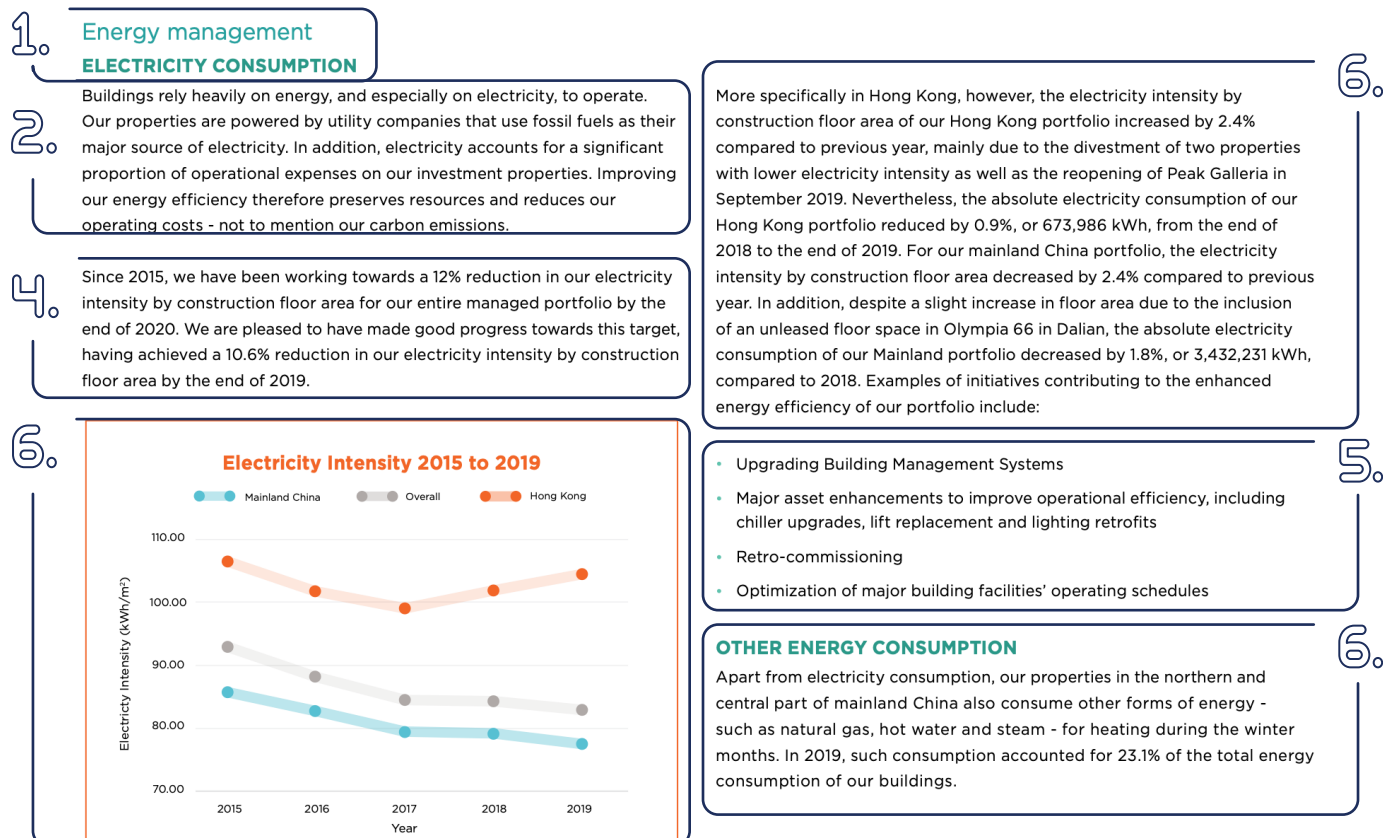


Figure 8: Extract of Hang Lung Properties' Sustainability Report 2019²⁷



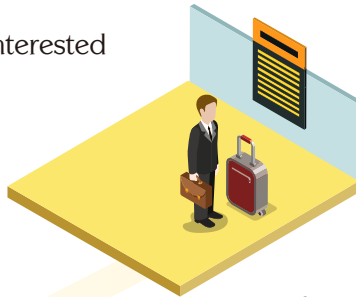
²⁶ https://www.vitasoy.com/sustainability/cms/reporting/report/Sustainability_Report_2019-20.pdf?language_id=1

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

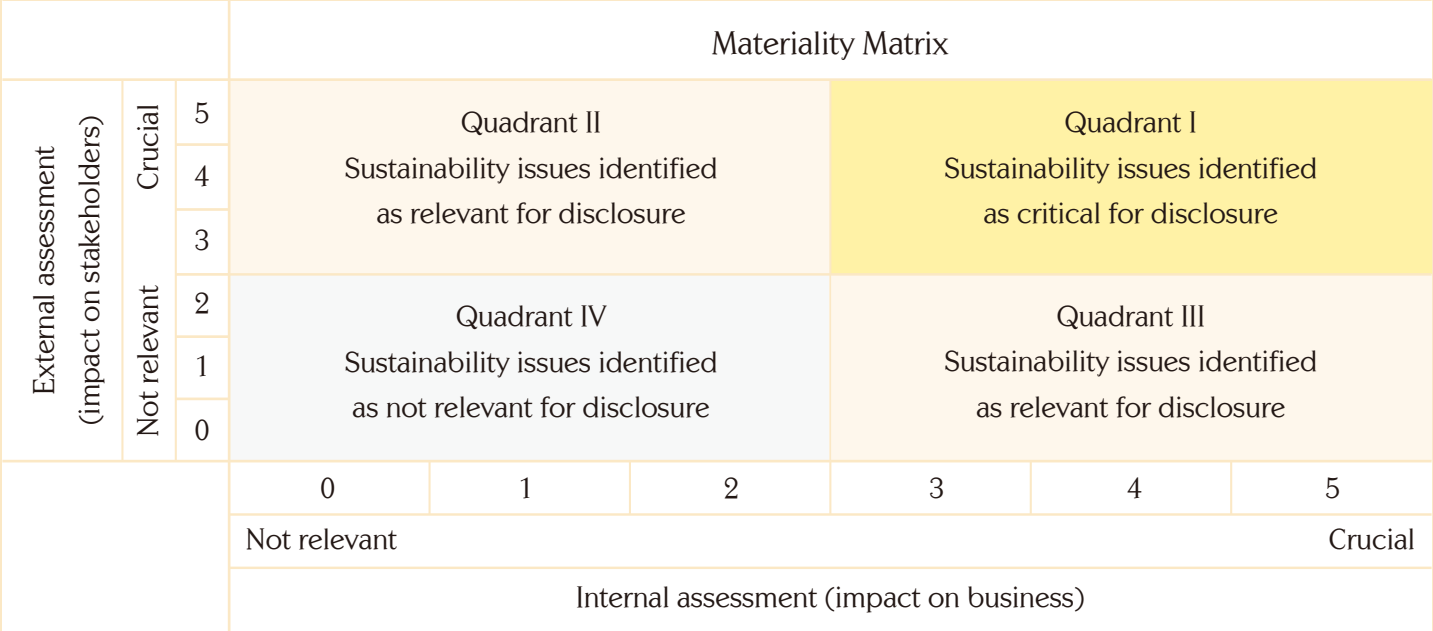


Some international organisations have created and updated reporting standards or frameworks with the aim to standardise the disclosure approach for companies. Among those, [GRI Standards](#) are the most popular standard currently²⁸ that addresses the needs of multiple stakeholders. [SASB](#) and [Integrated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



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/>

Additional Information

The project team hopes that this Kick-Starter Impact Toolkit is helpful to your company to at least give you some clues on how to advance business sustainability within your company and value chain. Businesses are increasingly seeing the value of sustainability. While it takes some hard work and resources to bring business sustainability to life, the benefits make these all worth.

Business sustainability covers a wide variety of issues. While it is not the purpose of this Toolkit to address each of them, the project team has gathered some external

resources for further reference. You can refer to [this document](#) to explore the sustainability issues that are of your SME's interest.

You are welcome to provide your feedback on this Toolkit and how the project team can further support SMEs' sustainability management at pslb@hku.hk.



About the Partnership for Sustainability Leadership in Business

The "Partnership for Sustainability Leadership in Business" (PSLB) is a four-year (2020-2023) action research programme initiated by the Centre for Civil Society and Governance, HKU, and supported by HSBC. The Project is led by Professor Wai-Fung Lam together with a group of sustainability experts. It is aimed at fostering sustainability leadership and collaboration in the business sector of Hong Kong through knowledge transfer, capacity building, and network development; in particular, the Project strives to foster strong partnerships between big corporations and SMES in pursuit of sustainability. The Project aspires to build a collaborative ecosystem which will enhance the capacity and role of SMES in Hong Kong and the Greater Bay Area in attaining sustainable development. More information about the Project can be found on <https://ccsg.hku.hk/pslb/>.

About the Centre for Civil Society and Governance

Established in December 2002, the Centre for Civil Society and Governance (the Centre) strives to enhance our knowledge of civil society and its contribution towards good governance, and to facilitate the attainment of a sustainable society through forging community-based, innovative solutions to inform policy deliberation and collective actions. The work of the Centre is organised around three Labs - the Policy for Sustainability Lab (PSL), the Social Entrepreneurship and Civic Action Lab (SECAL), and the Nonprofits and Philanthropy Lab (NPPL); each of them represents a research focus and an area of excellence of the Centre.

Disclaimer

This publication contains general information only and is based on the experiences and research of CCSG practitioners. This publication is not a substitute for such professional advice or service. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. CCSG shall not be responsible for any loss sustained by any person who relies on this publication.

The information and contents contained in this publication are based on publicly available information obtained from sources believed to be reliable. The Centre makes no guarantees to their accuracy, completeness, timeliness or correctness. References in this publication to any external resources are for educational purpose and do not necessarily constitute or imply our endorsement or recommendation.

This disclaimer is written in English and the Chinese version is translation for reference only. In the event of inconsistency between the English and Chinese versions, the English version shall prevail.



永續坊
POLICY FOR SUSTAINABILITY LAB
公民社會與治理研究中心
CENTRE FOR CIVIL SOCIETY AND GOVERNANCE



📍 Room 703, The Jockey Club Tower, Centennial Campus, The University of Hong Kong, Pokfulam Road, Hong Kong

📞 3917 4767

🌐 <https://ccsg.hku.hk/pslb/>