



ASCENT PARTNERS

Together We Flourish

Challenges of Evaluating ESG Disclosure of Hong Kong Listed Firms

Nov 2023

Challenges on evaluation

- Facing a huge amount of data, difficult to know
 - How accurate it is?
 - How complete it is?
 - How relevant it is?
 - What message can it tell?
 - How good/bad is the figure?
- Facing a huge amount of content, difficult to know
 - Are those content unbiased?
 - How meaningful is that content?
 - What can those content tell?

How accurate is the content

- Used wrong emission factors:

ENVIRONMENTAL PROTECTION

GHG emissions	2022	Tonnes
Scope 1	108.5	tonnes of CO ₂ e
Scope 2	8,200.7	tonnes of CO ₂ e
Scope 3	119.8	tonnes of CO ₂ e
Total GHG emissions	8,429.0	tonnes of CO ₂ e
GHG intensity (in area)	0.005	tonnes of CO ₂ e/m ²
GHG intensity (in revenue)	24.6	tonnes of CO ₂ e/ HK\$ million

ENERGY CONSUMPTION

During the Year, the total energy consumption of the Group was 9,826.7 MWh, with the consumption intensity of 0.01 MWh/m². Total energy consumption decreased by 39.9% compared with the prior year which was mainly attributable to the enhancement of completeness of data collected during the Year. The Group's electricity consumption during the Year decreased by 41.2% compared with the year 2021, attributable to the energy reduction target set for the operating locations in Hong Kong.

Energy Consumption	2022	Unit
Direct energy	748.2	MWh
Indirect energy	9,078.5	MWh
Total energy consumption	9,826.7	MWh
Energy intensity (in area)	0.01	MWh/m ²

How accurate it is

One of the largest dairy product companies in Hong Kong

Where is their methane emission in scope 1?

Indicator	Unit	2020 Data	2021 Data	2022 Data	
Exhaust gas	Total exhaust emissions	Cubic metres	1,700,946,666.78	2,210,671,704.11	2,209,681,754.36
	SO ₂ emissions	Tonne	35.90	150.30	150.36
	NO _x emissions	Tonne	141.95	1,489.99	1,460.85
	Soot emissions	Tonne	25.96	238.57	238.63
Wastewater	Wastewater discharge	10,000 tonnes	2,863.80	2,718.32	2,806.19
	COD discharge	Tonne	1,063.87	893.81	1,085.75
	BOD discharge	Tonne	222.48	246.93	233.87
	Ammonia nitrogen	Tonne	154.40	204.24	306.84
Carbon dioxide emissions	10,000 tonnes	127.00	136.00	142.57	
Scope 1 emissions	10,000 tonnes	21.00	26.00	25.37	
Scope 2 emissions	10,000 tonnes	106.00	110.00	117.20	
Carbon dioxide emission per tonne of production	kg/Tonne	169.00	171.00	168.31	
Total hazardous waste	Tonne	242.23	382.81	385.66	
Total general waste	Tonne	28,912.44	40,200.24	51,212.24	
Compliance disposal rate of solid waste	%	100	100	100	
Grid electricity consumption across regions	kWh	848,749,516.09	816,797,963.40	818,780,565.50	
Coal consumption	Tonne	7,502.82	0.00	0.00	
Gasoline consumption	Liter	15,101.86	11,196.38	12,000.00	
Diesel consumption	Liter	14,894.51	55,124.81	10,342.00	
Purchased steam	Tonne	880,833.12	859,756.92	832,324.04	
Natural gas consumption	10,000 standard cubic meters	6,811.11	7,188.65	7,191.54	
Generation of solar power	10,000 kWh	466.05	869.75	850.97	
Steam production from biomass energy	Tonne	309,541.33	289,575.22	189,801.01	
Direct energy consumption	GWh	792,724.37	778,994.34	778,870.65	
Indirect energy consumption	GWh	1,511,395.38	1,463,588.32	1,444,933.32	
Total comprehensive energy consumption	GWh	2,304,119.75	2,242,582.66	2,223,803.97	
Total water consumption	Tonne	29,093,882.70	28,643,224.80	28,243,256.34	
Reduction of COD discharge	Tonne	44,710.65	41,227.21	42,288.66	

How accurate is the content

- Wrong use of wastewater unit

Indicator		Unit	2020 Data	2021 Data	2022 Data
Exhaust gas	Total exhaust emissions	Cubic metres	1,700,946,666.78	2,210,671,704.11	2,209,681,754.36
	SO ₂ emissions	Tonne	35.90	150.30	150.36
	NOx emissions	Tonne	141.95	1,489.99	1,460.85
	Soot emissions	Tonne	25.96	238.57	238.63
Wastewater	Wastewater discharge	10,000 tonnes	2,863.80	2,718.32	2,806.19
	COD discharge	Tonne	1,063.87	893.81	1,085.75
	BOD discharge	Tonne	222.48	246.93	233.87
	Ammonia nitrogen	Tonne	154.40	204.24	306.81
Carbon dioxide emissions		10,000 tonnes	127.00	136.00	142.57
Scope 1 emissions		10,000 tonnes	21.00	26.00	25.37
Scope 2 emissions		10,000 tonnes	106.00	110.00	117.20
Carbon dioxide emission per tonne of production		kg/Tonne	169.00	171.00	168.31
Total hazardous waste		Tonne	242.23	382.81	385.66

How complete it is

- An announcement from a company that haven't disclose climate-related risk after two years of mandatory requirement:

The Group identified the ESG issues including climate-related issues through conducting materiality analysis. After the analysis, climate change was not within the top 5 material issues of the Group. Climate change did not impose direct impacts on the Group's operations as the Group was principally engaged in the provision of beauty treatment services and the sale of skincare products. The Board considered that the Group's operations were mainly conducted indoor, minimal climate change impact was caused.

Save as disclosed above, the contents of the 2021 Annual Report and the 2022 Annual Report remain unchanged.

How complete it is

A1. Emissions

The total CO₂ emissions generated from the usage of the transportation fuel by the Company was 16,493 kg (2021: 17,860 kg), which is a decrease of 8% due to a reduction in private car usage. Going forward, the Company plans to keep the overall air transportation as well as auto usage low in order to keep the total output of emissions to a minimum. Our overall goal is to continue to reduce overall CO₂ annual basis consistently. emissions on an annual basis consistently.

A2. Use of Resources

We measure our environmental impact in terms of resource consumption against these major categories: (1) electricity, (2) paper usage, (3) packaging and waste, and (4) water usages. The resources used by the Group consist primarily of the electricity, paper, waste packaging and water consumed at the office.

In terms of the overall electricity usage, the Company takes energy saving measures with LED lighting and light zoning. During the year ended 31 December 2022, the total CO₂ emission generated from electricity consumption by the Company was 34,399 kg (2021: 34,323 kg).

This is the whole result of a company's carbon audit. They do not have:

1. Figure of SO_x and NO_x which is a mandatory requirement
2. How many resources/electricity did they use to come up with such a result
3. What are their scope 1, scope 2, and scope 3?

How relevant it is

- Stunning amount of water used, haven't mentioned
 1. how they source water
 2. Impact on the environment
 3. How to comply with the law

Natural gas consumption	10,000 standard cubic meters	6,811.11	7,188.65	7,191.54
Generation of solar power	10,000 kWh	466.05	869.75	850.97
Steam production from biomass energy	Tonne	309,541.33	289,575.22	189,801.01
Direct energy consumption	GWh	792,724.37	778,994.34	778,870.65
Indirect energy consumption	GWh	1,511,395.38	1,463,588.32	1,444,933.32
Total comprehensive energy consumption	GWh	2,304,119.75	2,242,582.66	2,223,803.97
Total water consumption	Tonne	29,093,882.70	28,643,224.80	28,243,256.34
Reduction of COD discharge	Tonne	44,710.65	41,227.21	42,288.66

What message can it tell

Climate change disclosure

A4. Climate Change

The Group is aware that climate changes would have significant impact on its business operations and its property may be damaged by extreme weather conditions, e.g., tropical cyclones, rainstorms and earthquakes, which may further affect the safety of our employees. The Group identified, evaluated and managed the climate-related risks. During the Reporting Period, the Group has not been seriously affected by extreme weather conditions as the Group has set up various emergency plans to prevent the disruption of our business operations and to safeguard the safety of our employees such as working arrangement under tropical cyclone warning signal no. 8 or above, and black rainstorm warning. In the future, the Group will continue to closely monitor the effect and potential risks of climate change, and to improve and implement the measures taken to reduce such climate-related risks.

A4. 氣候變化

本集團知道，氣候變化會對其業務經營產生重大影響，其財產可能因極端天氣狀況（例如：熱帶氣旋、暴雨及地震）而受損，並可能進而影響到旗下僱員的安全。本集團已識別、評估及管理氣候相關風險。於報告期間，由於本集團已制訂多項應急計劃，以預防旗下業務經營受到干擾，並保障旗下僱員的安全，例如在八號或以上熱帶氣旋警告信號及黑色暴雨警告下的工作安排，因此，本集團並無受到極端天氣狀況的嚴重影響。在未來，本集團將會繼續密切監察氣候變化的影響及潛在風險，並改善及實施為減少有關氣候相關風險而採取的措施。



- Physical risk
- Transition risk
 1. Legal risk
 2. Market risk
 3. Reputation risk
 4. Technology risk
- Strategy on handling physical risk and transition risk
- Opportunities
- Metrics and target
- How does it impact the financial performance of the company

How good/bad is the figure

- An investment report a high scope 3 emission:

Environmental, Social and Governance Report

The total greenhouse gases generated by the Group during the Reporting Period, mainly comprising of our electricity used by offices and investment properties, and petrol consumption for commuting purposes, were as below:

Greenhouse gas ("GHG") emission ¹ (in tonnes CO ₂ e)	2022	2021
Direct (Scope 1) Emissions	33.1	112.4
Direct (Scope 1) Emissions Intensity by Headcount ²	0.4	1.3
Indirect (Scope 2) Emissions	109.6	119.2
Indirect (Scope 2) Emissions Intensity by Headcount	1.2	1.3
Other Indirect (Scope 3) Emissions	500.9	446.4
Other Indirect (Scope 3) Emissions Intensity by Headcount	5.5	5.0

¹ Carbon emissions are calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong, the emission factor published by the electricity provider as well as the "UK Government GHG Conversion Factors for Company Reporting" issued by the Department for Business, Energy & Industrial Strategy of the United Kingdom.

² Unless otherwise specified, intensity in this ESG Report represents the average amount of emission generated/energy consumed per headcount.

Direct (Scope 1) GHG emissions were mainly resulted from the consumption of petrol by vehicle. Indirect (Scope 2) GHG emissions were mainly resulted from the consumption of electricity. Other indirect (Scope 3) GHG emissions were mainly resulted from construction waste, with use of paper having an insignificant contribution. Both Scope 2 and Scope 3 GHG emissions' intensity demonstrated a decrease, which testified the Group's efforts in reducing GHG.

Their scope includes: "property development in the U.S., property investment in Hong Kong, fund investments and securities investment business", and they claim that scope 3 is from construction waste.

Are those content unbiased

Carbon Net-Zero



- [REDACTED] Factory was certified by Germany's TÜV Rheinland and China's Guangzhou Emissions Exchange, becoming **the first internationally and domestically dual certified zero-carbon emission factory in the dairy industry.**
- Yashili Reeborne Jingzhi of [REDACTED] infant formula milk powder 700g and 750g obtained **carbon neutrality product certificates** for its Stage 1, Stage 2 and Stage 3 product, achieving **relatively zero greenhouse gas emissions.**

One of the Factory claims to be carbon neutral

How meaningful is that content

2.1 IMPROVING SUPPLY CHAIN SYSTEM

is committed to building a stable and sustainable supply chain, fully ensuring food quality and safety, and continuously improving the stable supply capacity and product quality of suppliers.

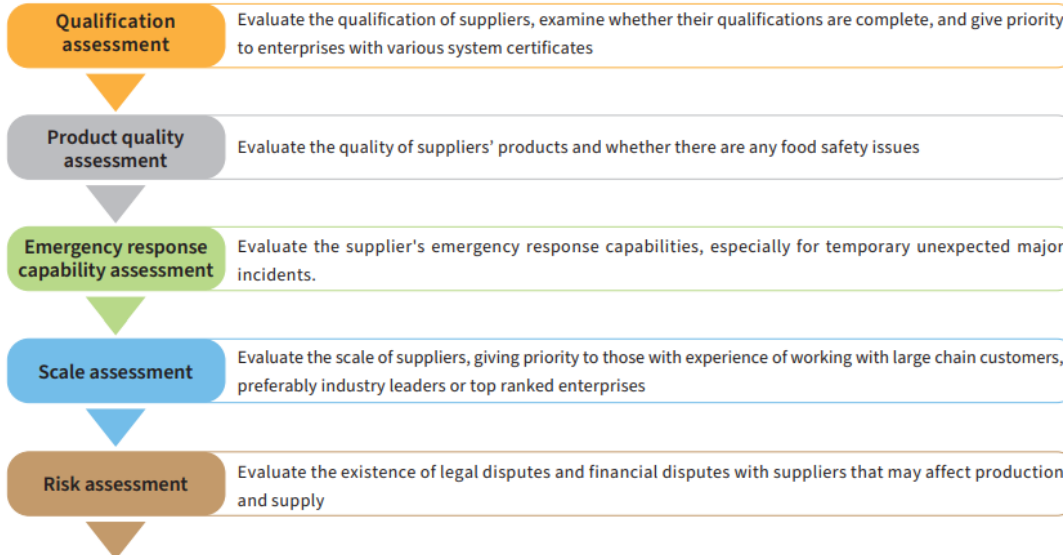
• Promoting quality management system

During the year, the Company proactively promoted the improvement of the quality management system. To improve the recipes and characteristics of the Company's product, regulate food safety along the entire chain, meet the requirements and improve the satisfaction of customers and other stakeholders, so as to increase the market share of products, thereby ensuring the realization of the Company's interests. Yishun Halal Meat Co., Ltd., an upstream enterprise in the supply chain of the Group, has formulated quality and HACCP management plans under the name of QH Management Manual and HACCP Manual. The Company invited CQC China Quality Attestation Centre to carry out HACCP/ISO9001 quality management system for the Company, effectively implemented the Provisions on the Supervision and Administration of the Implementation of Main Responsibility for Food Safety by Enterprises, carried out daily control, weekly inspection and monthly scheduling work, and finally obtained the HACCP/ISO9001 management system certificate, implemented the process management of the quality management system, and effectively controlled the products.

• Regulated procurement process

has been conducting procurement activities with the principles of openness, equality, fairness, legality, compliance and reasonableness. Public bidding is carried out through some platforms such as WeChat, the official website and other channels to ensure equality and transparency in bidding. During the bidding process, prices are communicated through competitive negotiation, price comparison and bargaining, cost breakdown accounting, etc. The bidding results are determined after a process involving multiple departments, multiple rounds of price comparison, review and evaluation, re-evaluation and price negotiation and other processes to select high-quality suppliers.

- The environmental and social concerns of the supplier?
- The environmental concern of food?
- The human rights concern of the suppliers?



What can those content tell

IMPROVING EMPLOYMENT SYSTEM

First Shanghai strictly complies with employment-related laws and regulations as well as internal policies and system, it is committed to providing employees with an appropriate working environment and system for them to unleash their potential and enhance their working performance. The Group has developed the clearly defined policies on recruitment and dismissal, remuneration and promotion, benefits and welfares, and improve the employment system continuously. We offer employees with attractive remuneration packages in return for their contribution to our development.

Recruitment and Dismissal

- All recruitment and dismissal procedures are carried out on the principle of fairness and impartiality, regardless of gender, sexual orientation, marital status, religion and race, etc.
- Recruit employees only through lawful ways and prohibit use of child labor. Review the identity documents of job applicants during the recruitment process to ensure their working eligibility and avoid employment of child labor by mistake.
- The human resources department, direct department supervisors, company's management and other relevant parties review the qualifications of job applicants, conduct interviews and give job offer notice to applicants. Entire recruitment process shall be formally completed only upon obtaining the applicant's consent, that is to ensure there is no forced labor.
- Should any employee leave the job either voluntarily or involuntarily, the Group shall proceed compensation or arrangement according to the established policy and provisions of the employment contract.

Remuneration and Promotion

- Provide internal development and promotion opportunities for employees, and select the most suitable talents according to their performance, qualifications and abilities.
- Regularly evaluate the work performance and attitude of employees, and make appropriate adjustments to their remunerations and positions based on the results of the evaluation and the review of remuneration packages.

Benefits and Welfares

- Provide employees with appropriate benefits and welfares, including annual leave, marriage leave, sick leave, maternity and paternity leaves, examination leave and birthday leave, and other paid leaves
- Shall not coerce employees to work involuntarily during non-business hours by seizing ID documents, deceiving, threatening and other means. If overtime work is required due to the need of speeding up a job process, the Group will offer overtime allowance or compensatory leave to those who work overtime in accordance with the provisions set out in the "Staff Handbook".
- In order to taking good care of the physical and psychological health of employees, employees are entitled to access to wide healthcare coverage, including Chinese and Western medicine out-patient clinics, specialist out-patient clinics, and physical therapy. The healthcare coverage is also provided to the spouses and children of employees, so as to take care of the physical and psychological health of their relatives.

Anti-discrimination and equal Opportunities

- Strictly forbid any form of discrimination, sexual harassment or unequal treatment.
- Recruitment, dismissal, promotion and other procedures are not affected by factors such as gender, race, sexual orientation, religion, nationality and age, etc.

Almost no touch on diversity, inclusion, equity, human rights, etc