


1



Creating Value for Responsible Investors

# OVERVIEW OF HANG SENG SUSTAINABILITY INDEX RATING MODEL

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Manager of Strategic Business, HKQAA

2

# HKQAA

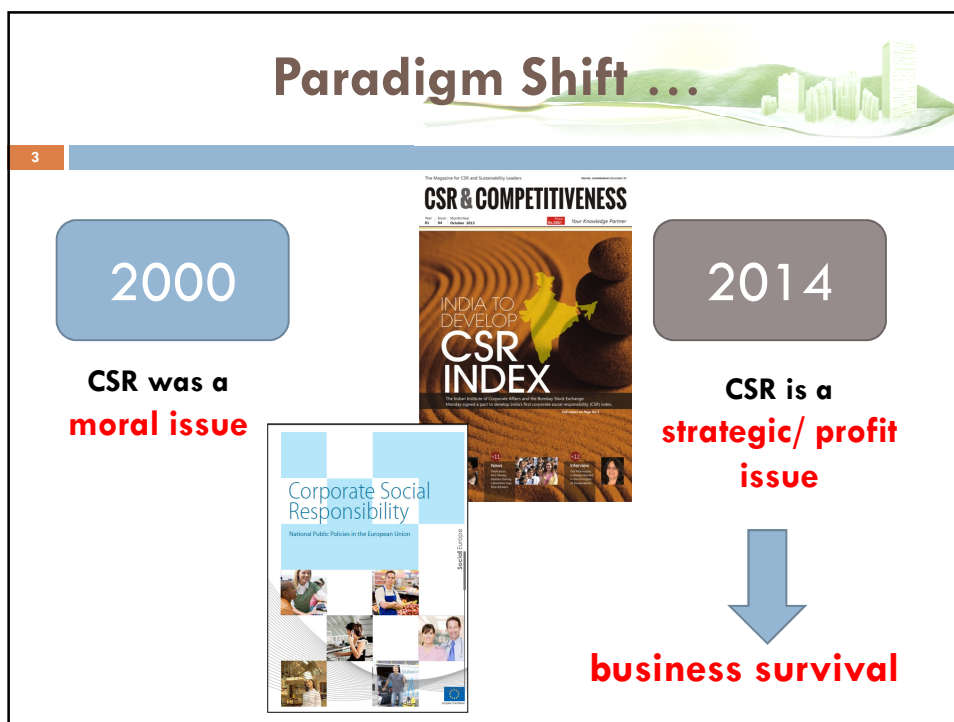
HONG KONG QUALITY ASSURANCE AGENCY

## 香港品質保證局

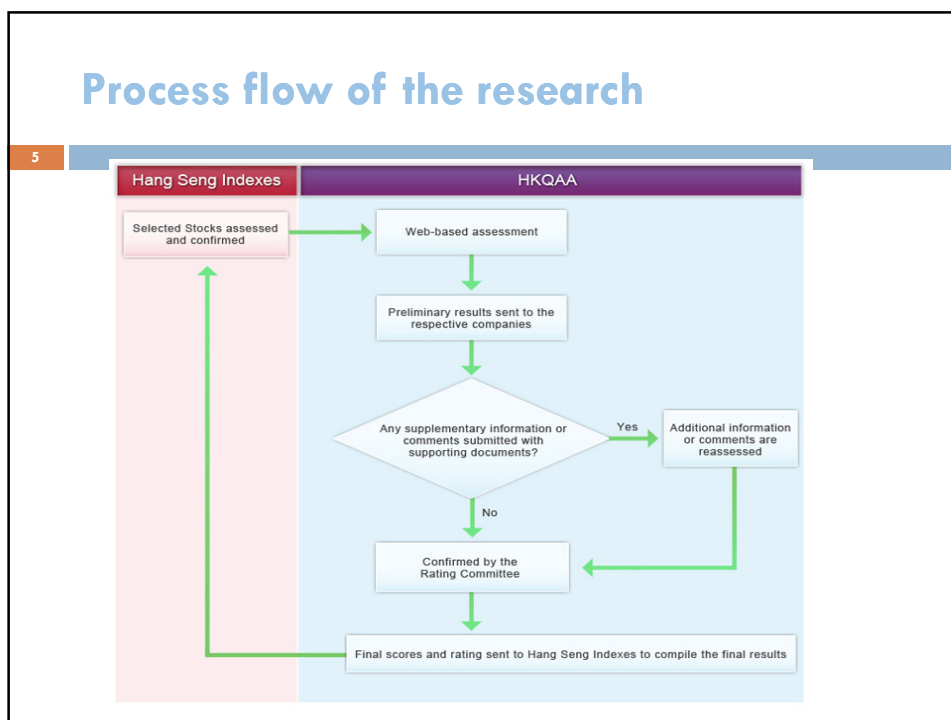


- CERTIFIED COMPANY HKQAA
- CERTIFIED COMPANY HKQAA
- CERTIFIED COMPANY HKQAA
- SRI HKQAA
- Carbon Reduction Label HKQAA
- CSR advocate HKQAA-HSBC CSR INDEX
- Barrier Free Access HKQAA
- Service Management HKQAA
- Wine Storage HKQAA
- Wine Retailers HKQAA
- Wine Commercial Wine HKQAA
- Wine Fine Wine HKQAA

1



## Process flow of the research



## HKQAA Sustainability Performance Assessment

6

### Methodology:

- The assessment framework is set out by HKQAA based on:
  - ISO 26000 Social Responsibility Guidelines
  - GRI G4 Sustainability Reporting Guidelines
- Covering 7 core subjects:
  - Basic
  - Industry-specific criteria
  - Voluntary
- Evaluate company's sustainability performance by taking consideration of:
  - Accountability
  - Country/ Industry risk.
  - Media coverage

## Research Methodology Highlight

7

- Off site research
- Materiality
  - ▣ Company financial report
  - ▣ Company CSR/sustainability report
  - ▣ Company web site
  - ▣ HKEx information
  - ▣ Media news
  - ▣ Company info
  - ▣ Company feedback
  - ▣ Others...

**HKQAA sustainability performance assessment questionnaire for Hang Seng Corporate Sustainability Indexes**

Version 0.1

**1.0 Basic Information**

Company Name: \_\_\_\_\_ 公司名稱: \_\_\_\_\_

Stock Number: \_\_\_\_\_ (HK/LSZ/SH)

Address: \_\_\_\_\_

公司地址: \_\_\_\_\_

Country: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Email: \_\_\_\_\_

Web: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Position: \_\_\_\_\_

Department: \_\_\_\_\_

Phone: \_\_\_\_\_

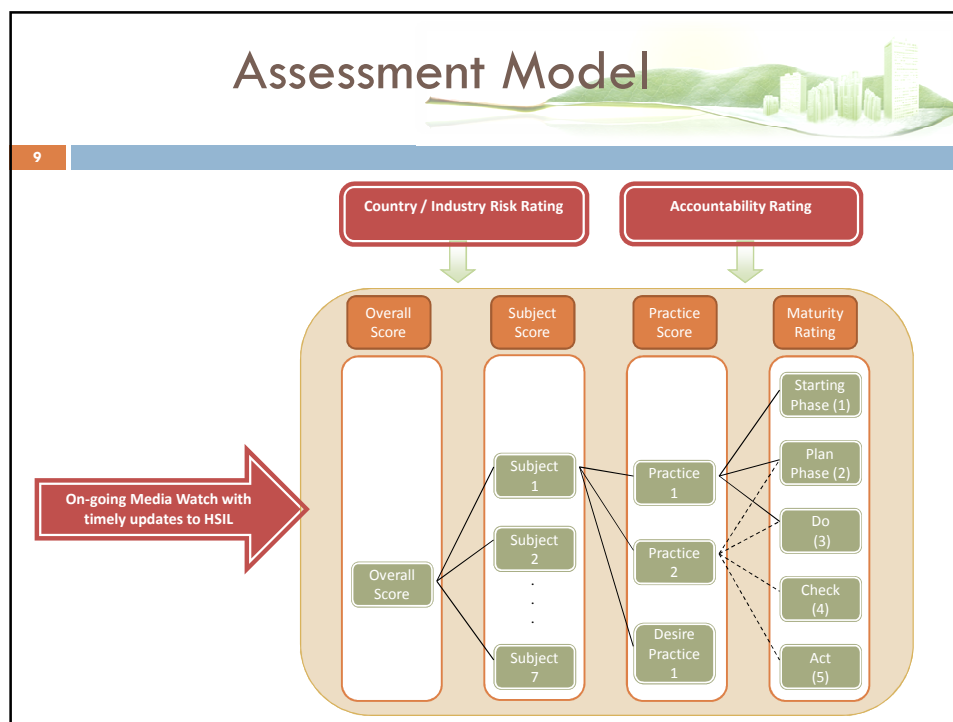
Fax: \_\_\_\_\_

Email: \_\_\_\_\_

**1.1 Industry Type** (If there are more than 1 industries, please indicate the details of each subsidiary and associate which materially affects the results or assets of the Group):  
Please refer to Hang Seng Industry Classification System: <http://www.hsi.com.hk>

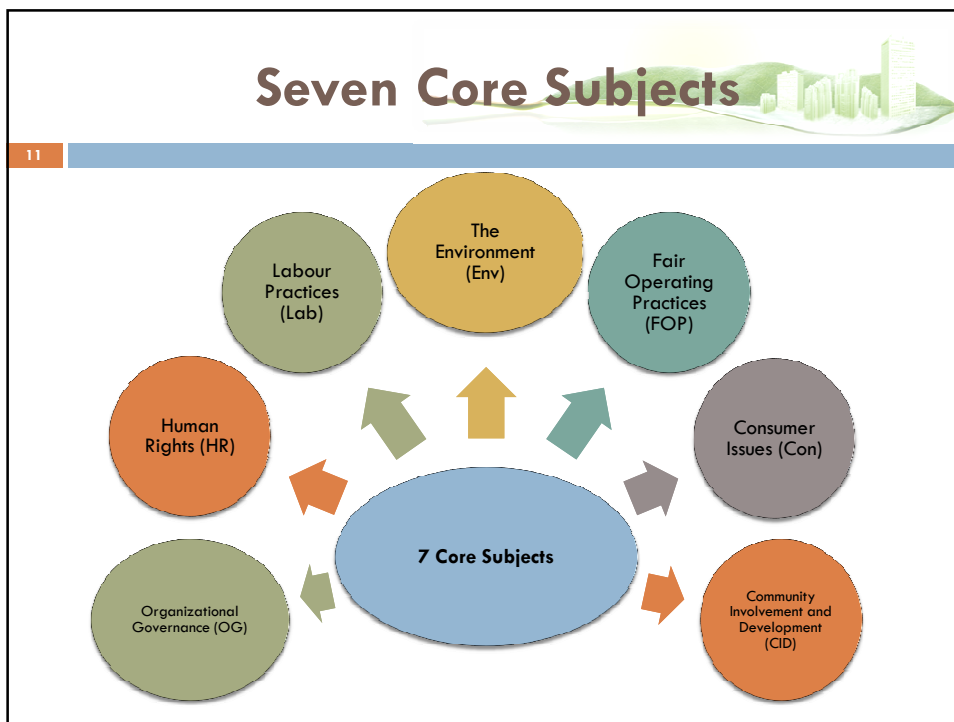
	Company Name	Industry Code & Type	Sector Code & Type	Subsector Code & Type	Percentage of Issued Capital Owned	Participated in its financial and operating policy decisions? (Y/N)	Included in CSR report? (Y/N)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

Remarks: Please provide the company list if acquired 10% or more of issued capital  the industry's upstream resource sector, adult entertainment, armaments, nuclear, tobacco and gambling, e.g.: industry codes 00 Energy, 05 Materials, 20 Consumer goods, 204040 Alcohols, 40 Utilities, 6020 Construction, Aerospace & Defence and 302010 Casino & Gaming.



## Scoring Criteria

Scoring Category	General Scoring Criteria
1- Starting Phase	Organisation does not take steps to develop programmes or control measures to realise the recommended practice.
2- Forming Phase	i) The programmes or control measures are under development, or ii) The programmes or control measures have been established but without full implementation, or iii) The programmes or control measures are implemented on an ad-hoc basis that lack advance planning.
3-Implementation Phase	Organisation has established programmes or control measure to realise the recommend practice. The programmes or control measures have been fully implemented with advanced planning.
4-Confirming Phase	Organisation has established programmes or control measures to realise the recommended practice. The programmes or control measures have been fully implemented with advanced planning. Information gathering or risk analysis is conducted to gather relevant information to confirm the effectiveness of the implemented practice. Stakeholders are invited to engage in the programmes.
5- Improving Phase	Organisation has established programmes or control measures to realise the recommended practice. The programme or control measures have been fully implemented with advance planning. Information gathering or risk analysis is conducted to gather relevant information to confirm the effectiveness of the implemented practice. Stakeholders are invited to engage in the programmes. There is a review of the implemented programmes for identifying improvement areas.



## Scoring Principle – Practices types

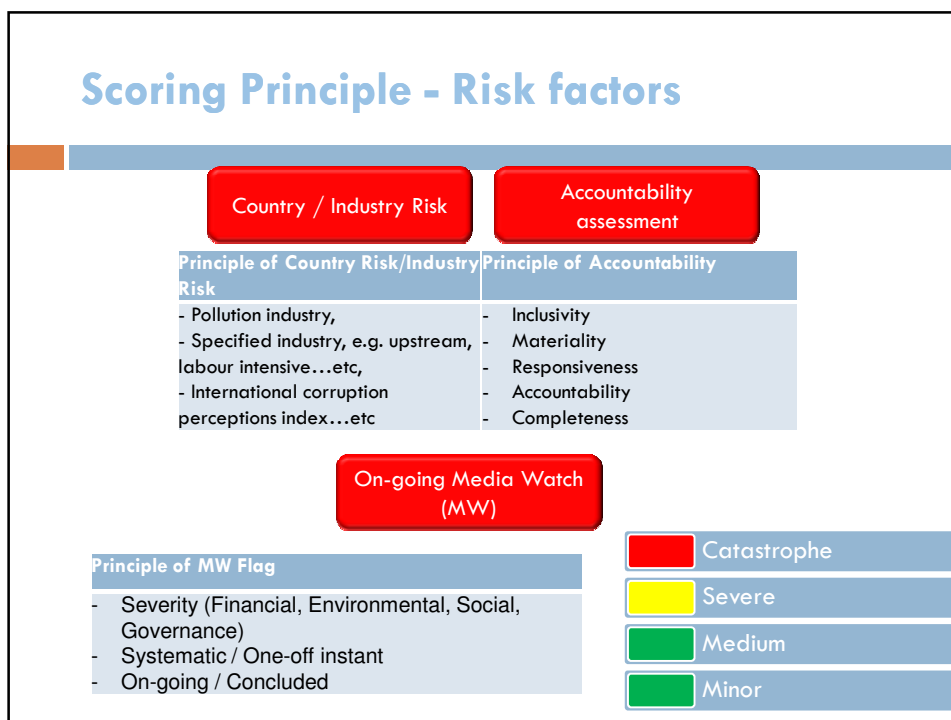
Practice Score	Maturity Rating
Practice 1	Starting Phase (1)
Practice 2	Forming Phase (2)
Desire Practice 1	Implementation (3)
	Confirming (4)
	Improvement (5)

<b>Basic</b>	30 practices
<b>Desired</b>	4 practices for designated industrial
<b>Voluntary</b>	6 bonus practices. The question may change to basic practice in the future.

No. of Practices	OG	HR	Lab	Env	FOP	Con	CID
Basic	6	3	4	4	4	5	4
Desired	--	2	--	--	--	2	--
Voluntary	--	3	1	--	--	--	2

## Scoring Principle - Risk factors



## Scoring principle and rating scheme

14

- **Step 1: Practice Score**  
Each practice will be assigned the **maturity rating** by the AT according to the web-based assessment result and/or submitted information from the company.
- **Step 2: Subject Score**  
 $\Sigma$  Individual practice score of each subject / Number of the practices
- **Step 3: Subject Accountability Score**  
Subject Accountability Score = Individual Subject Score x Accountability Rating
- **Step 4: Subject Country and Industry Risk Score**  
Subject Country and Industry Risk Score = Accountability Score x Country Risk Rating x Industry Risk Rating
- **Step 5: Subject MW Score**  
Subject MW Score = Subject Country and Industry Score x MW Rating
- **Step 6: Overall Score**  
Overall Score =  $\Sigma$  of Subject MW Score / 7 subjects
- **Step 7: Company Score and Rating category (in 100)**  
Final Overall Score = Overall Score x 100 / 5

## Overall Rating

Rating	Description
AAA	Reliable
AA	Stable
A	Satisfactory
BBB	Moderate
BB	
B	Unstable
CCC	Vulnerable
CC	At Risk
C	
D	

Plus (+) or Minus (-)

HKQAA SRR from 'AA' to 'CCC' may be assigned a plus (+) or minus (-) sign to show relative standing within the rating categories.

## Performance Feedback

16

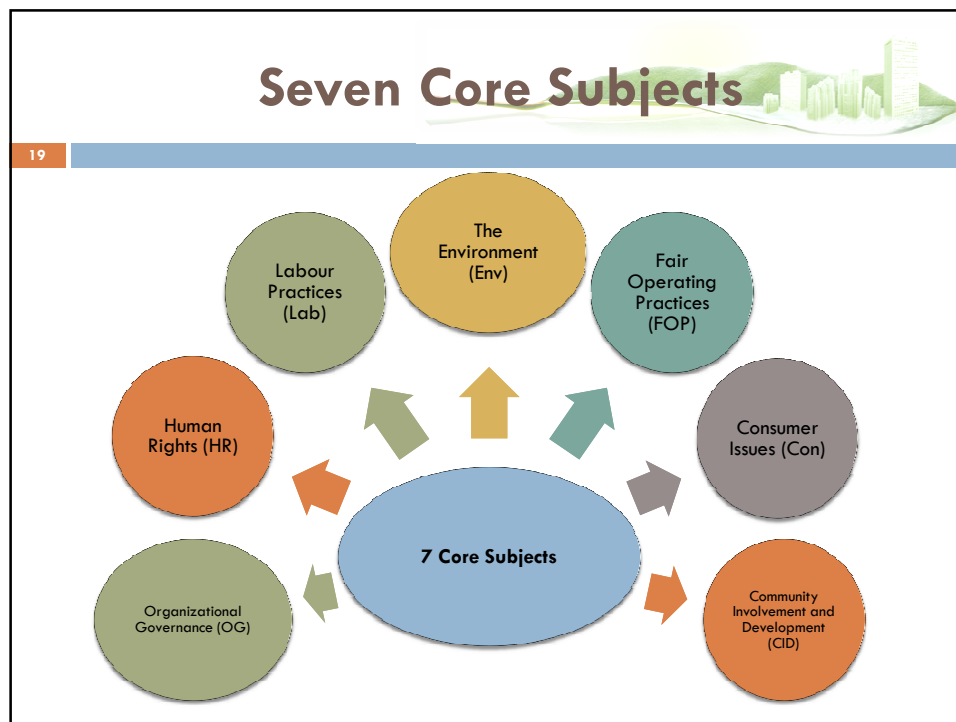
- Free annual summary report
- Individual performance summary report – Free to respondent company
- Individual performance summary report
- Customized report
- HKQAA CSR Index Plus assessment



The screenshot shows a web browser window displaying the HKQAA Sustainability Rating and Research Platform. The browser's address bar shows the URL <https://srr.hkqaa.org/>. The website header includes the title "HKQAA Sustainability Rating and Research Platform" and the subtitle "In collaboration with Hang Seng Indexes Company Limited". The HKQAA logo is visible in the top right corner. A navigation menu on the left lists "Hang Seng Corporate Sustainability Indexes", "HKQAA sustainability performance assessment", "News & Events", and "Useful Links". The main content area features a large image of a wind turbine with the text "Creating Value for Responsible Investors" overlaid. Below this, there is an "INTRODUCTION" section with a welcome message and a small grid of images. A "Latest News" section on the left lists two recent events: a seminar on 2014-03-28 and the release of a scoring handbook on 2014-03-05. The browser's zoom level is set to 90%.

<https://srr.hkqaa.org/>

The slide features a background image of a lush green forest with sunlight filtering through the trees. A red banner across the middle of the image contains the text "Creating Value for Responsible Investors". Below the image, the text "PART II" is displayed in a large, white, sans-serif font. In the top right corner, the number "18" is visible. At the bottom of the slide, there is a blue footer bar containing the text "Mr. WK Wong" and "Manager, HKQAA".



## Organizational Governance Issue

20

- OG1. Organization should set its direction by making sustainability/social responsibility an integral part of its policies, strategies and operations.
- OG2. Organization should establish program or mechanism for raising awareness and building competency for sustainability/social responsibility in the organization.
- OG3. Organization should be aware of applicable social responsibility laws and regulations, to inform those within the organization responsible for observing these laws and regulations and to see that they are observed.
- OG4. Organization should disclose how the highest governance body is established and structured in support of the organization's purpose, and how this purpose related to economic, environmental and social aspects are evaluated and managed.
- OG5. Organization should establish sustainability risk and crisis management mechanism or means.
- OG6. Organization should establish a two-way communication process between the organizations and its stakeholders' interests and assist in identifying areas of agreement and disagreement and in negotiation to resolve possible conflicts.

## Human Rights Issues

21

- HR1. Organization should establish a program or means to resolving grievances.
- HR2. Organization should ensure that it does not discriminate against employees, partners, customers, stakeholders, members and anyone else with whom the organization has any contact or on whom it can have any impact.
- HR3. Organization should ensure the fundamental principles and rights at work.
- HR4. Desired Question: Organization should ensure every person, as a member of society, economic, social and cultural rights necessary for his or her dignity and personal development.
- HR5. Desired Question: Organization should establish a programme or means to face challenges and dilemmas relating to human rights and in which the risk of human rights abuse may be exacerbated.

## Human Rights Issues

22

- HR6. Voluntary question: Organization should respect all individual civil and political rights.
- HR7. Voluntary question: Organization should respect human rights and have a responsibility to exercise due diligence to identify, prevent and address actual or potential human rights impacts resulting from their activities or the activities of those with which they have relationships.
- HR8. Voluntary question: Organization should ensure avoidance of complicity.

## Labour Practices Issues

23

- Lab1. Organization should encourage lawful and proper employment that signifies human development and contribute to the improvement of standards of living through full and secure employment and decent work.
- Lab2. Organization should ensure decent conditions of work and provide social protection.
- Lab3. Organization should ensure health and safety at work.
- Lab4. Organization should encourage human development and training in the workplace.
- Lab5. Voluntary question: Organization should encourage social dialogue. Social dialogue includes all types of negotiation, consultation or exchange of information between or among representatives of governments, employers and workers, on matters of common interest relating to economic and social concerns.

## Environmental Issues

24

- Env1. Organization should implement measures or means to prevent pollution and minimize waste.
- Env2. Organization should promote the sustainable use of renewable resources.
- Env3. Organization should implement measures to adapt to climate change and mitigate its impacts.
- Env4. Organization should be socially responsible by acting to protect the environment and restore natural habitats and the various functions and services that ecosystems provide.

## Fair Operating Practices Issues

25

- FOP1. Organization should develop and implement mechanism or means to prevent corruption.
- FOP2. Organization should promote social responsibility in the value chain.
- FOP3. Organization should develop and implement programme or means to protect the property rights.
- FOP4. Organization should prevent engaging in anti-competitive behaviour.

## Consumer Issues

26

- Con1. Organization should ensure that no unfair marketing or misleading information about products and services is delivered to consumers.
- Con2. Organization should reduce and eliminate unsustainable patterns of production and consumption.
- Con3. Organization should develop and implement system on delivery of consumer service and support, complaints handling, and dispute resolution.
- Con4. Organization should implement measures to protect consumer data and privacy.
- Con5. Organization should educate consumers to make knowledgeable purchasing decisions and consume responsibly.

## Consumer Issues

27

- Con6. Desired Question: Organization should ensure that its products and services will not be inherently harmful to consumers' health and safety.
- Con7. Desired Question: Organization should contribute to the right of community to satisfy basic needs.

## Community involvement and development

28

- CID1. Organization should proactively outreach to the community. It is aimed at preventing and solving problems, fostering partnerships with local organizations and stakeholders and aspiring to be a good organizational citizen of the community.
- CID2. Organization should preserve and promote the culture and promote the education compatible with respect for human rights.
- CID3. Organizations should create employment in the community, and develop their skills for employment promotion and securing decent and productive jobs.
- CID4. Organization should create wealth and income, and promote a balanced distribution of the economic benefits among community members.
- CID5. Voluntary question: Organization should contribute to the promotion of public health, prevention of health threats and diseases, and mitigation of any damage to the community.
- CID6. Voluntary question: Organization should promote technology development and access.

## HKQAA Enquiry

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