

【Press Release】

FOR IMMEDIATE RELEASE

HKQAA Sustainability Rating and Research 2015

Listed Companies Need Improvement in Community and Environment Performance

Appointed by Hang Seng Indexes to Review about 700 Companies

(19 November 2015, Hong Kong) Hong Kong Quality Assurance Agency (“HKQAA”) announced the preliminary results of HKQAA Sustainability Rating and Research 2015. The Agency was appointed by Hang Seng Indexes Company Limited (“Hang Seng Indexes”) to review 685 eligible companies listed in Hong Kong and mainland China this year. The results revealed that the listed companies performed best in “Labour Practices” but needed to make progress in “Community Involvement and Development” and “The Environment”. They showed improvement in overall sustainability performance, and over 20% of them achieved a rating of A- or above.

Rating Criteria Refer to International Standards

Since 2014, HKQAA has been appointed by Hang Seng Indexes to conduct the rating and research on the sustainability performance of eligible companies listed in Hong Kong and mainland China. Hang Seng Indexes considers the sustainability assessment results when selecting the constituents of the “Hang Seng Corporate Sustainability Index Series”. The rating criteria and assessment framework refers to several international standards, including the GRI G4 Sustainability Reporting Guidelines and ISO 26000 Social Responsibility Guidelines, enabling the implementation of a professional, objective and multi-angle approach to measuring the sustainability performance of listed companies. In the current assessment model, all companies are rated in seven core subjects: Corporate Governance, Human Rights, Labour Practices, The Environment, Fair Operating Practices, Consumer Issues, and Community Involvement and Development.

Strongest Performance in Labour Practices

In 2015, HKQAA reviewed the sustainability performance of 455 Hong Kong listed companies (including companies that are dual-listed in Hong Kong and mainland China) and 230 China A-Share listed companies. It was found that they performed best in “Labour Practices”, the average score of which was 53.6 (A-), reaching a satisfactory level (*please refer to Table 1 for the descriptions of ratings*). More and more companies are willing to go beyond the legal requirements when addressing labour issues. They promote appropriate labour practices further to their supply chain, encouraging the industry to adopt international labour standards.

Community Development Objectives Lacking

There was room for improvement in listed companies’ “Community Involvement and Development” and “The Environment” performance whose average scores were 35.8 (BB) and 37.8 (BB) respectively. A company rated BB, a moderate rating, may demonstrate some positive performance attributes, however performance is not adequate in mitigating related risks. In the “Community Involvement and Development”

area, it was found that some companies have developed community involvement policies but merely make donations. They may not be able to identify stakeholders' need and lack medium-term and long-term objectives, so community development is not fostered efficiently.

In regard to "The Environment", some companies do not have the concept of the product life cycle, and do not integrate environmental considerations into the design, production, delivery, use and disposal of their products. Even though some have set up relevant policies, they cannot effectively motivate stakeholders and the value chain to implement green practices. However, the constituents of the "Hang Seng Corporate Sustainability Index Series" outperformed the rest in community and environmental performance whose average scores were 67.1 (A+) and 69.6 (A+) respectively, achieving a satisfactory rating.

"Hang Seng Corporate Sustainability Index Series" Constituents Better Perform

The Constituents outperformed the rest of the universe companies in the seven core subjects. Similar to last year, the gaps were especially large in "The Environment" and "Community Involvement and Development", reflecting the plentiful resources put into these areas by the top performers (*please refer to Chart 1 and Table 2 for a comparison of performance in the seven core subjects*).

Encouraging Trend in Overall Performance

There were some encouraging developments among the assessed companies with respect to the management of sustainability performance as compared to last year. First, the number of listed companies that issue stand-alone or integrated sustainability or CSR reports increased by 73%. Second, 146 listed companies (over 20%) achieved a satisfactory rating of A- or above, demonstrating strong sustainability performance while at the same time being somewhat susceptible to related risks. The number increased by about 40% as compared to 2014. This shows that more companies are committed to enhancing their sustainability performance (*please refer to Chart 2 for the overall performance by Hong Kong and mainland China listed companies*).

Ir Dr Hon Lo Wai Kwok, Chairman of HKQAA said, "We are pleased to see the improved sustainability performance of Hong Kong and China listed companies, which demonstrates that more and more corporates have started to respond to the needs and expectations of society, and to address sustainability challenges. We hope that HKQAA's annual research will continue to chart improved performance in future and recognise the efforts of the listed companies in taking steps towards the better alignment of societal and investment values."

Mr Vincent Kwan, Director and General Manager of Hang Seng Indexes Company Limited, said, "Launched in 2010, the Hang Seng Corporate Sustainability Index Series strives to support the concept of sustainable development and provides a benchmark for responsible investment. It focuses on stakeholders' benefits as a whole rather than profit alone."

The full report of the HKQAA Sustainability Rating and Research 2015 will be released by the first quarter of 2016. Please visit <https://srr.hkqaa.org> for details. The brief report,

HKQAA Sustainability Rating and Research: Annual Review 2015, was published in HKQAA's quarterly newsletter *VISION*, issue 57:
http://www.hkqaa.org/cmsimg/eneews/issue57/VISION57_17.pdf.

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About HKQAA

Hong Kong Quality Assurance Agency (HKQAA) is a non-profit organisation established by Hong Kong Government in 1989. As one of the leading conformity organisations in the Asia-Pacific region, HKQAA is committed to providing certification and assessment services. Through knowledge sharing and technology transfer, HKQAA helps enterprises enhance management performance and competitiveness. Apart from introducing world-class management systems to Hong Kong, HKQAA has also developed a wide range of innovative services to cope with increasingly diversified market demands and the growing need for sustainable development, bringing benefits to the community. Please visit <http://www.hkqaa.org> for further information.

About Hang Seng Indexes Company Limited

The Hang Seng Family of Indexes is managed and compiled by Hang Seng Indexes Company Limited (formerly HSI Services Limited), which is a wholly-owned subsidiary of Hang Seng Bank. The Hang Seng Family of Indexes comprises a wide range of Flagship, Benchmark, Thematic, Strategy and Bond indexes that cover stocks/bonds listed in Hong Kong/mainland China markets. For further information on the Hang Seng Family of Indexes, please visit the company's website at www.hsi.com.hk.

About Hang Seng Corporate Sustainability Index Series

Launched in 2010, the "Hang Seng Corporate Sustainability Index Series" aims to further raise awareness of sustainability (which encompasses environmental, social and corporate governance performance) in the Hong Kong and mainland China A-share markets, in line with increasing international interest in sustainability investment. HKQAA has been appointed by Hang Seng Indexes Company Limited to provide assessment and rating services for the "Hang Seng Corporate Sustainability Index Series" since 2014. To ensure that all the constituent companies in the Index Series are strong sustainability performers, the selection process for the constituents includes consideration of the sustainability assessment results.

(Table 1)
Sustainability Ratings

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

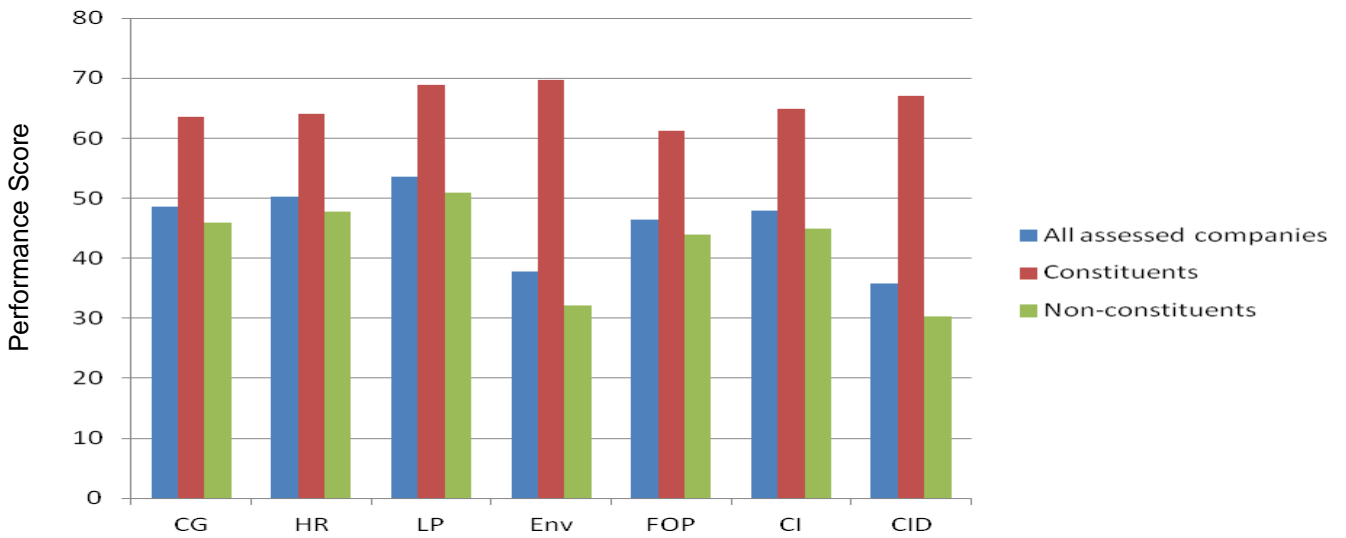
According to the assessment results, Sustainability Ratings ranging from AAA (reliable) to D (at risk) as above are assigned to each eligible company. A plus (+) or minus (-) sign may be assigned to show relative standing within the rating categories.

(Table 2)
Ratings by Sectors

Sectors	Average Sector Rating	CG	HR	LP	Env	FOP	CI	CID
Conglomerates	A	A	A	A+	A	A	A-	A
Telecommunications	BBB+	BBB	A	A	BBB	BBB	A-	BBB
Financials	BBB	BBB	A-	A	BBB-	BBB	A-	BBB
Properties & Construction	BBB	BBB+	A-	A-	BBB-	BBB	BBB	BB+
Industrials	BBB	BBB	A-	A-	BB+	BBB	BBB	BB-
Information Technology	BBB	BBB	A-	A-	BB	BBB	BBB	BB-
Materials	BBB	BBB	BBB-	A-	BB+	BBB	BBB+	BB
Utilities	BBB	BBB+	BBB-	BBB+	BBB-	BBB	BBB	BB
Consumer Services	BBB-	BBB	A-	A-	BB	BBB	BBB-	BB
Energy	BBB-	BBB	BBB-	A-	BB	BBB-	BBB	BB
Consumer Goods	BBB-	BBB	BBB	BBB	BB-	BBB	BBB-	BB-

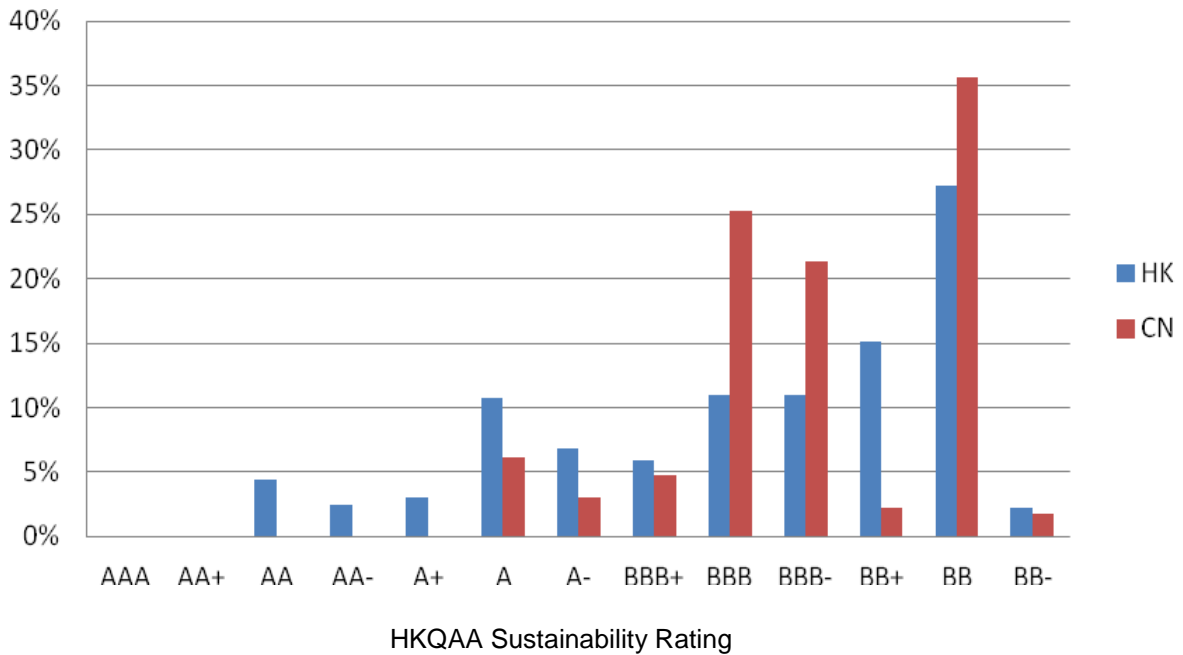
Remarks: CG-Corporate Governance; HR-Human Rights; LP-Labour Practices; Env-The Environment; FOP-Fair Operating Practices; CI-Consumer Issues; CID-Community Involvement and Development

(Chart 1)
Average Scores in Seven Core Subjects



Remarks: CG-Corporate Governance; HR-Human Rights; LP-Labour Practices; Env-The Environment; FOP-Fair Operating Practices; CI-Consumer Issues; CID-Community Involvement and Development

(Chart 2)
Ratings on Overall Sustainability Performance – Rating Distribution



Number of companies

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-
HK	0	0	20	11	14	49	31	27	50	50	69	124	10
CN	0	0	0	0	0	14	7	11	58	49	5	82	4