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## TALKING POINTS 論點

# A Refined ESG Model Based on Responsible Management Concepts

## 基於負責任管理概念修正ESG報告模式

In recent years, corporate leaders, academics, and institutional investors have increasingly favoured an inclusive model of sustainable capitalism that provides benefits to all stakeholders. Arguably, it is now time to reform the indulged capitalism by redefining the purpose and responsibility of corporations. These market players have gradually adopted concepts and practices related to 'responsible management' to reverse this 'maximizing shareholders' value' (MSV) trend. Among other initiatives, they advocate for the use of environmental, social and governance (ESG) metrics to optimize stakeholders' values and help solve social problems such as labour rights, inequalities, and climate change.

Many companies spend considerable resources on ESG activities, and this is a trend to which the capital market also pays close attention. ESG practices not only have potential environmental and societal benefits; companies adopt ESG metrics to enable more efficient resource allocation, better risk management, and more sustainable corporate growth.

However, ESG reporting requirements, with multiple, complex standards and metrics, are both a source of debate and an area of growing interest in the market. As many of the inherent concerns regarding ESG reporting have not been addressed, it is doubtful to what extent piecemeal revisions of the requirements by the stock exchange or other regulatory bodies can improve significantly the cost effectiveness and value of ESG reporting, especially in achieving social and environmental progress.

Concerns and insights such as those above highlight the need for a refined ESG model that embodies the core values of responsible management. This article seeks to take a critical view of the current ESG reporting mechanism, considering that any such mechanism should be aimed at uncovering the extent to which management acts ethically and responsibly towards different stakeholders leading to sustainability.

近年來，企業領袖、學術界及機構投資者越發傾向採用一個具包容性的可持續資本主義，祈望能為所有持份者帶來裨益。現在是時候透過重新定義企業的目標和責任，以改革放任式資本主義制度。這些市場參與者逐步地採用與「負責任管理」相關的概念及實踐，以扭轉「股東價值最大化」的趨勢。除了其他改革措施，他們亦提倡採用環境、社會和管治（ESG）披露，以助優化持份者價值與協助解決如勞工權利、不平等及氣候變化等社會問題。

很多企業在ESG活動上已投入了大量資源，而此趨勢亦受到資本市場的密切注視。ESG的實踐不僅具有潛在環境及社會效益，採納ESG指標的公司，還可實現更有效的資源分配、更完善的風險管理，與及更可持續的企業增長。

然而，ESG報告要求涉及不同而複雜的標準及指標，因而引起了市場的爭論和更多的關注。由於很多有關ESG報告的問題尚未得到解決，因此不少人懷疑，港交所或其他監管機構對ESG報告要求所作出零碎的修訂，是否能夠顯著地提升ESG報告的效益及價值，尤其是在促進社會及環境發展方面。

上述對ESG的憂慮及見解，均突顯了修正目前ESG模式的必要性，以體現負責任管理所涵蓋的核心價值。考慮到ESG報告機制的原意，應為揭示管理層有多大程度合乎道德及對不同持份者負責任，從而達致可持續性目的。本文將按照這個思路審視目前ESG的報告機制。

### 目前ESG報告要求的一些問題

雖然「ESG」這個概念已很流行並被普遍接受，但ESG至今仍缺乏一健全的負責任管理理論或概念架構。因此，「ESG」可以說只是一個空泛但方便使用的潮語，其目的、假設、所涉及之元素及局限均尚未明確。大多

## Some Problems with Current ESG Reporting Requirements

While recognising the popularity and general acceptance of “ESG”, ESG so far lacks a robust theory and conceptual framework for responsible management. Consequently, ‘ESG’ is arguably a loose and convenient buzzword, and lacks clarity regarding its purpose, assumptions, elements, and limitations. Most ESG reports focus on ‘environmental sustainability’ and on investors’ information needs, and demonstrate little concern for business ethics and responsibilities to each of the different stakeholders.

ESG has been growing in popularity in Hong Kong since 2015, especially following the launch of the UN’s 17 Sustainable Development Goals (SDGs) in 2015 extending ESG integration to a broader scope of environmental and social impacts.

However, there has never been any serious discussion in either the market or the literature regarding why the three domains of ‘E’, ‘S’ and ‘G’ are put together, why in this particular order, and how they interrelate with one another. Consequently, many individuals confuse it with terms such as environment protection, CSR, creating shared values, sustainability, or impact investment. The current ESG disclosure requirements by the Hong Kong Stock Exchange (HKEx) do not specify whether ‘G’ should be disclosed together with ‘E’ and ‘S’ in a single report and in what order.

Lacking an integrated conceptual framework for responsible management, the major problem with the existing ESG reporting and other similar concepts is that it is not based on a company’s purpose, responsibilities and social contract.

In March 2022, the International Sustainability Standards Board (ISSB) of the International Financial Reporting Standards Foundation issued two IFRS Sustainability Disclosure Standards exposure drafts on “Sustainability-related Financial Information” (IFRS S1) and “Climate-related Disclosures” (IFRS S2). As evidenced by a report of the World Economic Forum of 2020, the two exposure drafts however focus only on environmental sustainability and climate change reporting. We do hope that the ISSB continues to make efforts to tie up the other loose ends inherited from the current ESG legacy.

數 ESG 報告都聚焦於「環境可持續性」及投資者的資訊需求，卻甚少提及商業道德及對不同持份者應有的責任。

ESG 概念由 2015 年起於香港流行起來，尤其是在聯合國於 2015 年推出 17 個可持續發展目標之後，將 ESG 整合擴展至更廣泛的環境及社會影響範圍，更受到追捧。

然而，不論是在市場還是在文獻裡，皆並未有認真討論過為何會將「E」、「S」及「G」三個領域綁在一起、為何以這個特定次序排列，以及它們的相互關聯性。因此，很多人將其與環境保護、企業社會責任、創造共享價值、可持續性或影響力投資等術語產生混淆。香港聯合交易所（港交所）的現行 ESG 披露要求，亦並未說明「G」是否應與「E」及「S」在同一份報告中披露，以及披露的次序。

由於缺乏負責任管理的綜合概念架構，現有 ESG 報告與上述其他類似良治措施的主要弊端，在於其並非以企業的目標、責任及社會契約為基礎。

在 2022 年 3 月，國際財務報告準則基金會轄下的國際可持續發展準則理事會（ISSB）發布了兩份 IFRS 可持續發展準則的徵求意見稿，分別為「可持續發展相關財務資訊」（IFRS S1）及「氣候相關資訊披露」（IFRS S2）。世界經濟論壇於 2020 年一份報告指出，這兩份徵求意見稿只將焦點放在環境可持續性及氣候變化報告的問題上。我們希望 ISSB 繼續努力，以整頓目前 ESG 模式下其他不規範的資訊披露。



## The Refined ESG Reporting Model

To address the current shortcomings, the first step in revising the ESG reporting model is to identify a sound and comprehensive conceptual framework.

We believe that corporations are important social institutions that have the capacity to benefit various stakeholders including the society. In recent years, some business and academic leaders have suggested redefining the purpose of corporations from the perspective of social contracting. That is, companies, which enjoy privileges such as limited liability, unlimited life, and independent legal person status, should implicitly agree to bear responsibilities to various inter-dependent stakeholders. Thus, corporate leaders should not concentrate solely on shareholders' interests but rather should optimise sustainable value for all stakeholders upon whom corporations' existence depends. In other words, corporations need to balance the interests of all major stakeholders and aim for sustainable corporate growth.

We also believe that decisions based on responsible management is the cornerstone of stakeholder-based corporate governance. We therefore propose a refined ESG model based on the Integrated Conceptual Framework of Responsible Management developed by Simon S.M. Ho in 2020. This framework stems from the umbrella concept of social contracting and examines the purpose and the core values of responsible management.

The existing ESG model pays little attention to the 'inner well-being', or ethics, which is the foundation of responsible management behaviours. Further, the 'S' or "Social" domain is arguably too broad and hence confusing, as it consists of a number of loose reporting elements such as human rights, employee training, equal opportunities and diversity, corruption prevention, occupational health and safety, product liability, charity and volunteering and so on, which do not necessarily relate to each other. The expectations and information needs of different stakeholders are also not systematically addressed. We propose to change the letter 'S' to represent 'Stakeholders' instead of the broad, potentially confusing 'Society'.

Thus, in the integrated framework as shown in the exhibit below, three core domains are identified: Ethics, Stakeholder Value, and Sustainability. On top of these three domains comes the existing Governance domain, which provides the overall corporate direction and leadership of 'responsible management'. A brief definition of each of these domains is given below:

- ◆ **Ethics:** It represents the moral principles or conscience that govern a company's behaviour, represented by the implementation of appropriate business policies and practices not obliged by law.
- ◆ **Stakeholders' Value:** It emphasises the disclosure of the sustainable value created for each of the stakeholder groups, including shareholders/investors, senior management, employees, customers, suppliers, creditors, community, regulators and the Government.

## 經修正的ESG報告模式

為彌補當前的不足，修訂目前ESG報告模式的首要工作就是識別一個健全的概念框架。

我們認為企業是重要的社會機關，能造福各持份者，乃至整體社會。近年來，若干商業及學界領袖建議從社會契約的角度重新定義公司的目標，即享有有限責任、無限壽命、獨立法人地位等特權的公司，應對各互依賴的持份者承擔責任。因此，企業領袖不應只關注股東利益，而應為企業賴以生存的所有持份者優化其可持續價值。換言之，企業需要平衡所有主要持份者的利益，並以可持續的企業增長為目標。

我們亦認為，以負責任管理為 策基礎乃企業管治的基石。因此，我們提出一個以何順文教授於2020年建立的「負責任管理綜合理念架構」為基礎而修訂的ESG模式。這個架構是源於社會契約作為頂層概念，從而驗證負責任管理的目的及其核心價值。

現有的ESG模式，甚少關注負責任管理行為的根本，即「內在良知」，亦即「道德」的領域。再者，「S」或「社會」領域過於廣泛及雜亂，因為當中包含了很多鬆散的報告元素，例如人權、員工培訓、平等機會及多元性、防貪、職業健康與安全、產品責任、慈善及志願服務等，但卻未能互作聯繫，和有系統地滿足不同持份者的期望和資訊需要。有見及此，我們建議修正ESG模式，將「S」改為「持份者」(Stakeholders) 而非廣泛令人混亂的「社會」。因此，如下圖所示，我們所提出的「負責任管理綜合理念架構」，包含了三個核心領域：即道德、持份者價值及可持續性。在這三個領域之上的，是現有的企業管治領域，以「負責任管理」的概念為企業提供整體方向及領導。下面是每一個領域的簡單定義：

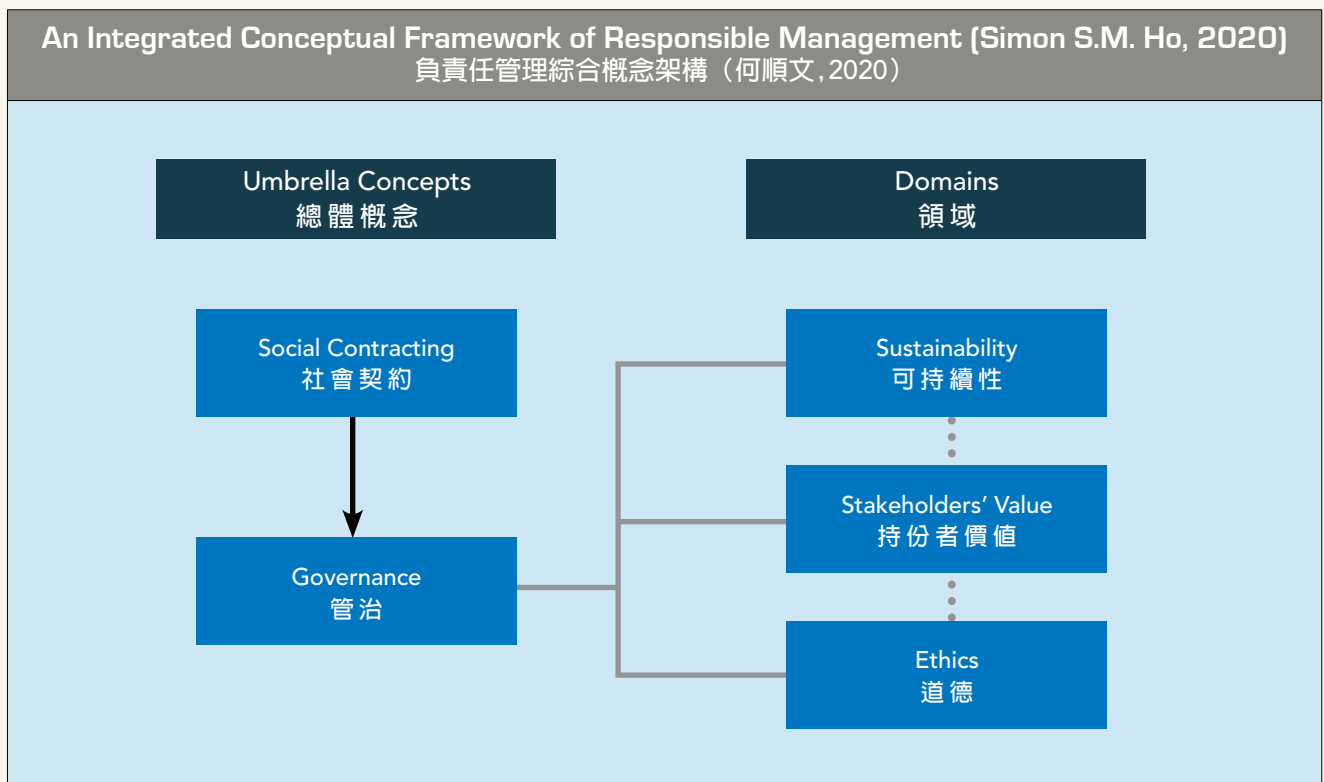
- ◆ **道德 (Ethics)**：代表是用以規範企業行為的道德原則或良知，體現於執行適當並非法律所要求的企業政策與實務。
- ◆ **持份者價值 (Stakeholders' Value)**：強調披露為各持份者組別（包括股東／投資者、高級管理層、員工、消費者、供應商、債權人、社區、監管機構及政府等）所創造的可持續價值。
- ◆ **可持續性 (Sustainability)**：意指在滿足本世代需要的同時，不會損害未來世代的利益。它是基於「三重底線」的核心概念，即「人、地球及利潤」(3Ps)的可持續發展目標。這概念能使企業以長遠角度評估各決策對未來帶來的後果。
- ◆ **管治 (Governance)**：這指領導及管控公司的規則、機制、權責關係及處事過程的一套系統。企業管治涉及平衡企業眾多持份者的利益，尤其是股東／投資者、董事會及高級管理層之間的權責分配，因此需要適當的誘因、監控及風險管理措施。

- ◆ **Sustainability:** It means to meet the needs of this generation while not compromising those of the future generations. It is centred on the core concept of the triple bottom line, i.e., the goals of 'People, Planet, and Profit' (3Ps). It enables organisations to take a longer-term perspective and thus evaluate the future consequences of decisions.
- ◆ **Governance:** This is the system of rules, mechanism, relations, and process by which a company is directed and controlled. In this context, governance essentially involves balancing the interests of a company's many stakeholders, especially among shareholders/ investors, the board of directors, and senior management, and thus calls for appropriate incentives, control and risk management measures.



These four domains are complementary, mutually reinforcing but distinct, each with its own core concepts and execution.

這四個領域是互補、相輔相成的，但又各不相同，每個領域均有其核心概念及執行的方式。



Besides Environment (E) and Governance (G) related key performance indicators in the existing model, following the new model, the 'Stakeholders' Value' (S) indicators shall be classified according to the ethics and sustainable values created for each of the stakeholder groups. Together this would lead to ultimate sustainability of People, Planet and Profit (the 3Ps) as described in the earlier section.

### Other Recommendations for Practice

\Apart from advocating for the refined ESG model, we have also identified the following suggestions for improvements to the current ESG reporting practices, subject to materiality considerations:

- The boards of many issuers do not sign off the annual ESG reports. In order to ensure accountability, following a similar process of the issuer's audit committee approving financial statements, companies should establish an ESG committee, consisting mainly of independent non-executive directors (INEDs), which will monitor the issuer's ESG-related matters and be responsible for endorsing the ESG report.
- Currently, ESG disclosures are commonly done on a group basis only. However, poorly rated indicators in a subsidiary or segment may be 'offset' by good performance elsewhere in the group, thus covering up poor ESG performance in some subsidiaries or segments. This may lead to under-investment in remedial actions, and the public may be misguided in the belief that the group is 'greener' than it actually is. It is therefore proposed that in such cases, in order to facilitate comparability, groups consisting of different major subsidiaries or segments should also report at the subsidiary or segment level.
- With the more intensive integration of the Hong Kong and mainland Chinese economies, as well as dual listings, the present ESG reporting model of the HKEx does not take adequate consideration of the recent ESG developments in mainland China. Our refined ESG model will require further collaboration between Hong Kong and mainland authorities.
- In order to strengthen confidence among stakeholders, apart from enhancing reporting benchmarks and improvement targets, it is proposed that policies and plans properly executed should also be disclosed separately, manifesting accountability of responsible management.

### Towards a Stakeholder-based and Sustainable Economy

It is evident that across the globe, the current ESG reporting model has fallen short of the expectations of society at large. Different stakeholders are desperately waiting for a new direction on this matter.

This article has laid out an refined version of the existing ESG model which is based on the integrated conceptual framework of responsible management described. This robust framework should effectively address some major shortcomings of the present model.

It is time to recalibrate. ESG reform should begin today. **M**

*The article only represents the authors' personal views.*

除了現有 ESG 模式的環境 (E) 及管治 (G) 指標，按照上述的理念架構，持份者價值 (S) 指標的披露，應按為每一個持份者群組所承諾的道德操守及所創造的可持續性價值作分類。這個 'S' 結合 'E' 與 'G' 一起可最終達致前述提及的人、地球及利潤 (3Ps) 可持續性。

### 其他實務上的一些建議

除提倡經修訂的 ESG 模式外，在考慮到重要性的大前提下，我們亦提出下列對目前 ESG 報告方式的若干建議：

- 一般情況下，很多上市公司的董事會不會審核或簽署年度的 ESG 報告。為了確保管理層的問題責任，按照上市公司審計委員會審批公司的財務報表類似的程序，公司應成立一個主要由獨立非執行董事組成的 ESG 委員會，負責監察公司 ESG 的相關事宜，並負責批核 ESG 報告。
- 目前 ESG 披露一般只以集團作為報告單位。不過，在集團裡某子公司或業務分部的一些表現不佳的關鍵績效指標，是有可能和集團裡其他子公司或業務分部表現良好的指標互相抵消，而將那些表現不佳的指標掩蓋，從而導致集團對改善措施所需的投資不足，因而使公眾被誤導，以為集團在環保等績效比實際的為高。因此，我們建議，在這種情況下，為了促進績效指標的可比性，集團應在子公司或業務分部的層面上提交相關的報告。
- 隨著香港及內地的經濟關係越發頻繁緊密，加上雙重上市的安排，目前港交所的 ESG 報告模式並未充分考慮內地近期的 ESG 發展。我們提出經修正的 ESG 模式，將需要兩地當局的加強合作協調。
- 為了增強持份者的信心，除了加設更多 ESG 報告的基準及改善目標外，我們建議相關已落實的政策及正執行的計劃，均應分開地作獨立披露，以彰顯負責任管理概念中所要求的問責性。

### 邁向以持份者為本的可持續經濟

環顧全球，目前的 ESG 報告模式明顯未能符合整體社會的期望。不同持份者都很急切地期待相關報告模式的新方向。

本文提出經修正的 ESG 報告模式，是以負責任管理綜合概念架構為基礎。這個經修正的 ESG 模式，應能有效應對目前模式的主要不足。

現在是時候重新作出修正。ESG 改革已經是刻不容緩了。 **M**

\*本文僅代表作者的個人觀點。