



**Grant Title:** *Establishing a research infrastructure for ESG intelligence: A multi-stakeholder perspective (UGC/IDS(R)14/21)*

**Survey Topic:** *A focus group survey on enhancing the effectiveness of strategic corporate communication on ESG efforts for listed firms*

*February 2024*

# *IDS Progress Report*

**Research Component (RC) 4:** *Enhance the effectiveness of strategic corporate communication on ESG efforts for listed firms*

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## **RGC IDS Grant (UGC/IDS(R)14/21) RC4 Progress Report**

**Grant Title:** Establishing a research infrastructure for ESG intelligence: A multi-stakeholder perspective (UGC/IDS(R)14/21)

**Research Component (RC) 4:** Enhance the effectiveness of strategic corporate communication on ESG efforts for listed firms

**Survey Topic:** A focus group survey on enhancing the effectiveness of strategic corporate communication on ESG efforts for listed firms

### **1. Background and Methodology**

#### **1.1. Background and Purpose**

The effectiveness of capitalizing any corporate activities including ESG efforts in the stock markets is a function of two related elements: 1) the content value of the corporate actions and 2) the efficiency and quality of the relevant information disseminated to market, especially to the related institutional investors. For the second element, effective corporate communication is the key to success to achieve this goal.

As an international financial centre, Hong Kong has always kept up with the global trend and ESG has become more mainstream in recent years. Unlike traditional financial data for which finance and accounting professionals get used to prepare under a mature mechanism, ESG data are non-financial and a new type of corporate information, which brings challenges to the IR (Investor Relations)/CC units.

We are fortunate that the Hong Kong Investor Relation Association (HKIRA) has pledged its support to enhance our research process through participation of surveys and focus groups from their members and we aim at generating corporate communication solutions supported by our academic research.

In order to support the RC4, this survey explores 1) whether there are particular issues of the certain E, S, G pillars bringing the most challenges for the IR/CC units to handle; 2) the operation differences between early-stage firms and mature firms in handling ESG issues.

This report as a critical part of the overall ESG intelligence for the purpose of IR/CC as the stakeholders. Our next stage will use the findings of this report to enhance ESG communication effectiveness for listed firms.

## 1.2. Methodology

A total of 19 participants have filled out a simple questionnaire, and 7 of them have engaged in an in-depth group interview (focus group) on their views on how they perceived the relevance of ESG (Environmental, Social, and Governance) to their IR /CC job functions. We targeted major stakeholders from Real Estate, Banking, Insurance or Financial Services, Consumer products and services, Technology, Media, and Telecom, and Healthcare industries.

We conducted a focus group to reach out to the IR/CC professionals:

Date	Supporting Organization/ Host (number of Participants)
September 25, 2023	Hong Kong Investor Relations Association, Hang Seng University of Hong Kong (n=7)

We draft a questionnaire consisting of two sections. Section one asks for certain personal information for our demographic segmentation as well as to have a basic knowledge of the respondents' ESG professional team. Section two requires the respondents to answer a total of 5 questions to evaluate the difficulty of communicating ESG with stakeholders or corresponding parties. After the meeting, we refine the questionnaire draft by combining the comments and suggestions from the focus group participants and finalize it for the use of the online survey.

A total of 12 participants filled out the questionnaire on how they (IR/CC professionals) perceived their ESG-related job functions through a commercial online platform.

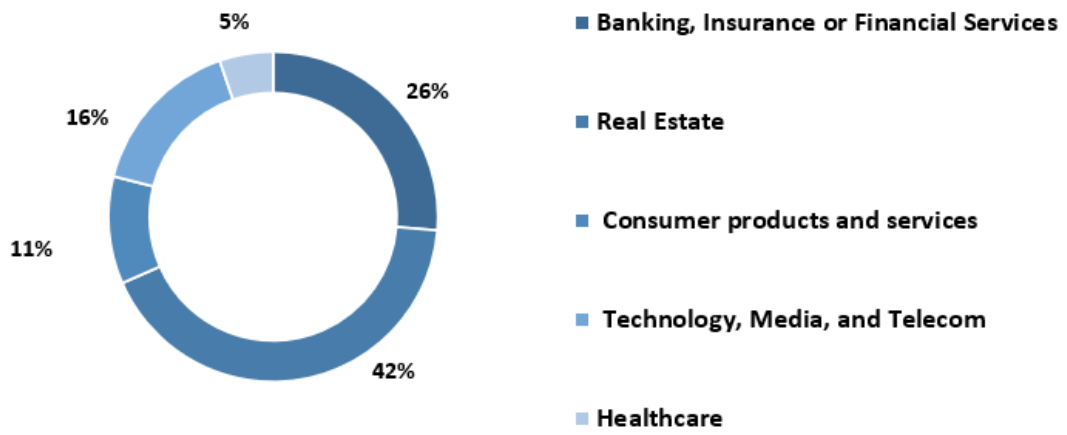
## 2. Sample and Descriptive Statistics

### 2.1. Demographic data

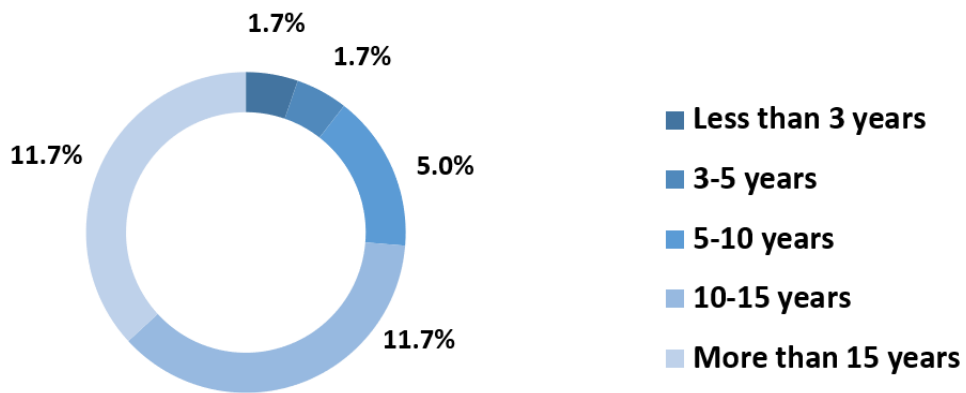
Under the support of HKIRA, we conduct an online survey in Hong Kong for a total of 11 valid responses from October 9 to October 23, 2023. Figure a, b, and c show the demographic characteristics of our sample.

In terms of sector distribution, according to Figure a, 42% comes from the Real Estate sector, while 26% belong to the Banking, Insurance or Financial Services sector, and 15% of the respondents work in the Technology, Media, and Telecom sector. 10% of the respondents come from the Consumer products and services industry. The remaining 5% who work in the Healthcare sector take up the lowest percentage of the total respondents. Observing from Figure b, both the respondents work in the IR/CC field for 10-15 years and more than 15 years take up the highest percentage, peaking at 36% of the overall respondents. 15% of respondents have worked as IR/CC professionals for 5-10 years. 5% of the total respondents are either those who have worked in the profession for less than 3 years or those who have worked in it for 3-5 years. Based on Figure c and Figure d, 52% of the companies own an ESG team and 40% of the ESG teams are under other departments such as Legal, Strategic and Development Department, Corporate Marketing, Communication & Sustainability and so on. While none of the ESG teams is under the Accounting Office.

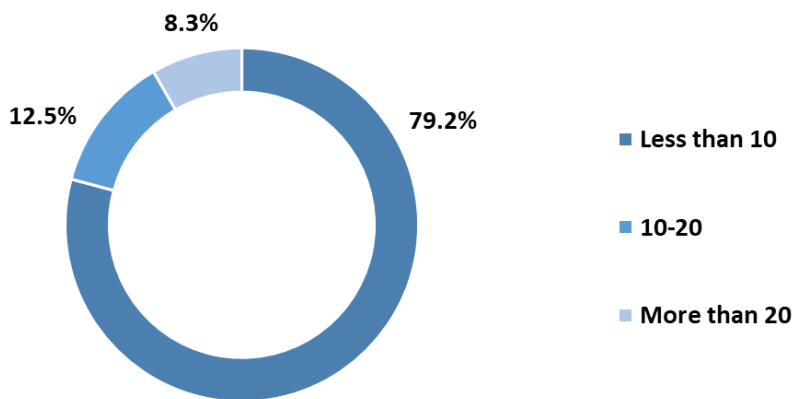
**Figure a: Sectors**



**Figure b: Work Experience**



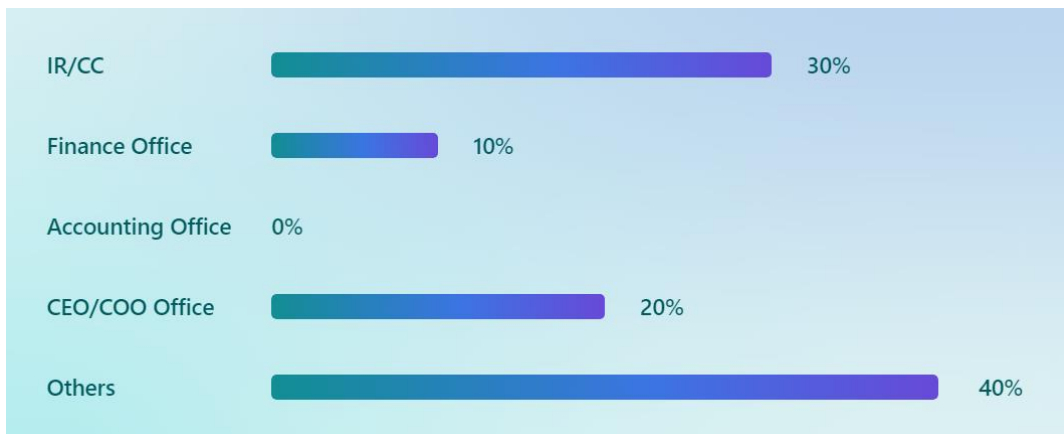
**Figure e: Number of Members in the ESG team**



**Figure c: Does your company have a separate team/person to handle ESG issues?**



**Figure d: Which department the ESG team is under?**



## 2.2. Major results

In Question 9, a 5-point Likert scale (Never, Rarely:<20%, Sometimes:20%-50%, Often: 51%-90%, Always: >90%) is used to describe the frequency of ESG issues included as part of IR/CC units' job duties. "Often" and "Always" are defined as frequent, "N/A", "Never" and "Rarely" are defined as infrequent in the survey. According to the survey results, among the E, S, and G pillars, IR/CC units encounter S pillar issues most frequently as part of job duties. To be more specific, IR/CC professionals are most frequently faced with the issues of greenhouse gas, customer privacy, data security and business ethics respectively of the E, S, and G pillars; while water and wastewater, waste and hazardous materials, customer welfare, employee health and safety, as well as corruption are infrequently included in IR/CC professionals' job duties.

Table 1. Results of the Question "How often are ESG issues included as the part of your IR/CC job duties?"

	(1) N/A	(2) Never	(3) Rarely: < 20%	(4) Sometimes: 20%-50%	(5) Often: 51%- 90%	(6) Always: > 90%
<b>a) Environmental</b>						
a1) Energy	5.3%	5.3%	26.3%	47.4%	15.8%	0%
a2) Greenhouse gas (GHG) Emissions	5.3%	5.3%	26.3%	47.4%	5.3%	10.5%
a3) Water and Wastewater	5.3%	21.1%	52.6%	15.8%	0%	5.3%
a4) Waste and Hazardous Materials	5.3%	26.3%	47.4%	15.8%	5.3%	0%
a5) Others: _____						
<b>b) Social</b>						
b1) Human Rights	10.5%	21.1%	21.1%	31.6%	10.5%	5.3%
b2) Customer Privacy	0%	21.1%	31.6%	26.3%	15.8%	5.3%
b3) Data Security	0%	15.8%	31.6%	31.6%	15.8%	5.3%
b4) Product Quality and Safety	5.3%	21.1%	26.3%	42.1%	0%	5.3%
b5) Customer Welfare	5.3%	21.1%	36.8%	26.3%	10.5%	0%
b6) Labour Practices	0%	21.1%	26.3%	42.1%	10.5%	0%
b7) Employee Health and Safety	0%	10.5%	52.6%	26.3%	10.5%	0%
b8) Others: _____						
<b>c) Governance</b>						
c1) Corruption	5.3%	15.8%	47.4%	26.3%	5.3%	0%
c2) Business Ethics	0%	5.3%	47.4%	36.8%	10.5%	0%
c3) Others: _____						

In Question 11, a 5-point Likert scale (Not difficult, Slightly difficult, Somewhat difficult, Quite difficult, Extremely difficult) is used to describe the level of difficulty of handling ESG issues as perceived by the IR/CC professionals. “Quite difficult” and “Extremely difficult” are defined as difficult, “Not difficult” and “Slightly difficult” are defined as simple in the survey. Observing from the survey results, among the E, S, and G pillars, the issues of S pillars are regarded as the most difficult to manage. While water and wastewater and data security are the most challenging sub-issues under E and S pillars respectively. As for the G pillar, corruption and business ethics are of the same difficult level.

Table 2. Results of the Question “Among the ESG issues, which ones are the most difficult for you to handle?”

	(1) N/A	(2) Not difficult	(3) Slightly difficult	(4) Somewhat difficult	(5) Quite difficult	(6) Extremely difficult
<b>a) Environmental</b>						
a1) Energy	5.3%	15.8%	31.6%	36.8%	10.5%	0%
a2) Greenhouse gas (GHG) Emissions	5.3%	15.8%	26.3%	42.1%	5.3%	5.3%
a3) Water and Wastewater	10.5%	15.8%	26.3%	31.6%	10.5%	5.3%
a4) Waste and Hazardous Materials	10.5%	15.8%	31.6%	31.6%	10.5%	0%
a5) Others: _____						
<b>b) Social</b>						
b1) Human Rights	21.1%	15.8%	26.3%	15.8%	21.1%	0%
b2) Customer Privacy	21.1%	21.1%	26.3%	21.1%	10.5%	0%
b3) Data Security	15.8%	21.1%	26.3%	21.1%	15.8%	0%
b4) Product Quality and Safety	26.3%	15.8%	21.1%	26.3%	10.5%	0%
b5) Customer Welfare	26.3%	21.1%	31.6%	15.8%	5.3%	0%
b6) Labour Practices	21.1%	21.1%	31.6%	15.8%	10.5%	0%
b7) Employee Health and Safety	10.5%	31.6%	36.8%	10.5%	5.3%	5.3%
b8) Others: _____						
<b>c) Governance</b>						
c1) Corruption	21.1%	21.1%	31.6%	21.1%	5.3%	0%
c2) Business Ethics	5.3%	36.8%	31.6%	21.1%	5.3%	0%
c3) Others: _____						

In Question 13, “Quite difficult” and “Extremely difficult” are defined as difficult, “Not difficult” and “Slightly difficult” are defined as simple in the survey. Based on the survey results, in terms of stakeholders or corresponding parties, IR/CC face more difficulties when faced with institutional investors and internal units in the process of handling ESG issues.

Table 3. Results of the Question “In terms of stakeholders or corresponding parties, which ones do you face certain challenges when handling ESG issues?”

	(1) N/A	(2) Not difficult	(3) Slightly difficult	(4) Somewhat difficult	(5) Quite difficult	(6) Extremely difficult
1. Top management	0%	36.8%	36.8%	21.1%	5.3%	0%
2. Institutional investors (including both equity and debt holders)	0%	21.1%	31.6%	26.3%	15.8%	5.3%
3. Internal units (e.g. compliance, sales, and marketing...)	10.5%	26.3%	36.8%	5.3%	21.1%	0%
4. Board of directors	5.3%	10.5%	52.6%	26.3%	0%	5.3%
5. Regulators	31.6%	10.5%	36.8%	15.8%	0%	5.3%
6. Sell-side	0%	31.6%	47.4%	10.5%	10.5%	0%
7. Social media (including KOL)	42.1%	10.5%	21.1%	21.1%	5.3%	0%
8. Retail investors	26.3%	36.8%	10.5%	26.3%	0%	0%
9. Mainstream media (including commentators)	42.1%	21.1%	15.8%	15.8%	0%	15.8%
10. Bankers/investment bankers (e.g. lender stakeholders)	26.3%	26.3%	15.8%	31.6%	0%	0%
11. Supply chain	31.6%	21.1%	15.8%	26.3%	5.3%	0%
12. Environmental and social advocates	31.6%	10.5%	26.3%	21.1%	10.5%	0%
13. Clients	52.6%	21.1%	5.3%	15.8%	0%	5.3%
14. Others: _____						



As for the communication channels, the survey results indicate that phone/conference call, online meeting, and website are the most common ways for the IR/CC units to communicate with the stakeholders or corresponding parties.

Table 4. Results of the Question “10. How often are the following channels used when communicating with the stakeholders or corresponding parties on ESG issues?”

	(1) N/A	(2) Never	(3) Rarely: < 20%	(4) Sometimes: 20%-50%	(5) Often: 51%-90%	(6) Always: > 90%
a) Physical Meeting (including road show)	36.8%	5.3%	15.8%	21.1%	21.1%	0%
b) Phone/Conference Call	36.8%	5.3%	15.8%	15.8%	26.3%	0%
c) Online Meeting (e.g. Zoom)	36.8%	5.3%	10.5%	21.1%	26.3%	0%
d) Website	36.8%	5.3%	10.5%	21.1%	10.5%	15.8%
e) Press Release for Media (including paid feature interview)	36.8%	15.8%	10.5%	15.8%	10.5%	10.5%
f) Social Media (including KOL)	42.1%	21.1%	10.5%	15.8%	10.5%	0%
g) Others: _____						

### 3. Findings and Implications

#### 3.1. How IR Teams Handling ESG Issues: Different Situations Among Early-stage and Mature Firms

The major function of IR is to produce the maximum possible relevant information to major stakeholders (e.g., shareholders, buy-side, clients, investors in general, and the society) so that stock price fully reflects intrinsic value. Meanwhile, for ESG, the current development in Hong Kong is at the transitional (early) stage. ESG does not enhance profitability in a direct manner. Consequently, there is still room for IR to incorporate ESG into its implementation to enhance value, which is very difficult to do at this stage. Under these circumstances, early-stage and mature firms encounter different challenges and demonstrate different responses.

For the early-stage firms, the main barrier for IR teams lies in the lack of experience and the ability to acquire enough information from the supply chain for disclosure. As was mentioned above, ESG does not enhance profitability in a direct manner, which means ESG benefits would not straightforwardly turn into financial or branding benefits, it is quite challenging to persuade stakeholders such as the lend sides to support.

The mature firms, compared with the early-stage firms, their IR teams are able to acquire the ESG intelligence to support their job and they have developed a stable work scope and clear workflow. There are three communication situations of the mature firms’ IR teams. One of them is that when questioned by the stakeholders about ESG issues, they would ask the ESG professionals for explanations and convey the answers to the stakeholders. Also, in order to improve efficiency, there are IR teams that tend to collect and publish common-concerned questions and answers on a website instead of directly answering the stakeholders one by one. In addition, IR teams of mature firms usually have multiple channels of communicating ESG issues except for the

websites: physical meeting, phone/ conference call, online meeting, press release for mainstream media and social media.

However, the huge size of the mature companies has led to IR teams' work difficulty of keeping an eye on every incident and details of the whole group. Especially, ESG has been attached more importance than before, an occasional or individual incident (e.g., employee's long-time working overtime) turns into a Social issue that probably causes a decline in ESG rating. The IR teams need to seek a way out of the problem.

### **3.2. Differentiation in ESG Materiality Challenges and Solutions for E and S Pillars in a Different Manner**

The survey results present differences in ESG materiality in the E and S pillars. For the Real Estate sector, commonly recognized standards and organizations have been set up to regulate and assess the sustainability of buildings. Therefore, most of the firms in the Real Estate sector have employed ESG or sustainability experts to monitor the prevent potential environmental problems during operation. However, in industries like bank, insurance, and technology, due to the lower frequency and lower severity of Environmental issues, they are less likely to have a separate ESG team to support IR/CC department.

As for the Social issues, as mentioned above, owing to the large company scale of technology and financial service firms, IR teams may not respond to or be involved in occasional or individual incidents timely. Yet, Social issues like human rights and employee health and safety have received growing concerns from the public, IR professionals from these sectors need to figure out a proper pattern or establish new regulations to deal with similar Social issues.

## **4. Conclusion and Insights**

The findings of this online survey and focus group have implication to our IDS ESG intelligence dataset design on the purpose of investor relations (IR) as a stakeholder. Based on the replies for Question 9, which states that carbon and greenhouse gases are the most common topics related to IR job duties, we will develop environmental (E Pillar) only i-score for the IR community. Related to the replies for Question 11, GHG gases are mentioned as the most difficult topic to be handled. In this case, we will consider further "discussion report" to be prepared for GHG gases for the IR community.