13 CLIMATE ACTION

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Tackling Climate Change With ESG

HOW ESG HELPS CORPORATIONS TO STRIVE FOR ENVIRONMENTAL SUSTAINABILITY

FROM CSR TO ESG

CSR: voluntary, qualitative efforts, often emphasizing social initiatives

ESG: both mandatory and voluntary, data-driven, comprehensive scopes covering environmental, social and governance initiatives

(Kim & Oh, 2024)

WHY DOES ESG MATTER?

Standardization Enables Comparability and Transparency (Zenkina, 2023)

- provides global standardized reporting frameworks (e.g. GRI, ISO) that allow companies and investors to compare sustainability performance across industries and regions
- offers guidelines (e.g. GHG Protocol, SBTi) that deliver credible, scientific, and quantifiable methods to assess corporate environmental performance, risks, and opportunities

Aligns Business with Global Sustainability Goals

- set science-based targets and roadmaps that contribute to broader efforts like UNSDGs
- responds to growing global stakeholder and regulatory pressure (e.g. HKEX, CSRD)

Target 13.2 Integrate climate change measures into national policies, strategies and planning:

- This target emphasizes the importance of embedding climate action into organizational strategies.
- ESG frameworks encourage corporations to adopt sustainable practices, such as reducing GHG emissions.
- By integrating climate-conscious policies, companies can align their operations with UN's climate goals.

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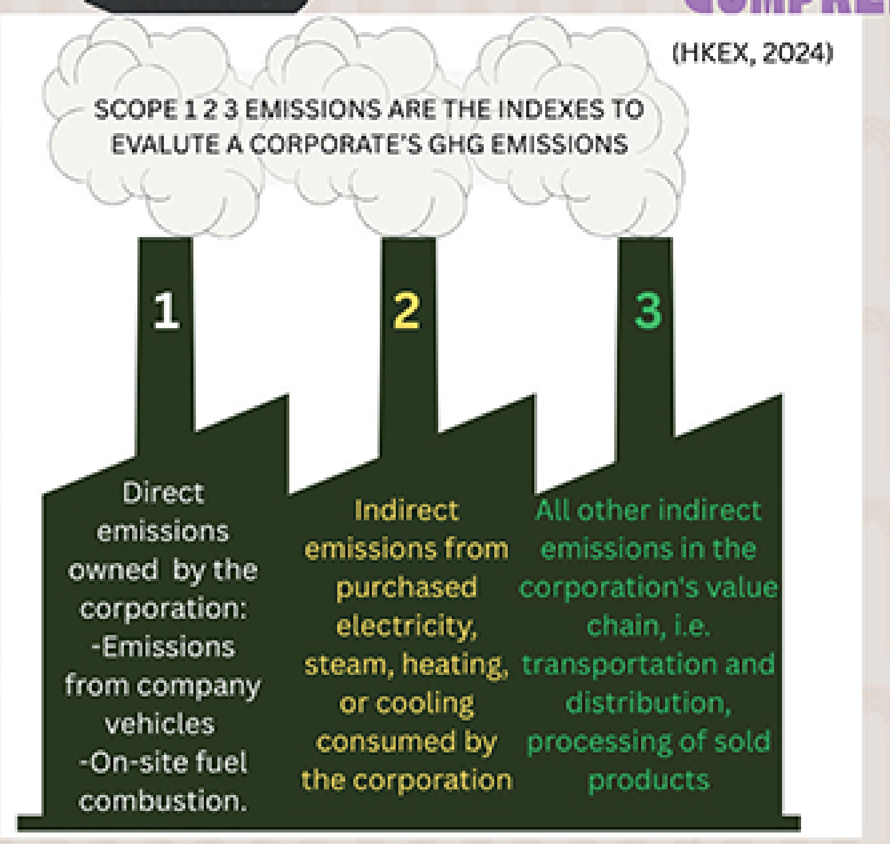
COMPREHENSIVE DECISION-MAKING ON REDUCING GHG EMISSIONS



Scope 3 emissions – important for achieving sustainability as they account for a significant share of a corporation's total emissions

Life-Cycle Assessment (LCA) – a good tool for assessing scope 3 emissions

- to evaluate the environmental impact of a product from start to finish—raw materials, production, use, and disposal
- significant in a corporation's decision-making process

Benefits

Systematic evaluation on carbon footprint

LCA evaluates the full life cycle of products
→ identify high emission stages
→ optimize environmental impact by: Sustainable materials, Energy efficiency, Low-emission transportation, Waste reduction
↓ Scope 3 emissions
(Yousaf & Aqsa, 2023)

Cost-effective energy and waste management

↓ operating costs for 85%
↑ average annual savings of $1.2 million
Sustainability investments yield returns of 8–15%
→ motivating corporations to align with ESG goals
(Pinedo-López et al., 2024)

ESG REPORTING AS A TOOL TO IDENTIFY AND MANAGE ENVIRONMENTAL IMPACTS

RISK MANAGEMENT

- Process to identify, assess, and address environmental risks (e.g. GHG emissions) (HKEX, 2024)
- Pinpoint impacts and root causes
- Evaluate performance and areas for improvement (Sharma, 2023)
- Develop strategies to mitigate risks
- Monitor progress to achieve sustainability goals

MATERIALITY ASSESSMENT

- Impact Materiality: Assess how company's operations affect the environment and society
- Financial Materiality: Assess how environmental and social issues affect company's financial performance
- Ensures companies focus on the most relevant sustainability issues that impact both their external environment and financial performance (Haar, 2024)

REGULAR REVIEW

- Continuous evaluation and updates on ESG data, targets and strategies
- Ensures systematic performance tracking and progress monitoring over time
- To adapt to new challenges and opportunities
- Drives long-term sustainability commitment

RISKS IN ESG: UNDERSTANDING GREENWASHING

- The deceptive practice of presenting incorrect claims about a corporation's ESG performance (de Silva Lokuwaduge & De Silva, 2022)
- It will undermine the credibility of sustainability efforts and can have significant negative consequences

INSUFFICIENT TRANSPARENCY ON DISCLOSURE

Insufficient or selective reporting strategies will hide corporation's true environmental impacts, which mislead stakeholders about its sustainability performance.
(de Silva Lokuwaduge & De Silva, 2022)

Delaying Climate Action:

- Continued environmental damage (i.e. rising emissions)
- Reduced support for impactful climate initiatives

MISLEADING/VAGUE INFORMATION

Corporations may use unclear terms like "leading role" or provide ambiguous or exaggerated ESG claims without evidence, leading to confusion, mistrust, and even regulatory scrutiny. (Kathan et al., 2025)

Erosion of Trust:

- Undermines the confidence of investors, customers, and employees
- Causing skepticism about corporate intentions and resulting in reputational damage

EXAGGERATED/UNSUBSTANTIATED MARKETING

Corporations may promote ambitious environmental claims or highlight minor green initiatives as major achievements without solid evidence or measurable impact (Spaniol, 2024).

False Perceptions:

- Creates unrealistic expectations among stakeholders
- Risks of regulatory penalties and public trial/scrutiny in media when exaggerated claims are exposed

WHAT DID AS WATSON AND PCCW DO FOR BETTER ENVIRONMENTAL SUSTAINABILITY PRACTICES?

GUIDELINES FOR CREDIBILITY

- Following official guidelines like ISO standards, such as ISO 14064 (GHG accounting) and ISO 26000 (social responsibility)
- Increasing transparency, accuracy, and accountability in ESG practices
- Corporations measure, manage, and disclose impacts effectively, preventing greenwashing and ensuring compliance with best practices

ENSURING ACCURATE DATA DISCLOSURE

- Comprehensive and verified data builds stakeholder trust and prevents greenwashing
- Transparent reporting ensures credibility and accountability, to align with regulations like HKEX's Scope 3 emissions disclosures
- Strict internal guidelines and regular compliance reviews ensure accurate and credible disclosure of product green claims across all business units

EMPLOYEE EDUCATION TO PREVENT GREENWASHING

- Fosters a culture of authenticity and integrity in ESG reporting
- Training highlights risks of greenwashing and importance of transparent communication
- Educates employees on ESG frameworks, regulations, and ethical practices
- Empowers informed decisions and enhances stakeholder trust

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SUSTAINABLE DEVELOPMENT GOALS