



# **InnoESG Prize Program Booklet**

ESGprize.com (ESG.do Series)

## A Challenge in the ESG Market

According to BSR's 2019 paper 'Environmental, Social and Governance (ESG) in Private Equity: How to Write a Responsible Investment Policy', the past 10 years has seen PE sector responsible investment approaches move from "**exception to expectation**".

ESG issues are increasingly at the forefront of decision making for institutional investors. In the private equity arena, this is especially so, with PE firms under pressure to make their portfolio companies' ESG oversight more effective.

In 2006, the United Nations Environment Programme launched its Principles for Responsible Investment which provide a framework for investors to incorporate environmental, social, and governance (ESG) factors into the investment process. PRI has more than 1,500 signatories managing more than **US\$60 trillion of assets**.

Recently, it has also become known as "sustainable investing" or "socially responsible investing". There is also a subset of PRI known as "impact investing", devoted to the conscious creation of social impact through investment.

Socially responsible investing is a global phenomenon. With the international scope of business itself, social investors frequently invest in companies with international operations. As international investment products and opportunities have expanded, so have international SRI products. The ranks of social investors are growing throughout developed and developing countries.

Although ESG integration is being asked for and ESG products are being offered, current demand is still outweighing supply. Another factor that is limiting asset owners' uptake of ESG products is the creation of ESG products that do not meet their expectations and criteria.

## Strategic ESG Alignment

Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

A thing is viewed as an integral part of the business when it is strategically aligned to what the business needs. Therefore, strategic ESG alignment involves beginning with the need in mind – determining the performance expectations of the sustainability and societal impact and then designing and delivering sustainability to meet those specific objectives.

But to understand strategic ESG alignment, it's important to delve into the real reasons institutional investors invest the many dollars they do on ESG/sustainability. Understanding the strategic reason companies provide sustainability is paramount to understanding strategic ESG alignment.

Being able to answer the question "is this sustainability strategically aligned to the needs of the business?" or "is it a nice thing to have?" can help management differentiate which programs have value and which of them waste valuable resources. If an investor can answer the question of how sustainability/ESG is strategically aligned to the business, then they can feel comfortable knowing they are investing wisely.

Listed below are three reasons companies invest in sustainability/ESG. If an organisation can relate their reason push for sustainability/ESG to one of these three, it generally will pass the litmus test for alignment.

## **Create customers**

The purpose of a business is to create and keep customers, and with Generation Z (born between 1996 and 2011) about to become the largest consumer market, it's vital to note that 92% of Generation Z consumers would switch to a brand that supports sustainability/ESG issues over one that does not.

In the era of sustainability, all stakeholders need to be involved as early as possible. If the business is lacking a strong stakeholder engagement through sustainability innovation pipeline to realise its strategic ambitions and customer lifetime value, it runs the risk of becoming disconnected from its human, business, and technical capabilities. This can lead to a collapse in the strategy itself; after that, stagnation and decline are soon to follow.

## **Mitigate risks**

No matter the business model, from traditional to digital, transaction to subscription, or single sector to multi-sector, organisations who are striving to create sustainable prosperity cannot survive without a solid business environment.

In a new era for business, operations excellence is not enough, where the societal context will set new benchmarks for what it means to be a great company, great investment, and a great leader.

Sustainability is an ecosystem, a lifestyle, or a community that supports itself and its surroundings. It's about collaborating for environmental and social good. It's also about evolution of a business model built to withstand changes in the market, and a willingness to adjust and innovate along the way.

## **Reduce opportunity costs**

Whether listed or would-be listed companies, investor relationship involves continuous external stakeholder engagement. Investors meet with hundreds of managers each year and they have an increasing number of accounts and strategies to choose from. There is now a strong requirement for a company to stand out from the crowd.

To reduce opportunity costs in this situation, organisations are also increasingly competing for investors' time, and so communication should be more frequent and more meaningful. ESG has already become a common term. These criteria help to better determine the future financial performance of companies (return and risk).

Strategic ESG alignment requires more than meeting an organisation's current business needs – it also involves anticipating an organisation's future needs. When done correctly, strategic alignment of sustainability initiatives resembles in many ways the exercise many companies undertake when performing organisational alignment of socially responsible investing (SRI).

## **Aim of the InnoESG Prize**

The InnoESG Prize provides an incentive for leading companies to promote themselves to potential investors and customers by showcasing their proven track records of socially responsible investing (SRI).

## **The Prize**

The winner of the InnoESG Prize can demonstrate to the public the considerable emphasis it places on human-centred sustainability and how its business constructively impacts on society and the environment. The Prize is a great platform for companies to build up their brand as one of the leading corporations in promoting sustainability through social innovation. The Prize is granted jointly by UNESCO Hong Kong Global Peace Centre, Lions Club HKIFC, Rotarian Action Group for Peace, and SocietyNext Foundation.

## **Objectives**

- To recognise the businesses that are transforming the world with sustainable measures
- To encourage those enterprises that have innovatively reformed their core business to adapt to or incorporate ESG aspects
- To recognise high community engagement for the ESG

## **Benefits**

- Tap into (potential) customers – winning an award opens numerous doors and gives a business instant credibility with potential customers, especially with Generation Z
- Tap into (potential) investors – engaging various stakeholder groups – investors, business, government and civil society – to collaborate on multiple projects and initiatives at the prize presentation ceremony held during either half-year ESG Forum or SDG Forum
- Tap into sustainable business – honouring outstanding business contributions to the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future

## **Nomination or Submission**

### **Eligibility**

- The Prize is open to all organisations from the public or private sector with validated business registration around the world with nominations by a third-party, or
- Self-application submission with TWO SDG World Records within 12 months.

## **Prize Categories and Levels**

The participating companies will be categorised according to the revenue of the company. The two Prize Categories include:

ESG for Listed Company (subcategory by size)

ESG for Non-listed Company

Philanthropy

The top three entries within each category will be awarded the Grand (3 Star) InnoESG Prize. The following 4<sup>th</sup> to 10<sup>th</sup> entries will be the Excellent (2 Star) InnoESG Prize. It is expected that approximately the top 30% among the InnoESG Prize (Level 1) will receive Outstanding (1 Star) InnoESG prizes within each category, subject to the number and quality of entries submitted.

There are two phases of prizes within each category. Each prize winner will receive material that has a proven track record for positive external communication with potential investors or customers:

~ Continuous ~

## Scheme 2020

		InnoESG Prize			
		Trophy	eCertificate	Logo with URL	
Phase One					
<b>Outstanding (1 Star) InnoESG Prize</b>					
		Trophy	eCertificate	Logo/Label	
Phase Two					
	<b>Excellent (2 Star) InnoESG Prize</b>				
			Trophy	eCertificate	Logo/Label
					
	<b>Grand (3 Star) InnoESG Prize</b>				
			Trophy	eCertificate	Logo/Label
					

## Judging Milestones

Item		Every Year
Send Nomination Invitation letter	Phase One (1 <sup>st</sup> intake)	January
Deadline of Prize Entries	Phase One (1 <sup>st</sup> intake)	March
Review by Board of Examiners	Phase One (1 <sup>st</sup> intake)	March
Announcement of Prize Winners	Phase One (1 <sup>st</sup> intake)	March
Prize Presentation Ceremony for Phase One at SDG Forum	Phase One (1 <sup>st</sup> intake)	April
Invite all InnoESG Prize Winners within 12 months	Phase Two	May
Deadline of submission of 2-page Written Submission	Phase Two	July
Send Nomination Invitation letter	Phase One (2 <sup>nd</sup> intake)	July
1st Round Judging by Board of Examiners	Phase Two	August
Deadline of Prize Entries	Phase One (2 <sup>nd</sup> intake)	August
Review by Board of Examiners	Phase One (2 <sup>nd</sup> intake)	September
Announcement of Prize Winners	Phase One (2 <sup>nd</sup> intake)	September
Announcement of Outstanding and Finalists of the year	Phase Two	September
Final Public Presentation Seminar for Finalists	Phase Two	October
Prize Presentation Ceremony at ESG Forum	Phase One (2 <sup>nd</sup> intake)	October
Annual Prize Presentation Ceremony for Outstanding or above	Phase Two	November

## Judging Criteria for 1 to 3 Star InnoESG Prizes

Criteria	Scores
1 Involving Board of Director/top management in sustainability strategy formation and strategic execution	15
2 Engaging external communities/staff in sustainability discussion (awareness, participation and reinforcement)	15
3 External Promoting ESG/Sustainable Practices	15
4 ESG Measurement and Impact on External Communities/Society	40
5 Innovation for achieving the ESG Strategy	15
Total	100

## **Judging Process for Phase Two InnoESG Prizes**

The result of the judging for the Outstanding, Excellent, and Grand (1 to 3 star) Prizes does not affect the companies' Phase One result of the InnoESG Prize 2020.

### Step 1: 1st Round Judging

Based on the written submissions, ten finalists (max) and Outstanding (1 star) awardees will be decided by the Board of Examiners.

### Step 2: Final Judging

The finalists will share their programmes and practices at the Final Public Presentation Seminar which will be a half-day open-to-public seminar. The finalists can have a maximum of two representatives presenting at the Final Public Presentation Seminar.

Each finalist will be invited to give a 15-minute presentation followed by a 5-minute question-and-answer session before a Panel of Adjudicators, who will decide on the winners of Grand (3 star), Excellent (2 star) as well as recipients of all the Special Prizes (if applicable).

Recipients of the Favourite Sustainable Company Brand will be decided by the number of votes received from participants during the Final Public Presentation Seminar.

## Prize Rules

- Participating companies and nominees shall ensure that all information provided in the application form and nomination form is true and correct. Any misrepresentation, omission or misleading information given may disqualify the application.
- Participating companies and nominees shall provide required assistance to the Secretariat throughout the judging process.
- The decision of the Panel of Judges is final.
- All information and documents supplied by the participating companies and nominees including their identities, application forms, nomination forms and commentaries developed during the review of entries are kept confidential and will be used only for the judging of the Prize.
- All Judges and Examiners are required to declare in advance to the Award Secretariat any cases or situations which may create any apparent or potential conflict of interest. The Judges or Examiners in question would be banned from reviewing the entries concerned or handling in any manner the materials submitted by the participating companies or nominees involved.
- False reporting of any information relating to a participant of a company will result in the disqualification of ALL participants of the same participating company. Any fees will not be refunded.
- SocietyNext and co-organisers will use information provided by the participating companies for publicity, marketing and promotional purposes relating to the Prize.
- If the winner does not participate in any promotion activity for whatever reason, the participating company is required to settle the promotion fee.
- The winners will be allowed to use the Prize logo on their stationery, promotional literature and in advertising. In using the logo, the companies and nominees must follow the guidelines provided by SocietyNext and co-organisers. Should there be any dispute arising from the right of using the logo, the decision of SocietyNext and co-organisers shall be final and binding.
- Information provided by applicants in their submissions is treated as strictly confidential and will not be released without permission.