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BRITISH CHAMBER MAGAZINE

THE FUTURE OF SUSTAINABILITY

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CONTENTS

CHAIRMAN'S MESSAGE

Dear Members

When I started my articles as a trainee accountant with Coopers & Lybrand in the 1980's I was given a copy of the firm's Audit Manual and told I needed to "parse every sentence". The manual had just been updated. The opening section on "Dress Code " had been removed so that men were no longer required to "wear a bowler hat on audit assignments in the City of London". There was no dress code for women!

Armed with a fresh copy of the new manual and an abundance of study packs still sealed in their cellophane wrappers I did what every young trainee accountant was expected to do and went to the pub.

Despite my subsequent struggle with inflation accounting I am glad today of those hours spent in The Lord Raglan with my fellow trainees. We bemoaned our terrible starting salaries and our junior auditor lives; we shared office gossip and we attempted to plan out our careers together. I probably should have drunk a little less Old Speckled Hen but in the process I was taught all about office folklore, subtle power games and the politics of the firm's partnership. The UK's Statistical Office defines this as "Social Capital" or "the extent and nature of our connections with others and the collective attitudes and behaviours between people that support a well-functioning and close knit society."

Against the backdrop of the COVID 19 social restrictions I am grateful for the store of social capital that I have managed to build up over the years through my networks in Hong Kong - mostly without Old Speckled Hen. Despite the pandemic this has allowed me to stay connected with colleagues, clients and friends. I am also aware, however, that social capital has a shelf life unless it is nurtured and fed with regular in-person meetings and gatherings.

It is therefore with a huge sense of celebration that BritCham has resumed its Networking Drinks. We have held two – one at The Pawn in WanChai and one at The Murray Hotel on Garden Road. Places were limited as a result of the strict social restrictions and it was no surprise to me that the events were sold out in the matter of a few hours. A deficit of Social Capital has built up over the last 18 months and it was truly wonderful to connect and chit chat and share stories. This is what makes up the unique character of the Chamber. The Executive Team has a plan to roll out more of these, given the level of demand, and I certainly hope to see many members (and some non-members) at these events.

Perhaps counter-intuitively the celebration of in-person events also continued in the shape of a zoom webinar entitled "The Return of Live Events" with Lord Sebastian Coe joining from the Olympic Games in Tokyo. Lord Coe was a sporting hero in those days spent in The Lord Raglan and I am pretty sure his Olympic achievements would have figured in our conversations at that time. He is now President of World Athletics and every second of his day must have been exactly scheduled during the 2020 Olympics. He is also Chairman of CSM Sports & Entertainment, an active BritCham Hong Kong member, and we were truly grateful for his time, insights and stories on our zoom webinar.

August is famous for being the quiet month. Deals get put on hold and the business world is supposed to decant from the city and move to the beach. The refrain in the past has been "See you in September". This has not been the case in 2021. The Hong Kong city hotels have been teaming with staycationers. Meetings are now taking place in offices, working from home is on the decline, restaurants are fully booked over and taxi queues have returned.

None of this is surprising, of course, as many Hong Kongers have decided not to travel and to celebrate August by, well, keeping very busy.

This is also true for the Chamber. Alongside our Networking Drinks we have started some in-person events. Our COP 26 awareness arrangement with the DIT continued with a hybrid event entitled “How Business Can Help to meet the 2050 Decarbonisation Target”. We were generously hosted in-person at Mercers offices in Tai Koo Place with a video link for those participating remotely.

Richard Lancaster, the CEO of CLP Holdings and one of a small number of experts on how Hong Kong can meet this target was part of our line-up in a panel event superbly chaired by the Chamber’s Vice Chair and Net Zero Carbon expert, Anne Kerr.

Despite the mountain that we need collectively to climb I certainly left the event feeling more optimistic about our future. This is a narrative that has changed so dramatically. Ten years ago, we would cough and choke in the streets and complain about the pollution. Today we are trying to deal with it by making our own contributions to tackling climate change.

We also completed and submitted our 17-page Policy Address Submission with recommendations for the Chief Executive’s Address on the 6th October. You can download a copy by clicking on this **hyperlink**.

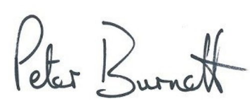
Our theme for this year’s submission is “*Building Back Better*”. This is a tour de force and my thanks go to the Committee Chairs and the Business Policy Unit (“BPU”), under the chairmanship of Jim Taylor, for pulling this together.

In my interaction with Government officials, Think Tanks and other Chambers I know this piece of work has had a profound impact and has been downloaded and widely read. One very senior Government Official told me the BritCham submission reads like it has been written by people who really care about the SAR’s future and have an in-depth understanding of the issues. My response has been that many of us see Hong Kong as our home and we are as vested in its success as anyone.

Our Policy Address also dealt head on with the question of the SAR’s quarantine and border management policies during the pandemic. We have urged the Government to give more credit for vaccinations and to open borders, with testing, if required, as quickly as possible. I am sure we will be returning to this theme as we move into the autumn months.

Perhaps our Policy Address should have better reflected the spirit of Hong Kong’s success in the Tokyo Olympic Games: “Citius, Altius, Fortius” – Faster, Higher, Stronger! The language, I hope, reflects the opportunities for the Hong Kong business community going forward, including, of course members of BritCham.

Those young Hong Kong Olympic athletes reminded me that this community can pull together and has determination, guts and a will to win. We need to follow their example.



Peter Burnett
Chairman,
The British Chamber of Commerce in Hong Kong

NEXT WAVE OF DECARBONISATION INVESTMENTS IN EAST ASIA

Dr Vincent Cheng, Arup Fellow and Director of Sustainability in East Asia

1.Global trend of decarbonisation

Through the Intended Nationally Determined Contributions (INDC) under the UNFCCC's Paris Agreement, many countries have made commitments on emission reduction and taken the necessary actions to address climate change. Last year, across East Asia, China, Hong Kong, South Korea, Taiwan, Japan declared their intention to be carbon neutral by 2050 / 2060. Policies on fuel mix transition, energy efficiency and renewable energy are being devised to support the decarbonisation process nationally.

To fulfil the ambitious carbon neutral commitments, countries are in the process of formulating policies at national level to change the behaviours of industry, business and individuals to reduce carbon emission. China has a national carbon trading scheme with US$32.5 million worth of carbon dioxide quotas, the largest carbon market in the world by volume[1]. In Hong Kong, the focus on green finance this year has created strong financial incentives. The HKSAR Government is issuing US$2.5 billion of green bond proceeds to fund projects that will improve the environment and facilitate the transition to a low carbon economy[2].

2. Decarbonising industry and business

A growing number of companies have pledged, or are about to pledge, to set emissions reduction targets that align with limiting global temperature rise of 1.5°C above pre-industrial levels and reaching net-zero carbon dioxide emissions by 2050. To facilitate companies with their decarbonisation journey, various international and local frameworks are available. The renowned science-based targets initiative for instance, provides companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals.

As a leader in the built environment, Arup has committed to achieving net zero emissions across its entire operations by

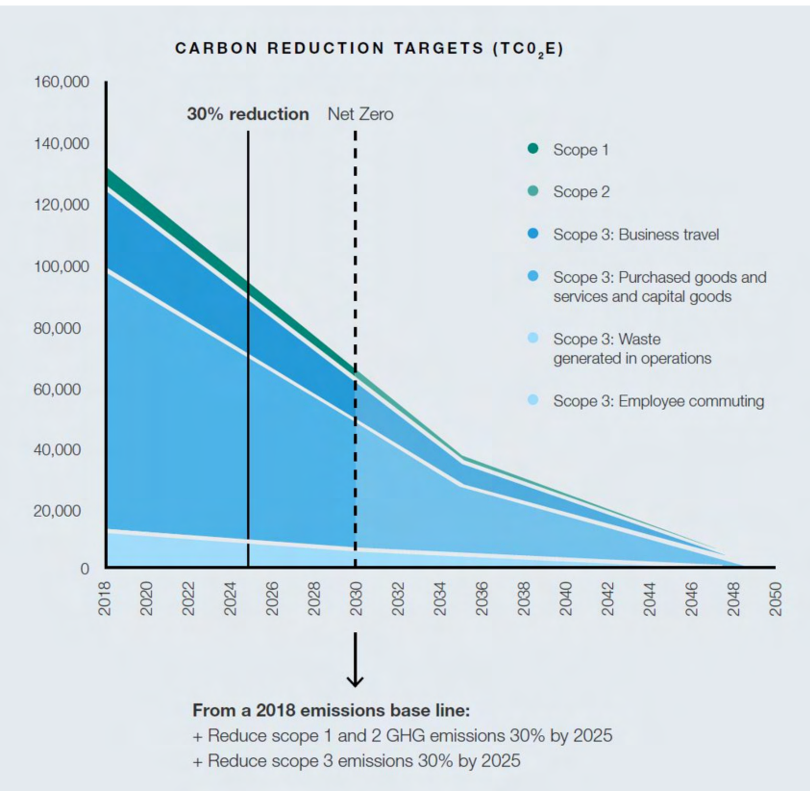
[1] https://www.reuters.com/business/chinas-national-emissions-trading-scheme-ets-2021-07-14/
[2] https://www.hkma.gov.hk/eng/news-and-media/press-releases/2021/01/20210127-3/
[3] https://sciencebasedtargets.org/

2030, covering everything from the energy used in offices to goods and services purchased. To achieve this the firm has set a target to reduce its scope 1, 2 and 3 global greenhouse gas (GHG) emissions by 30 per cent within the next five years from a 2018 baseline.

While there are many ways companies can decarbonise, one of the most important steps in the journey is defining meaningful and clear reduction targets and emission boundaries. Capturing this in a long-term strategy and publicly sharing this will not only help the company to show accountability and celebrate success, moreover, it can inspire other companies to follow suit and help combatting climate change.

We have been working with organisations including the Ellen MacArthur Foundation and the C40 Cities Climate Leadership Group to accelerate new approaches and business models to help the world decarbonise and address the climate emergency. We advise organisations to establish existing exposure to climate change risk and the wider opportunities of embedding a tailored ESG strategy[4]. We are also using digital techniques to achieve a step change from building design, construction and operation[5].

In Hong Kong, we recently collaborated with Civic Exchange and Hong Kong Green Finance Association to publish the ‘Decarbonising Hong Kong Buildings: Policy Recommendations and Next Steps’ report , calling for a comprehensive policy environment through improving regulatory tools, incentivising the market, influencing behavioural change, building capacity through public sector procurement and a dedicated cross-agency body coordinating all building related incentives and regulations.



3. Decarbonisation makes business sense

Decarbonisation was once seen by corporate management as a costly business. In the past, companies were reluctant to invest in sustainable development and ESG initiatives, given the perceived potential impact on a company’s financial performance. The results were limited efforts in decarbonisation.

The increased frequency and intensity of climate-related disasters around the world over the last few years have slowly shifted the old paradigm to a new one. In this new paradigm, the international movement and policy shift in carbon neutrality, as well as the financial society’s awareness to climate and transition risks would make business sense to firms to start their decarbonisation journey sooner than later, in all aspects from their products and asset, to services and operation. For example, automakers will need to phase out the production of gasoline-powered vehicles which will no longer be permitted in a major countries in just ten years’ time. Many manufacturers already transformed their business and invest in electric cars – it’s not just for maintaining their market share or financial performance, but survival of business.

Decarbonisation was once seen as a burden; but as the international movement is turning the tide to avoid climate catastrophe, carbon-related business opportunities are emerging, such as renewing old infrastructure. It can be seen as a huge business opportunity. For example, smart grid is known to introduce electricity flexibility and reduce carbon in demand side. In addition to reducing energy use, it can be seen as a movement to renew old electricity systems globally. It is broadly estimated by the Electric Power Research Institute that smart grid in US alone will require US$476 billion investment but react US$2 trillion benefits. All key energy market players have eyed this business opportunity. Helping the world to decarbonise is more an opportunity than a threat to them.

[4] https://www.arup.com/expertise/services/advisory-services/sustainable-development-advisory/carbon-management
[5] https://www.arup.com/expertise/services/digital/arup-neuron
[6] https://civic-exchange.org/wp-content/uploads/2020/12/Green-Building_PR_Eng-1208_final-3.pdf

ARUP
Dr Vincent Cheng,
Arup Fellow and Director of
Sustainability in East Asia

SAVING MONEY TO SAVE THE PLANET: WHY WE SHOULD ALL MOVE TO SUSTAINABLE CONSUMERISM

ROBERT LOCKYER, DELTA GLOBAL CEO.

According to The United Nations Environment Programme, the fashion industry is responsible for a staggering 10% of annual global carbon emissions.

While many brands have made commendable efforts to switch to more sustainable practices, and consumers are eager to purchase sustainable fashion products, Joe Cook, Vice President of Delta Global, a sustainable packaging solutions provider for luxury fashion brands, believes a mass shift to sustainable consumerism can drive the industry to make vast cuts to carbon emissions.

Watching the news recently, two reports moved me for two very different reasons. The devastating floods in Germany reminded us, once again, of the tragic consequences of climate change. The second story, the pursuit of 'marginal gains' by awe-inspiring Olympic athletes, reminded me of why I believe in sustainable consumerism. Before I explain how and why, allow me a slight detour.

The criticism of sustainable consumerism is that it is still, in fact, consumerism. Yes, it may be that you are selecting products manufactured ethically, but without massive structural shifts in manufacturing, marketing, pricing, recycling and government policy,

a purchase of goods at any level will still leave – or extend – a carbon footprint, that leads to the saddening scenes such as those we witnessed in Germany.

The essence of the argument is that the waste stream is already overloaded. What difference does recycling make anyway when, in the US, only around 35% of waste is sent to be recycled – a figure that does not account for how much waste is actually recycled.

It is an argument that isn't devoid of merit. It does, however, avoid the significant impracticalities that consumers would contend with if they adhered strictly to a rigid alternative. Neither has a realistic alternative been proposed.

Which brings me back to the concept of marginal gains. Olympians and their coaches work for four years in an attempt make small, incremental improvements. When added together, these improvements become a significant one. When a significant improvement is made, records are broken and the nature of the event is altered for good, with higher standards required, over time, to reach the standard benchmark.

And this is precisely what we, as consumers, need to do: make small, incremental improvements in our shopping habits. If normalised by mass participation, these improvements can shift the standard benchmark so that fashion brands and retailers are required to meet new, sustainability norms.

I am certain that such a shift is achievable. Firstly, there are existing and practical sustainable consumerism practices that could be developed and popularised further. And, with Gen Z entering the workforce, there is a significant consumer base who prioritise sustainability much more than previous generations. Indeed, around 62% of this generation prefer to buy from sustainable sources. Gen Z is a generation for which the phrase 'saving money to save the planet' has meaning.

Resale

Viewing the entire fashion industry as an ugly head of capitalism without concern to anything but profits is futile. At Delta Global, we've worked with brands like Tom Ford, Coach and MatchesFashion. We've helped those labels to produce sustainable packaging. Brands and retailers, overall, do care about their carbon footprint. They, after all, occupy the same planet as we do.

We work primarily within the luxury sector. That means we do not encounter brands who deal in fast fashion, which has attracted much criticism regarding its sustainability. Those brands would answer that argument by pointing to their sales and popularity. We are, they will say, only responding to consumer demands.

It's a hard argument to refute. Which makes it critical to shift our consumer habits, forcing the more reckless producers of fast fashion to reassess their practices. One of the easiest ways we can do this is via the resale market.

> *There are already lots of resale platforms, some of which have gained considerable success. In the US luxury sector, thredUP and Poshmark are especially popular and successful, reaching valuations of $1.3 billion and $7.5 billion respectively.*

These types of apps will be vital to resale market growth. While I would never discourage anyone to donate clothing, it is worth remembering how difficult it is to recycle textiles. Most clothes feature accessories, fixtures, labels and components that can make them unrecyclable. Globally, only 12% of clothing materials end up being recycled.

Resale has the great advantage of placing used clothing in the hands of somebody who wants to wear it. This is much preferable than having them end up in landfills. And, once the biggest fashion brands enable resale at mass market scale, taking ownership of resale through their own stores and ecosystems, it will become a consumer norm.

This is, tentatively, beginning to occur. We've already seen Gucci partner with the resale specialists The RealReal and use Alexander McQueen use Vestiaire

Collective to explore resales on its own site. More luxury labels will surely follow.

Clothes Swaps

Around a year ago, a new word entered fashion vernacular – Swishing. Named after the noise of rustling through clothing rails, Swishing is the expression coined by Futerra CEO Lucy Shea for swapping clothes, albeit in the setting of champagne gathering.

Like resale, swapping clothes means unwanted items have a greater chance of avoiding the incinerator. Shea has discovered that, if you host an event in plush surroundings providing an event rather than a venue for cold exchange, then plenty of people find the appeal of free clothing alluring.

Her website has around 10,000 visits per month. Swishing parties are now hosted across the globe and the term has become the generic word for clothes-swapping parties. People are encouraged to bring clothes they'd be "proud to pass on" and, given the party-feel of the meetups, designer labels are more commonly encountered than moth-eaten castoffs.

The UK alone discards around 1 million tonnes of clothing per year. Clothes swaps can help diminish that figure and lesson the environmental impact of the fashion industry. That they are becoming events that attract the curiosity of thousands must be welcomed. And if brands utilise their popularity, organising regular swapping events of their own, then a new mainstream consumer experience awaits.

Renting

Renting clothes, once the great hope of sustainable consumerism, has seen its impressive progress halted by the pandemic. What began as a way to wear pricey, high-end clothing became a way to 'borrow' pieces for events, parties, wedding and holidays. At its pre-pandemic peak, high street stores such as H&M wear regularly renting to consumers.

But now, weddings and holidays have seen a succession of delays and restrictions. And Runway shows, which attracted renters and spawned the thriving rental app Rent The Runway have either been cancelled or compromised, attracting much less attention than regular fashion weeks. In short, there has been little runway to rent.

It was once predicted with confidence and regularity that nobody need buy a wedding dress or event clothing again. The model would shift, and on attending parties, we would simply hire the outfit that suited the occasion, rather than buy something we'd likely never wear again. But the rental market, particularly in the luxury sector, has diminished alarmingly.

But the news from China is that the rental market is slowly reviving. YCloset, a rental app powered by e-commerce powerhouse Alibaba, are banking on a similar rental uptick to that of 2008, when the global recession attracted luxury clothing renters en masse. They predict the same will happen now, due the economic downturn caused by Covid-19.

As an essential component of sustainable consumerism, the fashion industry must hope that rental returns to commercial prominence. Without it, a reduction in global carbon emissions may forever remain a remote objective.

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WHY SHOULD SOCIALLY RESPONSIBLE INVESTING MATTER?

By James Sutton, Director at The Fry Group Hong Kong

There was a time when socially responsible issues were the concern of a niche group of investors who tended to have very strong views. But times have changed, and this type of approach has now become increasingly relevant for many investors.

A number of factors have helped shift the landscape. Growing awareness of environmental issues, including climate change, and widespread recognition of the importance of social issues and human rights have played their part. Today many investors are increasingly interested in reflecting their opinions and lifestyle choices in the way they invest.

The Socially Responsible Investment (SRI) market has also changed significantly over recent years. Environmental, Social and Governance (ESG) factors are now part of mainstream investment analysis, and the widely accepted Stewardship Code has meant managers have embraced more of a 'responsible ownership' agenda. This has helped impact the share prices of more 'ethical' companies to the benefit of both SRI funds and investors.

What SRI approaches are there?

So how do you begin to start factoring SRI in your investment portfolio? There are four main approaches:

1.Responsible ownership and engagement: This type of approach usually applies to 'mainstream' investments that fund managers own and expect to retain, which sees them taking greater interest in their responsibility as part owners of companies. As a result, ESG areas are highlighted, discussed and bought to the table at AGMs and other meetings. The point is to encourage companies to improve their practices in areas where investors believe ESG related risks and/or opportunities could be managed better for the benefit of shareholders.

2.Avoidance or negative screening strategies: This tactic sees the avoidance of companies that are involved in activities that a fund manager has defined as 'unacceptable' or 'unethical'. The criteria which defines a fund to be

negatively screened is often connected with values-based ethical issues, but may also relate to environmental, social or governance concerns.

3.Positive screening strategies: This approach involves actively investing in companies that meet 'positive' SRI objectives. Some funds focus on a single sector or issue, such as moving towards being carbon neutral, although most are more broad-based, offering solid CSR practices and commitments to overall ethical or social issues across all business operations.

4.Impact investment strategies: Impact investing aims to generate specific beneficial social or environmental effects in addition to financial gains. Usually investment is made in businesses, non-profits and sectors such as renewable energy, basic services (including housing, healthcare, and education), micro-finance and sustainable agriculture.

Typical SRI issues: There are a range of issues which it's useful to take into account when considering an ethically sound portfolio. These include:

Environmental issues: encompassing a range of challenges such as climate change, pollution, fracking, biodiversity, environmental management, waste and the use of natural resources – including water, forestry and mining.

Social issues: including human rights, diversity, labour standards, child labour, equal opportunities, food supply, obesity and slavery.

Governance issues: relating to company management, board structure, executive remuneration, bonuses, avoidance of bribery and corruption.

Values-based and ethical concerns: including tobacco, armaments, pornography, alcohol, irresponsible marketing and animal welfare.

The way in which issues and approaches are combined varies greatly, and there are now a wide range of options available. The issues that are important do vary and change over time. For example, e-cigarettes, fracking and Arctic drilling are emerging issues that are now being considered by some managers.

Likewise, there are no hard and fast rules about how different funds or fund managers are grouped together. In fact, they can be sorted into a number of 'SRI styles' based on their approach to ethical, social and environmental issues.

Getting started

Socially responsible investment is fast becoming a more mainstream approach. In fact, it's likely that it will be automatically adopted into portfolios as companies embrace their own ESG strategies. Recent research from ethical bank Triodos found that almost 20 million of those living in the UK are already planning to be more ethical with their money. As SRI develops as an investment strategy, it's possible to choose a path which best suits you, your attitude to risk and your own values.

About The Fry Group

With a network of global offices across Hong Kong, Singapore, the UK, Belgium and the Middle East, The Fry Group offers financial planning advice on investments, UK tax planning and mitigation, retirement planning and wills, trusts and estate planning.

Established in 1898, we help clients maximise their wealth with the aim of helping each one achieve financial freedom. www.thefrygroup.hk

The information in this article aims to provide information. However, this is not intended to form professional advice nor should it be relied upon as such and before taking any particular action, specific and personal advice should be obtained.

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THE FRY GROUP
ESTD 1898

CAN PEST CONTROL BE ENVIRONMENTALLY FRIENDLY?

The short answer is a resounding yes!

Like many industries, Pest Control has changed significantly over the last few years with the introduction of digital technology and a commitment to environmental sustainability.

The traditional image of pest control - perhaps someone in a hazmat suit spraying chemicals to exterminate pests - is a long way out of date from the modern, professional and highly trained business that Rentokil is today.

And while in Hong Kong there are lower barriers to entry for some pest control companies at Rentokil we aim to set a high bar for excellence using our international standards and local expertise.

Pests are vectors of disease and cause untold misery throughout the world. 2020 tragically saw 1.8 million people die from COVID(1), however over one million deaths are caused by mosquitos each and every year(2) which really puts into perspective how big a problem it is, especially within the developing nations. Closer to home, the prevalence of mosquitoes in your home over the summer season is no doubt commonplace.

So Pest Control experts play a vital role in protecting you, your family and those around you, and at Rentokil we are delivering this service with innovative environmentally-friendly solutions and with a commitment to reach net zero carbon emissions from our operations by the end of 2040.

Prevention is better than cure

Give a pair of rats a food source and a good place to live and they will breed like… rats, up to 1,500 offspring in a year.

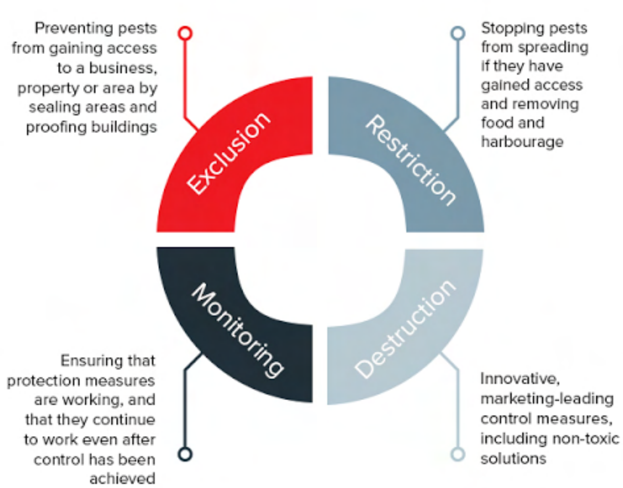
The traditional way of eliminating these is by using a rodenticide bait. They say prevention is better than a cure, and indeed it is. By prioritizing exclusion and restriction, there is less need for chemicals; with no entry points and no food source, there are no pests. Through field biologist inspections and consultation from professional technicians, the route source of the problem is identified.

Green Solutions

When exclusion and restriction are challenging, environmentally-friendly innovation becomes priority.

Why use chemicals when nature can solve the problem?

Beauveria bassiana Fungus was found to prevent mosquito larvae developing into adults. Placing in2care mosquito traps throughout outdoor areas attracts mosquitoes to lay eggs inside the container. This innovative trap is the first that attracts mosquitoes to lay eggs and uses a biological control agent (US-EPA-approved fungus) to kill mosquitoes and disease transmission. The larvicide is WHO-recommended for mosquito control and use in drinking water. Through this method, there is a reduced need for traditional smoke fogging.



Less toxic than salt – Termite bait

For termite control, Exterra termite baiting system contains less than 0.25g of active ingredient – an ingredient which itself is less toxic than table salt! Rather than problematic chemicals sprayed in your garden or inefficient chemical trenches dug around your home, the bait is in a closed and locked station, ensuring it is kept securely away from family, household pets and other animals.

Icatchi Eco fly trap

An organic, chemical-free solution to removing large fly infestations in outdoor environments. Flies are transmitters of diseases, feeding on human and animal wastes, carcasses and garbage. Besides being a nuisance, some fly species bite and pose serious health risks.

For instance, houseflies that are more commonly associated with human dwellings; transmit a wide-range of diseases including Salmonella and E.coli. It is also pet friendly.

Ekomille

This uses natural food sources as an attractant to rodents where they fall down a trap door where they are quickly exterminated. By using a natural bait instead of rodenticide, it prevents non-target organism deaths. By catching multiple rodents in one go and storing them in a deodorizing liquid, it also reduces the operational requirements for regular visits - reducing vehicle emissions.

Lumnia flying insect control units

After five years of working closely with experts in the LED industry, Rentokil Lumnia is the world's first range of fly control traps to use patented LED lighting technology rather than traditional fluorescent tubes. This range has received external certification from PlanetMark for demonstrating 62% lower carbon emissions and removing mercury from the waste stream.

PestConnect

Remote monitoring means we can be more targeted and reduce the use of rodenticide by up to 40%.

Paper Reduction

Our online reporting system myRentokil gives clients recommendations every time one of our service staff sees a potential pest risk. By doing this online, we have eliminated the need for paper service reports and receipts. By the end of 2021, we will also be looking to reduce the need for paper invoices.

In Hong Kong, we have Wastewi$e certification from the Environmental Campaign Committee (ECC) which verified a 68% waste paper reduction. Measures recommended by ECC have been implemented in our premises.

Can Pest Control be Environmentally Friendly?

Around the world Rentokil is already seeing customers increasingly ask for more sustainable solutions and the company's innovation pipeline is now over 80% sustainable. We are able to provide guidance locally to support customers on their environmental journey and direct where possible towards more sustainable alternatives.

1. https://www.who.int/data/stories/the-true-death-toll-of-covid-19-estimating-global-excess-mortality
2. https://www.worldmosquitoprogram.org/en/le/arn/mosquito-borne-diseases

Rentokil

Jonathan Kenny
Technical Innovation Manager

Rentokil Initial provides services that protect people and enhance lives. We protect people from the dangers of pest-borne disease and the risks of poor hygiene. We protect people from the dangers of pest-borne disease and the risks of poor hygiene. We enhance lives with services that protect the health and wellbeing of people, and the reputation of our customers' brands. Rentokil initial is a publicly listed company on the FTSE 100 and has been servicing Hong kong since 1964.

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STEPPING UP GOOD GOVERNANCE TO SEIZE OPPORTUNITIES AND REDUCE RISK

Mun Yeow, Partner, Clyde & Co Hong Kong

Since the publication of Clyde & Co's first climate risk report in 2018, the conversation around climate change at an organisational level has grown implicitly.

Global emissions must halve by 2030 to keep global warming below 1.5 degrees according to the Paris Agreement, with over 110 countries committed to becoming carbon neutral by 2025. With the countdown to net zero carbon emissions well under way, companies of all sizes are starting to see that beyond damage caused to the planet, climate change poses a threat to all aspects of their business, with risk and regulation accelerating.

Many factors are converging at once which could spark real change. A wholesale transformation of large parts of the global economy is on the horizon while consumer attitudes and expectations are evolving rapidly. So-called "soft" compliance pressures from shareholders, customers, employees and the media to do better and "hard" compliance pressures from laws, regulators and rising litigation are both set to increase.

The situation is equally urgent in Hong Kong. The recent landmark report from the UN-backed Intergovernmental Panel on Climate Change (IPCC), warns that countries' current commitments are not nearly enough to achieve the threshold of the Paris Agreement. Reporting in the Hong Kong press has focussed on the potential for Hong Kong to suffer typhoons more destructive than Typhoon Mangkhut, droughts that wreak havoc on its supply of drinking water, and intense heatwaves if global warming exceeds 2°C by 2050.

Hong Kong is continuing to get to grips with the issue. Last year, the Hong Kong Monetary Authority and the Securities and Futures Commission established a Steering Group for green and sustainable finance. Their strategic plan, announced in December last year, requires climate-related disclosures to be aligned with all recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD)

*source: unsplash

no later than 2025, hence joining the UK, the EU and New Zealand in mandating TCFD climate reporting. The Steering Group said in July this year that it supports the efforts by the International Sustainability Standards Board under the International Financial Reporting Standards Foundation (IFRS Foundation) to develop a new standard which would be built on the TCFD framework.

Companies in Hong Kong and elsewhere are beginning to recognise the need to be ahead of the curve to avoid a disorderly transition to a low carbon economy and face up to social, economic, legal and regulatory demands. It is a lot to think about, at a time when many other crucial issues – notably the impact of the COVID-19 pandemic – are also clamouring for attention on the boardroom agenda. The focuses of boardrooms are sharpening as we approach COP26, the United Nation's climate change summit held in Glasgow this year. Crucially, since achieving net zero will require significant investment as well as regulation, this could create major opportunities for businesses, as well as risks.

Legal considerations extend beyond environmental law and regulation to areas like asset management, finance, insurance, tax and many more. Therefore businesses are looking to their lawyers for deep knowledge of all the thorny issues and out-of-the-box thinking to guide them through the transition – for instance how to identify, measure and manage the physical, transition and liability risks stemming from climate change, meet their disclosure requirements and to find creative solutions to climate issues that could ultimately benefit their business.

As companies build resilience, the importance of good governance cannot be overestimated. Putting climate risk awareness at the heart of decision-making and embedding it into strategy and culture at all levels of an organisation is an important step. Moreover, businesses could benefit from looking outward to see what other organisations are doing and how suppliers are performing. Working with others to find better ways of doing things rather than being part of the problem could be enormously effective, and this communal stewardship is essential. After all, taking the wrong decisions could have just as serious consequences as doing nothing at all.

Managing the legal issues: A checklist

— Understand and manage legal issues associated with TCFD (or other relevant reporting standards), including obtaining legal advice on risk mapping exercises and stress testing

— Monitor and respond to changes in the regulatory and litigation landscape, including impacts on directors' duties or changes to financial disclosure rules or environmental laws

— Implement compliance measures and deploy crisis management best practice in the event of a breach, including communications with regulators and third parties

— Consider legal requirements and recommendations to address climate risks in all new projects and activities

— Develop due diligence frameworks and review policies and procedures in relation to workforce, assets, operations and transactions

— Consider insurance coverage issues in light of climate-related exposure

— Provide training to directors and officers on legal issues associated with climate risks

— Review supply chains to identify potential sources of business disruption due to the physical impacts of climate change and to minimise scope 3 emissions

— Review contracts with suppliers: are they bound to provide relevant information and held to appropriate climate-related standards?

— Focus on governance to embed best practice from the top down and align organisational culture with corporate goals

About Clyde & Co:

Clyde & Co is a leading global law firm, specialising in the sectors that underpin global trade and commercial activity, namely: insurance, transport, infrastructure, energy, and trade and commodities. It is globally integrated, offering a comprehensive range of contentious and non-contentious legal services and commercially-minded legal advice to businesses operating across the world. Clyde & Co is committed to operating in a responsible way. This means progressing towards a diverse and inclusive workforce that reflects the diversity of its communities and clients, using its legal skills to support its communities through pro bono work, volunteering and charitable partnerships, and minimising the impact it has on the environment. The firm has 440 partners, 1800 lawyers, 2500 legal professionals and 4000 staff in over 50 offices and associated offices worldwide.
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Mun Yeow, Partner,
Clyde & Co Hong Kong

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A RACE TO ZERO OR NOTHING

Mr Simon Ng
Director – Policy & Research
Business Environment Council

The latest IPCC report issued another stark warning, or in the words of United Nations Secretary-General António Guterres "a code red for humanity", about unprecedented changes across the whole climate system and annual average global temperature rising quicker than past predictions. While the chance to limit global warming to within 1.5 degrees by mid-century is diminishing, there is still time to put our act together and make a difference.

Setting the tone for COP26

The United Kingdom will host the 26th United Nations Climate Change Conference of the Parties ("COP26") in Glasgow from 31st October to 12th November this year. Considered by many as "the world's last best chance to get runaway climate change under control", COP26 highlights the need to join forces urgently and sets[1] four ambitious goals, including (i) secure global net zero by mid-century and keep 1.5 degrees within reach; (ii) adapt to protect communities and natural habitats and build resilience; (iii) mobilise finance in the order of at least US$100 billion per year to realise the first two goals; and (iv) work together between governments, businesses and civil society to deliver our climate goals quicker.

These goals are consistent with the united message emerged from the Leaders Summit on Climate in April 2021 that unprecedented[2] global ambition and togetherness are required to overcome climate change. Nonetheless, a shower of extreme weather incidents in recent months including heavy rains, intensified storms, deadly floods, ferocious wildfires and searing heat waves around the world has kept reminding us that the world is in a state of climate emergency and only swift, determined and joined up effort will pull us through.

Then, came the reality check in the shape of the first part of the Sixth Assessment Report ("AR6") of the Intergovernmental Panel on Climate Change ("IPCC") published on 9th August. It is predicted that global warming will exceed 1.5 degrees above pre-industrial levels under all five emissions scenarios considered, and warming could possibly be controlled within 2 degrees within this century only if we accelerate and deepen carbon dioxide and other greenhouse gas emissions reduction in the coming decades.

Racing to zero

Based on the latest climate science from AR6, the message to policymakers cannot be clearer: the current Nationally Determined Contributions ("NDC") are insufficient to meet the goals of the Paris Agreement and it is crucial for all nations, especially major greenhouse gas emitters like China, the United States, Europe and Japan, to set ambitious targets and strengthen their commitments with solid, credible and enhanced NDCs before COP26. Countries must strive to reach at least net zero carbon emissions by mid-century or sooner to limit the impact of future, cumulative CO2 emissions, reduce the frequency and intensity of extreme weather events, and stop irreversible damage to the climate system.

Unprecedented levels of ambition must be met with a fundamental shift away from a global economy reliant on fossil fuels, an unparalleled amount of new investment and private finance injection, and a collaborative drive for innovation and technology. This is a challenging task in the highest order, and we need a cross-sector, all-hands-on-deck effort to stand any chance of achieving the targets.

Galvanising business leadership to achieve net zero in Hong Kong

Back in Hong Kong, Chief Executive Mrs Carrie Lam pledged to achieve carbon neutrality by 2050 in her Policy Address last November. With clear policy directions provided by the government, the business sector is now better placed to develop corporate climate strategies and carbon reduction plans.

As a corporate membership organisation with climate change as a focus area, Business Environment Council ("BEC") has been galvanising businesses to set and achieve carbon reduction targets through the BEC Low Carbon Charter ("the Charter") and other initiatives such as the Power Up Coalition which started in April 2021 to encourage early electrification and long-term decarbonisation of construction sites. With over 100 signatories since its launch in March 2019, the Charter has developed into a community that demonstrate climate leadership and a commitment to action and disclosure, as well as a platform for knowledge sharing and co-learning. We stand to inspire and enable more corporates and other organisations to decarbonise and win the race to zero together.

5

About Business Environment Council ("BEC")
Established in 1992, BEC (https://bec.org.hk/) is an independent, non-profit, corporate membership organisation mandated to promote environmental excellence by advocating the uptake of clean technologies and practices which reduce waste, conserve resources, prevent pollution and improve corporate environmental and social responsibility.

Please visit https://bec.org.hk/en/bec-low-carbon-charter?path=en/bec-low-carbon-charter for more information about the BEC Low Carbon Charter.

BUSINESS
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RESIDENCE-BY-INVESTMENT PROGRAMS ENHANCE OPTIONALITY IN A VOLATILE WORLD

DR. JUERG STEFFEN,
CEO OF HENLEY & PARTNERS

In the short time since they commenced, the 2020s have seen volatility catapulting ahead to join change as a global constant. Whether owing to the relentless Covid-19 pandemic and its numerous variants, political and social upheaval, supply chain interruptions, or climate disasters, one thing seems undeniable — tomorrow could well bring yet another iteration of the world we once thought we knew.

Investors from advanced economies drive industry growth.

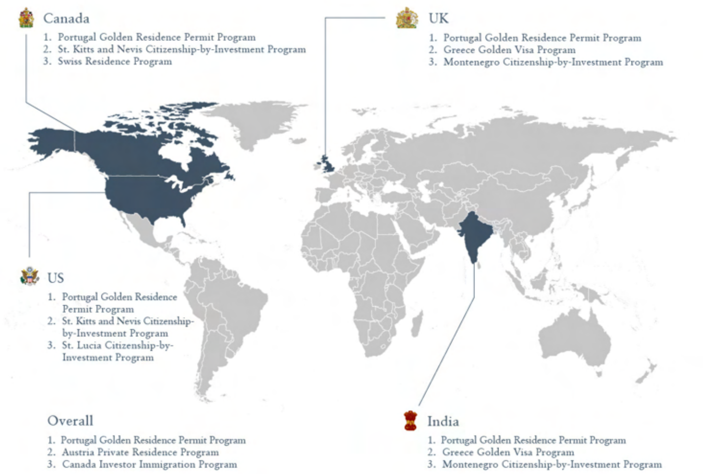
Inevitably, volatility is accompanied by uncertainty. What once felt secure now seems precarious. Previous givens are punctuated with question marks. The continued barrage of factors that erode our prized stability is also enhancing the appeal of investment migration programs. After steadily gaining in popularity over the past two decades, interest in alternative residence and citizenship is now in overdrive. By mid-July 2021 *Henley & Partners* had already received 78% of the enquiries made in the whole of 2020.

The great surge in interest shown by citizens of developing and politically unstable states was somewhat predictable, but a notable new trend is the exponential spike in enquiries from *nationals of highly developed countries* — and in particular Canada, the UK, and the US. According to our latest stats, India and US remain the top two drivers of enquiries but, remarkably, 2021 has seen the UK rise to 3rd place in terms of the number of enquiries received by Henley & Partners regarding investment migration options — overtaking Pakistan and South Africa — compared to 2020. We have already received more enquiries from UK and Canadian citizens in 2021 than we did the whole of last year.

Domicile diversification enhances residence optionality.

In the past, one of the primary reasons our private clients sought alternative residence and citizenship options was to enhance their global mobility by investing in a country with a stronger passport that would enable them to travel more freely. With international travel now severely inhibited, the change in dynamics we are witnessing is indicative of interesting new push and pull factors. Talented and affluent investors and their families need not limit their lives and business operations to one country or jurisdiction alone. This realization is seeing growing numbers of high-net-worth investors across the globe *diversifying their domicile options* through investing in one or more residence-by-investment programs, according to their families' unique requirements.

Residence-by-investment programs provide high-net-worth individuals with the option of relocating and the



Top 3 investment migration programs enquired about YTD 2021, overall and in key markets

right to live, work, study, and receive healthcare in their new country of residence. Having the option to change residence to a country with more opportunity is an increasingly important aspect of international planning for private clients and there is a wide range of attractive programs in some of the world's most sought-after places in terms of business environment, quality of life, access to top-tier tertiary education institutions and private hospitals, and with the possibility of acquiring citizenship.

Sovereign equity benefits boost supply.

In tandem with the ever-rising growth in popularity of investment migration programs is an increase in the options available to investors. Residence- and citizenship-by-investment programs have a proven ability to generate substantial income and create a positive economic impact for their host nations. To alleviate the financial distress caused by the pandemic, more countries are offering programs or introducing new options to attract sought-after talent and wealth, thus strengthening their '*sovereign equity*' — a term we have coined to describe how investment migration has the ability to endow nations with a considerable source of sustainable revenue without them having to increase debt and thereby burden future generations.

For host countries, the main objective for attracting and retaining highly skilled individuals and wealthy families is to ensure that a growing number of residents and citizens are active in their local economies. For example, over the past five years the number of millionaires in New Zealand has grown by a third. This already healthy growth is predicted to surge by 72% during the next five years, thanks in part to its government's commendable management of the Covid-19 pandemic. In May, Prime Minister Jacinda Ardern announced further reforms to facilitate the immigration of wealthy and qualified individuals.

Other countries, particularly in the Middle East, are focusing on diversifying their economies and are exploring similar ideas. Earlier this year, Oman, Saudi Arabia, and the UAE made legislative changes to allow certain foreign nationals to settle for longer or to acquire citizenship, providing that they benefit the respective countries, whether economically or culturally.

Many more countries already offering investment migration programs will no doubt announce new options to incentivize the world's wealthy — investment opportunities that could be essential to guaranteeing or enhancing an individual's financial prosperity and legacy, as well as a nation's economic growth. In the world to come, investment migration will prove to be a long-term solution for families and host nations. It is sustainable, it makes sense, and it is a win–win for everyone.

H&P Henley & Partners

Dr. Juerg Steffen, CEO of Henley & Partners

Henley & Partners is the global leader in residence and citizenship planning. Each year, hundreds of wealthy individuals and their advisors rely on our expertise and experience in this area. Our highly qualified professionals work together as one team in over 30 offices worldwide. Visit *henleyglobal.com* for more information and to arrange a consultation with one of our specialist client advisors.

DIGITISATION IS GREAT

GREATER BAY AREA

Rhys McWhirter, Partner, Head of Technology, Hong Kong
Eversheds Sutherland

The past few months in 2021 saw most of the global community continuing to adapt to a "new normal" (and life as we now know it) and fighting ferociously against several COVID-19 variants. Economic development in most parts of the world remained largely stagnant. Lockdowns in a number of major cities caused significant disruption to livelihoods and limited the chances of an economic rebound in the short-term.

That being said, the Greater Bay Area (**"GBA"**) has by and large "returned to (new) normal" – employees are returning to the office, and the number of IPO listings in the major exchanges throughout the region have reached a historic high – unsurprisingly, the fintech and healthtech sectors dominating the new filings. These favourable economic factors in the region serve as encouraging signs to organisations to continue to leverage the significant momentum gained through their 2020 "digitise to survive" investment strategies, largely brought about by the arrival of COVID-19.

One of the most prominent examples we are seeing in Mainland China is the adoption of its much anticipated central bank digital currency (**"CBDC"**), also known as the "digital currency electronic payment" (**"DCEP"**). The DCEP is a nationwide initiative which achieved accelerated growth since COVID-19 (with public testing at the retail level having commenced in April 2021). It is evident that the Mainland Chinese Government sees the GBA as the central hub to promote the use of DCEP, with local authorities in the GBA distributing more than RMB60 million (circa USD9.4 million) in "red packets" using DCEP. Furthermore, senior government officials are now discussing the establishment of a "regulatory sandbox" to trial cross-border financial transactions between Hong Kong and Shenzhen using DCEP. This proposal would invariably promote convertibility of RMB, as well as the greater use of RMB in the global payments market.

The emergence of China's DCEP initiative has also served as the catalyst for related CBDC projects currently underway in Hong Kong. Positive steps were taken when the Hong Kong Monetary Authority announced in June 2021 its study of a retail CBDC as part of its "Fintech 2025" strategy (in addition to the wholesale CBDC currently being explored). The latest distribution of "consumption vouchers" to the Hong Kong public (where the Government distributed digital vouchers of HKD5,000 to each Hong Kong permanent resident to their digital wallets) will inevitably serve as a "proof-of-concept" for Hong Kong's readiness to "go digital". The investment interest we are also seeing in relation to Hong Kong's "stored value facility operators" further serves as a positive sign to Hong Kong's capability and readiness, from a technology perspective, to facilitate acceptance of DCEP and the role Hong Kong can serve as part of the underlying DCEP payments infrastructure.

The resilience of the GBA economy means that there remains innumerable opportunities in the market. Foreign investment in the GBA, in particular, has been marked as a key item in the Mainland Chinese Government's latest 5-year economic development plan (announced in March 2021). In recent months, we observed substantial interest from our multi-national clients to further expand their digitalisation footprint within GBA - with a particular focus on the opportunities presented in the underlying mobile payments infrastructure. While the Mainland Chinese market highly regulates digital services (for example, restrictions on foreign businesses from directly operating "software as a service" businesses and infrastructure platforms in Mainland China), we have nevertheless seen interest continues to grow throughout the pandemic irrespective of these operational hurdles.

Rapid digitalisation in the region has also created greater demand for connectivity and network infrastructure. Fortunately, digitalisation efforts in the GBA are well supported by the strong infrastructure across the region. Hong Kong is already home to one of the largest data centre operations of its kind in the world. In 2020 and 2021, Hong Kong saw new market participants in the data centre industry, and also existing players building new data centres within the city. As of the end of the first quarter in 2021, Hong Kong has a total of 8.38 million square feet of data centre space, with a number of new data centres due to break ground over the next 18 months. These data centres are purpose built and equipped with totally customisable, state-of-the-art infrastructure and facilities that can meet demanding power and deployment specifications. All of these demonstrate the region's readiness to fully embrace a "digital-first" operating environment.

There is little doubt that the airline and travel sectors were amongst the hardest hit by COVID-19. IATA estimated that the net post-tax losses forecast until April 2021 was USD47.7 billion, which was worse than originally forecast. GBA, as a global aviation hub, is undoubtedly similarly affected. That being said, many in the aviation sector (including our clients) have taken advantage of the travel bans to re-examine their technology investment roadmap. In particular, a number of carriers have begun to implement IATA's digital distribution standard. 'NDC' or 'New Distribution Capability' as it is known, is an XML-based data transmission standard that enhances communications between airlines, travel agents and other third parties. It is designed to change the way aviation services are distributed to travellers by offering enhanced product differentiation with shortened time-to-market and providing access to even more tailored fare, availability, scheduling and baggage options. Further, airlines can now provide travel aggregators and agents with direct access to their content, via APIs. This model creates new revenue streams for the aviation sector through differentiation of product offerings and personalisation of travel services, while promoting both innovation and competition. In a sector where the distribution of an airline's content to travel agencies and consumers generally has long been dominated by a few global distribution players, new technology solutions (i.e. NDC) now enable airlines to "wrestle back control" of their distribution strategy and provide tailored offerings to their customers.

As the world continues to grapple with various challenges presented by COVID-19, the GBA has, by and large, been able to adapt and build on the digitalisation strategies adopted at the beginning of the pandemic. Looking back at these previous three quarters of 2021, it is clear that GBA's "new normal" will continue to bring exciting new opportunities in the era of digitalisation, despite an uncertain future ahead globally.

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