

From Conventional to Regenerative:

Infusing New Accelerated Changes to Hong Kong's Economy

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Conglomerates and small-medium businesses in Hong Kong and worldwide face a unique and complex set of challenges when they are trying to address ESG (Environmental, Social and Governance) issues. YHK discussed with three experts on their industry observations in tackling environmental and social challenges to drive systematic change from risk to resilience.



A record number of Hong Kong small-medium businesses are gradually placing sustainability at the heart of their business models, attracting new customers and driving growth especially during festivities like Christmas, Chinese New Year and Easter.

From sustainable skincare products to eco-friendly clothing, small businesses across the city are making conscious efforts to lower their carbon footprint; increase consumer confidence, choice and help meet Hong Kong's target of achieving carbon neutrality by 2050.

Based on a local poll conducted by the Consumer Council¹, Hong Kong consumers scored well in most

“Awareness” (average score: 74) and “Behaviour” (average score: 69) sub-indexes which implies in their belief in the importance of SC (Sustainable Consumption). Clearly, this baseline survey which provided insights into Hong Kong consumers' knowledge and priorities about sustainable consumption (SC) indicates that demand for sustainable products and business practices are growing priorities in this international city.

Here are some further in-depth sharings with **Simon Ng, Chief Executive Officer, Business Environment Council; Terence Hon, Co-Founder, Greenprice** and **Jonathan Mok, Ecosystem Builder (Research & Insights), Dream Impact.**

Simon Ng, Chief Executive Officer, Business Environment Council

Briefly, could you give us an overview of what is/ are the current circularity observations in Hong Kong in the recent 2-3 years?

Overall, Hong Kong is still a very linear city, with limited progress in circularity. Areas crucial to circular economy, including design, repair, reuse, refurbishment and remanufacturing are concepts not well understood by the HKSAR Government, businesses and the wider public, and therefore are not common activities carried out in the city. Policies on resource management, for example, have typically been promulgated without the strategic consideration of circular economy.

Are HK SMEs understanding well on sustainability and ESG initiatives, to begin with?

Understanding on sustainability and ESG initiatives is still limited to a small cluster of SMEs in Hong Kong who are visionary and open to learn and embrace the trend. Nonetheless, more SMEs are showing interest in ESG and sustainability to avoid client loss and missed business opportunities, protect corporate image and reputation, and enhance ability to attract and retain talents and to raise capital.

What are 3 main barriers to get a mainstream circular economy in HK? What are the potential solutions to reduce these barriers?

In Hong Kong, the main barrier is inadequate understanding and awareness of circular economy concepts including design, repair, reuse, refurbishment, and remanufacturing in business sector. Hong Kong's service-based economic structure and the lack of diverse industries also lead to a recycling gap in the city, as there is a shortfall in demand and use for recycled materials.

The macro-environment of Hong Kong also limits the city's transition to a circular economy, for example the reliance on imported goods and resources which makes reverse logistics to recover resources difficult to implement. The geography, climate and size of the city further limit the potential for renewable energy and lead to insufficient land allocation to resource recovery and other related industries.

To overcome these barriers, the Government should introduce more guidelines and incentives to promote circular design, repair, reuse, refurbishment and remanufacturing in Hong Kong, to enhance understanding of circular economy, be inclusive to develop plans for the use of recycled materials in production and construction,

regulations on eco-packaging, fundings to further support and increase employment opportunities, as well as to encourage pilot projects and trials facilitating research and development and building expertise.

Education and training to the public and relevant stakeholders along the resource value chain is another key to success, which can raise awareness and proper understanding of achieving circular economy. Moreover, the authority can explore possible avenues of collaboration with other regions like the Greater Bay Area (GBA) to overcome the city's limitation in scale and infrastructure.

At BEC, circular economy is also one of our three Environmental Focus Areas (with the other two being climate change and sustainable living environment). We have set up the BEC Circular Economy Advisory Group to promote best practices in the circular economy and resource management amongst BEC members and the wider business community in Hong Kong. We are committed to playing a role in streamlining circular economy in the city.

What are some of the real benefits / values that could be offered to HKG companies going on the circular economy route? What about consumers reaping in the benefits from the circularity application?

Economically, companies can save cost by preventing waste, for example through eco-design and reuse of resources along the value chain. Furthermore, exploring new business opportunities by transforming waste into quality, secondary raw materials can bring new income to the businesses and may develop innovations in different forms. For consumers, less waste means paying less under waste charging and living a more sustainable lifestyle.

Environmentally, reducing waste and transforming waste into resources can help achieve decarbonisation and combat climate change.

Finally, what would BEC urge the Hong Kong government and policy makers in keeping and / or reconsidering elements from the current blueprint of ensuring HK reaches its goal to be carbon neutral by 2050?

The current policy blueprints and the Climate Action Plan have set clear targets and strategies for various goals including cleaner air quality, zero landfills, net-zero electricity generation and carbon neutrality by 2050. These are important policy directions that should remain unchanged. However, policy makers should track progress against interim targets and raise the ambition and/or deepen various measures if good progress has been made and when opportunities to accelerate action arise.

Terence Hon, Co-Founder, Greenprice

Briefly, could you give us an overview of what is / are the current circularity observations in Hong Kong in the recent two to three years?

“Circular Economy” practice is not something new in Hong Kong. Foremost, Hong Kong’s dominant economic sector still lies in the service industry, as most factories have relocated to mainland China decades ago. While Hong Kong’s recycling business plays an important role in resources recovery, it still relies on the mainland Chinese market to receive the waste, which has become increasingly difficult due to stricter regulations in China.

Hong Kongers are familiar with the 3R concept – Reduce, Reuse, and Recycle. In recent years, there has been a growing number of private and public initiatives that enables circularity, as well as a greater adoption of circular business models in Hong Kong. Many startups have developed innovative business models where they use waste material to create useful products. This way they prevent or delay the entry of a plethora of products into the waste stream. As per the world bank report in 2018, Hong Kong generates around 5.39 million tonnes of solid waste every year. Most of this waste is either dumped in landfills or finds its way to water bodies. Imagining even 10 per cent of this waste being recycled or reused by startups is overwhelming.

For my startup GreenPrice, we recognise this waste issue and decided to be a retailer that addresses environmental issues and food poverty collectively. We wish to provide consumers with an option to buy in a green and cost-saving manner, ie. selling safe and decent groceries, which have neared or passed their best-before date, lawfully at the bottom price through multiple channels of distribution. In turn, GreenPrice donates meals and medically formulated nutrient packs to children in need.

Do Hong Kong consumers, employees and other stakeholders understand well on the corporate sustainability and ESG initiatives? Please share and elaborate more.

ESG is growingly relevant to companies of any size as it reinforces a long-standing positive corporate reputation attracting loyal consumers and top talent. Having a good ESG profile will also make a company more attractive to investors. But there is more. Employees also wish to work for companies with a strong set of ESG values and priorities, particularly if these values align with their own. Employees will then gauge what companies are doing to pursue their ESG values. Whether companies are doing

enough will have an impact on how engaged employees are to the company through alignment of corporate and personal values, with other concerns such as remuneration.

Ultimately, all stakeholders should bear in mind that ESG is a reflection of the values of society. Where a business’s workforce aligns with society’s standard, a greater understanding of the market and customers will naturally be achieved. Within this alignment, only ESG can bring benefits to a company, including greater profits and enhanced attractiveness to investors and employees.

What are some of the initiatives that Greenprice has embarked on embracing the circular economy and are doing well so far?

GreenPrice is a social enterprise specialised in retailing surplus and short-dated stock. Started in a university social innovation competition, the idea soon became a standalone store by December 2016.

Our vision for our store was to create more than a place where people could discover ever-changing selection of quality merchandise at significant discount. We wanted to create a community hub where people could learn and discuss the way of living a sustainable life. It was also important for us to create real relationships with our stakeholders. Our core values of quality, product, integrity, entrepreneurship, thoughtfulness and fun are lived by our people every day and are at the heart of our unique company culture.

What are some barriers to get your consumers, employees and other stakeholders understand its ESG initiatives in Hong Kong? What are the potential solutions to reduce these barriers?

In Hong Kong, the revised ESG Reporting Guide (the Guide) by Hong Kong Exchanges and Clearing Limited (HKEX) see some listed companies reporting on ESG information simply to fulfil the compliance requirements. More companies are becoming aware of the business impact, as a result of ESG issues and are expected to continue to improve their ESG performance and reporting standards over time.

Given that mandatory ESG reporting requirements for general disclosure and environmental key performance indicator (KPI) disclosures were enacted within the past two years – which are still at an early development stage – it is understandable that it will take time for companies to move further along the ESG learning curve and integrate ESG issues into their core business strategies. Currently, the ESG issues are still viewed as peripheral.

For companies, ‘sustainability’ refers to the creation of economic value with the consideration of the interests of various stakeholders, including employees, customers, local communities and the environment. But research as shown otherwise reveals that boards need to understand how the viability of their companies’ business model is affected by societal and environmental changes.

- So real actions needed to be taken to address a diverse

set of ESG issues by companies involve integrating the most important ESG issues into business strategies, tracking the right KPIs, incentivising management using those metrics, and communicating performance improvements to different stakeholders.

Companies are also required to change from a “business-as-usual” approach to achieve such integration, which entails potential disruption, trade-offs and an innovative culture.

Jonathan Mok, Ecosystem Builder (Research & Insights), Dream Impact

How are DEI (Diversity, Equality and Inclusion) and sustainability intertwined?

DEI and sustainability may seem disconnected, but they are actually overlapping with one another in the business world. The scope of sustainability in business has broadened beyond environmental footprint to include social responsibility and human rights broadly these days.

Like sustainability, meaningful DEI work isn’t just checking boxes and moving on. It also requires deeper reflection and more holistic approaches. This may happen as companies redefine or reaffirm their values and purpose.

As part of the current corporate responsibility practices, companies are also looking outwardly at how they will affect the communities they serve and type of contributions to society. So they turn “inward” and evaluate their values and purpose, and their community engagement and also how they treat their employees. It’s no longer limited to hiring diverse talent, but about inclusion.

Why is DEI important to sustainability?

Companies should look outward to understand what their contributions to the society are and how they affect community engagement. Inwardly, what about their purpose, values and practices? A strong focus on DEI can be the key to turning all sustainability efforts into a success.

References

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It will benefit the company and also the community at large, not to mention the existing employees and consumers.

From your experience and / or observations, how has DEI helped corporates become better in decision-making?

Diversity matters when it comes to the bottom line. Companies that prioritise ethnic, cultural, and gender diversity are seeing positive results that outpace their less diverse peers. Diversity plays an active role in better inclusive decision making, not just from a team’s perspective, but also more so from an overall organisational standpoint. A focus and genuine commitment to workplace diversity additionally helps companies build loyal relationships with their employees, customers, and community.

Finally, what would you urge HK youth and other consumers in keeping and / or reconsidering their DEI mindset collectively?

DEI can be a key differentiator because a diverse team allows for differentiated thinking. Companies that promote a culture in which employees feel safe to experiment with different solutions will also help drive innovation, growth in new directions, and breakthroughs to serve clients better.

It is important that there is a focus on recruiting outside of the sector; it isn’t just ticking the boxes on skills and experience but ensuring that people with different attributes and the right values are being considered for potential employment.