

LEVEL 7 ASSESSMENT SPECIFICATION

Student name:	LEUNG MAN YAN, IVY	Student ID number:	2124405
Programme:	DBA		
Module:	Visions for the Future – Theoretical Perspectives on Management		
Module code:	HKBM7006	Contribution to Overall Module Assessment (%):	100%
Lecturer:	Prof Eddie Yu (PhD)	Internal Verifier:	
Assignment Title:	Essay	Word count (or equivalent):	7,500 words
Submission deadline:	15 August 2022	Return date of provisional marks & written feedback:	19 September 2022
Submission method:	REFER TO GUIDELINES		
Academic honesty / referencing:	REFER TO GUIDELINES		

The Review of ESG Strategy in Mass Transit Railway (MTR)

1. Introduction

The Stock Exchange of Hong Kong Limited (“Exchange”) fosters an effective governance structure of environmental, social and governance (ESG) related matters; and therefore new requirements has become effective to ensure that the board of the listed companies shall identify and evaluate ESG risks and opportunities (Lu, 2016). Therefore, business firms are not immune to such changes. They face immense pressure for example, from the investors to pay attention to carbon neutrality and need to manage the opportunities and risks attributable to ESG factors. In fact, the environmental awareness of many companies have been increasing as a result of different environmental problems, environmental laws and increasing pressure from the market and the stakeholders.

Dated back to 1990s, capital began to emphasize issues such as racial, gender equality, labour rights were well recognized in the business world (Ruggie, 2013). On the other hand, Enron’s bankruptcy filing because of serious integrity issues and corporate scandals had raised the attention of US government and investors about the sustainability of business (Johnson, 2003). Then Al Gore published his book “An inconvenient truth” in year 2006 had further raised the discussion not just in US, but the awareness of global warming and the effect globally (Gore, 2006). In 2006, UN Principles for Responsible Investment (PRI) firstly introduced the concept of ESG and further promoted its practice globally, resulting in the rapid global development of ESG. As one of the largest employers in Hong Kong Special Administration Region (HK), the Mass Transit Railway Corporation (MTR) is selected as constituents of Hang Seng Corporate Sustainability Indexes (HSCSI) series, Dow Jones Sustainability Asia Pacific Index and FTSE4Good Global 100 Index (Lo and Kwan, 2017), which reflect the corporation’s commitment to the sustainable development and ESG.

The main purpose of this study is to review the ESG strategy of MTR in Hong Kong, as the railway industry can implement ESG activities and practices to resolve many important issues, which have the impact on greenhouse gas emissions, corporate sustainability and safety etc.

2. Literature Review

2.1. What is ESG?

The United Nation report entitled ‘Who Cares Wins’ firstly introduced the term ‘Environmental, Social and Governance (ESG)’ in 2004. Since then, ESG issues has often been incorporated in company business strategy. Different from Corporate Social Responsibility (CSR), which is normally related to corporations’ activities focusing on more socially responsible and being a better corporate citizen (Gillan, Koch and Starks, 2021), ESG refers to the activities and practices of an organization, which are respectively related to the environmental responsibility, social responsibility and corporate governance responsibility of corporations (Gao, Meng, Gu, Liu, and Farrukh, 2021).

Environmental responsibility has become an important consideration when a business organization develops its strategy because of the increasingly serious environmental problems such as the climate change, plastic pollution, air and water pollution, and carbon emission etc.. For instance, in the hotel industry, hotels incorporate environmental management into their business strategy as a result of the pressure from their stakeholders such as green travellers who normally select environmentally-friendly hotels to stay; business partners who prefer doing business with environmentally-friendly companies; and environmental groups and communities who care about and monitor company environmental performance (Hu, Liu, Yuen, Lim and Hu, 2019). In the railway industry, railway companies are also under pressure to change the policy as a result of EU railway policy in order to achieve the EU’s overall environmental goals (Dyrhauge, 2013).

Social responsibility is normally evaluated by different aspects such as working condition, health and safety, labour management, and human rights (Muñoz-Torres, Fernández-Izquierdo, Rivera-Lirio, and Escrig-Olmedo, 2019). Turban and Greening (1997) indicated that companies, which are willing to spend effort to build up good relationship with their stakeholders such as employees and the wider community, have competitive advantage while operating their businesses.

Corporate governance responsibility refers to the governance activities related to board structure, which is an essential element in dealing with a business and optimizing the business’ performance in the best interests of shareholders. Luan and Tang (2007) indicated that a firm’s performance is positively affected with appointment of an independent director. Some studies further concluded that the board gender diversity may improve the company corporate financial performance (Hoobler, Masterson, Nkomo and Michel, 2016).

To implement ESG strategy, a company can consider to introduce and implement different initiatives. Xie, Nozawa, Yagi, Flujii and Managi (2019) in their study identified some common ESG activities and practices that companies normally perform. Table 1 shows the common ESG activities identified.

Table 1 Common ESG Activities

Environmental activities	Social activities	Governance activities
• Verification type	• Equal opportunity policy	• UN global compact signatory
• Green building policy	• Human rights policy	• Global reporting initiatives criteria compliance
• Sustainable package	• Training policy	• Global reporting initiatives checked
• Environmental quality management policy	• Employee corporate social responsibility training	• Percentage of independent directors
• Environmental supply chain management	• Health and safety policy	• CEO duality
• Climate change policy	• Fair remuneration policy	• Audit committee meetings
• Climate change opportunities discussed		• Percentage of women on board
• Risks of climate change discussed		• Executive compensation linked to ESG
• Emission reduction initiatives		
• New products – climate change		
• Energy efficiency policy		

Source: Xie et al. (2019)

There are several ESG evaluation systems available to measure an organization's contribution to ESG. Such systems include those developed by Thomson Reuters and Goldman Sachs etc.. According to Yu, Guo and Luu (2018), when reporting ESG data, some organizations normally report greenhouse gas emissions, hazardous waste environmental fine etc. (environmental dimension), the employee turnover rate, community involvement and spending (social dimension) and board duration and size etc. (governance dimension) The scholars further indicated that firms with greater asset size, better liquidity and good past financial performance will be more transparent in EGS issues.

2.2.The Impact of COVID-19 on ESG

2.2.1. Environmental dimension

There are many impacts of the COVID-19 pandemic on the environment in accordance with a 2020 report by the United Nations Economic Commission for Europe (UNECE). The reports stated that the pandemic has slowed down pollutant emissions and the use of natural resource. Because of the lockdown in many countries, the reduction use of air traffic and automobiles etc. has

decreased the emission of carbon dioxide (Nassos, 2020). But, the pandemic has triggered an increased use of plastics and an increase in illegal waste-dumping. UNECE also stated that more people have turned to unsustainable harvesting of natural resources because of the loss of their livelihoods. The organization further warned that pressure on the environment will resume once the pandemic eases.

2.2.2. Social dimension

Due to Covid-19, some companies have engaged in corporate social responsibility (CSR) activities in order to help overcome the crisis. For instance, some hotels have provided accommodations to healthcare workers (Shin, Sharma, Nicolau and Kang, 2021). However, many workers have lost their jobs due to the impact of Covid-19 on different business sectors (von Wachter, 2020)

2.2.3. Governance dimension

Khatib et al. (2021) found that COVID-19 has affected all firm characteristics including firm performance and governance structure. The scholar in their research concluded that board meetings and audit committee have negative influence on a firm performance pre and post-COVID-19.

2.3. Stakeholder theory

Stakeholders play an important role in ensuring companies to manage their ESG activities appropriately (McElroy and van Engelen, 2012). It reflects the importance of investigating how an organization can develop working-relationship with its relevant stakeholders such as employees, customers, suppliers and regulators etc. when implementing ESG strategy. According to Buysse and Verbeke (2003), among different stakeholders, an organization will actively work with its internal and external stakeholders with the aim to achieve a common goal. The scholars further indicated that a company's employees can be considered as its internal stakeholder whereas customers, investors, suppliers, regulators, communities and other business partners etc. are external stakeholders. As a public transportation company, MTR has different stakeholders including business partners, communities, customers and passengers, investors, media, regulators, suppliers and employees etc. (MTR, 2021) to deal with when implementing its business strategies such as the ESG strategy.

2.4. 3H model

The 3H model was introduced by Yu (2021) to help understand the management of different issues about people and organization holistically. In Yu's 3H model, There are three main domains in the 3H model namely (1) Heart, (2) Head and (3) Hand. Yu (2019) argued that by integrating all these three H domains together synergy can be created to better manage the planning process of a company strategy in order to achieve the

established strategic goals. In the Heart domain, motivating people to work together to achieve an organizational goals is a key part of the domain. In addition to motivation, leadership and values are also the main constructs in the Heart domain (Cheung and Yu, 2021). In the “Head” domain, the mind of a strategic planners is emphasized. The planners need to process different important skills such as strategic thinking, planning, creative and analytical skills (Cheung and Yu, 2021). The ‘Hand” domain means people competences to achieve a company’s established plans (Cheung and Yu, 2021) such as the hotel ESG strategy in this study. In hotel, a people industry, hotel management needs to reply on its internal and external stakeholders such as the hotel employees, suppliers or even customers etc. to achieve its respective strategic objectives and goals.

The Yu’s 3H model was adopted by other scholars to investigate the strategic planning of different organizations. For instance, Cheung and Yu (2020) adopted the framework to examine the strategic planning of the Hong Kong Police Force. Therefore, Yu’s 3H model can help provide a guideline for analyzing the MTR’s ESG strategy.

3. Research Method

In this report, secondary data was mainly collected for the review and analysis. Different organizations with ESG strategy were considered for the review of this study, as the purpose of this assignment is to review the strategic planning process such as the ESG strategy of an organization. An analysis of relevant company documents including environmental policy statement, employment policy, sustainability, report or other internal report etc. was undertaken to validate the accuracy of the data collected from the different web sites. After careful consideration, the Mass Transit Railway (MTR) in Hong Kong was eventually selected for this review for the following reasons:

- one of the largest employers in Hong Kong
- its international reputation
- its leading role in ESG

3.1. Background of the Mass Transit Railways (MTR) and its ESG

Hong Kong entered a period of rapid population growth in the 1960s and by the 1970s it was already a very congested city with a serious shortage of public transport facilities, a lack of effective transport links between the various functional areas of the city. From 1964, when the construction of the mass transit railway was studied, to 1979, when the line opened for operation, Hong Kong finally had its first Mass Transit Railway (MTR) (Wallace and Ng 2016). Since its opening in 1979, MTR has been a fast and safe collective transport network covering the heart of Hong Kong and connecting to mainland China. MTR is responsible for close to 50% of public transport capacity in HK (Chan, Chen, Li,

Xu and Lam, 2021) (MTR Website; Ten-years Statistics). MTR is also one of the few urban metro companies in the world to achieve profitability, not only without government subsidies, but instead able to make a profit post COVID-19.

Operated by the MTR Corporation Limited (MTRCL), MTR runs nine urban railway lines and one airport express line in Hong Kong, and provides light rail services in the northwest New Territories, with a total length of about 221 kilometres and yearly 1.6B+ capacity of passengers in Hong Kong. The system consists of heavy rail, light rail and feeder bus service serving the urbanized areas of Hong Kong Island, Kowloon, and the New Territories. The MTR network system operates 168 stations including 98 heavy rail stations and 68 light rail stops as of 2022. To this day, the Hong Kong MTR has long been a busy railway system. The MTR provides a 19-hour daily train service on most days, from approximately 5:30am to 1 midnight, with track and trackside maintenance works taking place during non-traveling hours. On holidays, such as Christmas Eve and New Year's Eve, the MTR runs overnight (MTR Website). In addition, MTR operates railways in six cities outside Hong Kong and employs more than 30,000 people worldwide.

Since its inception, the MTR Corporation has experienced rapid population growth, GDP growth and private car growth in Hong Kong, and has evolved from a fully government-owned company to a joint stock company listed in 2000, with the Hong Kong Government holding 75% of the shares.

According to MTR's official website, apart from Beijing Metro Line 4, MTRCL also participated in the construction and operation of Beijing Line 14, Shenzhen Metro Line 4 (Longhua Line) and Hangzhou Metro Line 1 in the Mainland. Overseas, MTR participates in, operates and manages the London Overground rail system in the UK, Melbourne Rail in Australia, Stockholm Metro in Sweden and high-speed rail services between Stockholm and Gothenburg. MTR's ability to reach out to the Mainland and the rest of the world is based on the "rail + property" model, which has made it one of the few profitable urban metro companies in the world. MTR has been based on the fundamental principle of commercial operation, and after years of experience, it has developed a mature "rail + property" business model, which is characterised by intensive land use and the development of transport-oriented communities that organically combine the three needs of transport, commerce and housing (Leong, 2016).

As MTR is a listed company in Hong Kong, it is governed by the listing rules of Hong Kong Exchanges and Clearing Limited (HKEX) including Appendix 27 Environmental, Social and Governance Reporting Guide ("ESG Guide"). On the other hand, by making reference to the Global Reporting Initiative (GRI) Standards, International Association of Public Transport (UITP) Sustainability Reporting Guide, ISO 26000 Guidance on Social Responsibility and the United Nations Sustainable Development Goals ("SDGs"). MTR has built a website to report all the relevant information of sustainability including ESG for sharing related information.

According to the United Nations 2030 Agenda for Sustainable Development, and MTR has selected the following three sustainable development goals (SDGs) as priority:

- Decent work and economic growth
- Industry, innovation and infrastructure
- Sustainable cities and communities

In addition to the above- mentioned sustainable development goals, MTR have also supported the following SDGs:

- GOAL 3: Good Health and Well-being
- GOAL 4: Quality Education
- GOAL 5: Gender Equality
- GOAL 6: Clean Water and Sanitation
- GOAL 7: Affordable and Clean Energy
- GOAL 10: Reduced Inequality
- GOAL 12: Responsible Consumption and Production
- GOAL 13: Climate Action
- GOAL 15: Life on Land

E - Environment Contributions

As a low-carbon mass transit operator, MTR is well placed to make a positive contribution to the fight against climate change. In its Climate Change strategy, the corporation is committed to the following:

- Identifying, assessing and regularly reviewing the impacts of climate-related risks and opportunities and mitigating these risks;
- Reducing the corporation's carbon emissions in a continuous manner;
- Influencing their energy providers and supply chain to address climate risks; and
- Reporting their carbon footprint, initiatives and status annually.

The corporation has integrated climate change consideration into their business strategy, which include (1) Serving as a Low-carbon Public Transport Network, (2) Implementing Carbon Reduction Measures and (3) Adapting and Building Resilience to Climate Change to ensure that climate change considerations are incorporated in their planning, design and operations (MTR, 2021). Annually, MTR publicly disclose their environmental performance through the sustainability report.

S - Social

MTR has deployed three social and environmental objectives including (1) Social Inclusion, (2) Advancement and Opportunities, and (3) Greenhouse Gas Emissions Reduction, which are all under the Corporate Strategy of “Transforming the Future”.

Through the social inclusion, MTR has committed to provide a safe, affordable and accessible transport system for all, to eliminating discrimination in our people practices and policies and to helping excluded and underserved populations access their fair share of opportunity. The safety of MTR’s employees, passengers, customers, contractors, tenants and business partners is the first priority underlying all other aspects of the corporation’s business. The corporation also enables advancement and opportunities by empowering their staff, supply chain partners and the technology ecosystem to grow alongside with them the company as MTR expands their network. The corporation has also organized different activities such as “Happy Rail Green & Love” to serve people with intellectual disabilities, visual impairment and the underprivileged and ethnic minority children etc..

G - Corporate Governance

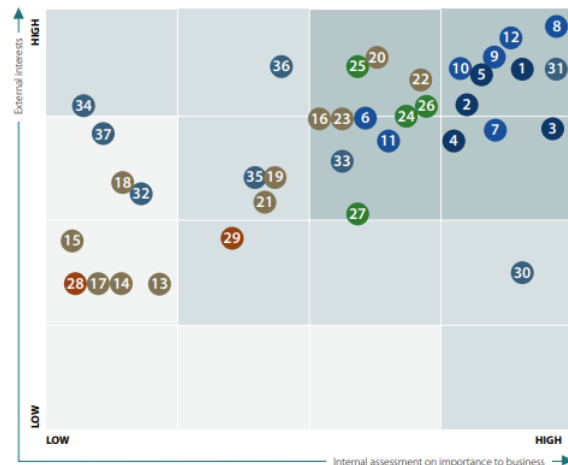
The Board of Directors as the highest governance body of MTR, has established six Board Committees and an Advisory Panel to oversee and provide advice on different aspects of the Corporation’s affairs, including the Audit & Risk Committee, Capital Works Committee, Environmental & Social Responsibility Committee, Nominations Committee, Remuneration Committee, and Finance & Investment Committee as well as the Technology Advisory Panel to steer sound governance.

Environmental & Social Responsibility Committee is in place to provide strategic oversight of the related strategies, and the Committee will also monitor the related performance indicators and report to the MTR Board. This Committee is led by the Chairman of MTR, the Committee meets twice annually to monitor and oversee the Corporation’s sustainability performance, the related frameworks and initiatives, and the progress towards sustainability targets. At the management level, the Environmental & Social Responsibility Steering Committee also drives and reviews the implementation initiatives across all MTR business.

On the other hand, External Review Panel members are invited to provide independent advice on the reporting methodology and strategies. Panel members will also review the Sustainability website and the related reports in order to improve the quality of sustainability disclosure. MTR also presents the materiality assessment result in the form of a “Materiality Matrix” shown as below for the review of panel members.

Materiality Matrix

Our materiality assessment results, which were considered by the External Review Panel and have been reviewed and validated by the E&SRSC, are presented in the following matrix.



The top right quadrant lists out highly material issues, while the least material issues are shown at the bottom left. The results for this year's assessment are largely the same as last year. Customers' health and safety remains the most material issue in the context of the ongoing COVID-19 pandemic. Highly material issues also reconfirm our commitment to the new social and environmental objectives to foster social inclusion and promote advancement and opportunities in the communities we serve, as well as reducing greenhouse gas emissions to fight against climate change.

I. Governance

- 1 Organisational governance structure and process
- 2 Fair operating practices (ethical dealings with other organisations)
- 3 Anti-corruption
- 4 Responsible political involvement
- 5 Fair competition

II. Customers

- 6 Fair marketing (factual and unbiased information and fair contractual practices)
- 7 Customer education
- 8 Customers' health and safety
- 9 Sustainable products and services
- 10 Customer service, support, and complaint handling
- 11 Customer data protection and privacy
- 12 Access to essential services (incl avoidance of service disruption)

III. Employees

- 13 Human rights risks assessment
- 14 Human rights risk issues
- 15 Human rights grievances mechanism
- 16 Diversity and equal opportunity
- 17 Fundamental principles and rights at work
- 18 Protection of civil and political rights of staff
- 19 Employment practices

- 20 Conditions of work and social protection
- 21 Staff consultation and engagement (incl freedom of association and collective bargaining)
- 22 Employee and contractor health and safety
- 23 Employee development and training

IV. Environment

- 24 Prevention of pollution (air, water and waste)
- 25 Sustainable resource use (resource efficiency and water use)
- 26 Climate change
- 27 Biodiversity

V. Supply Chain

- 28 Supply chain human rights risk
- 29 Promoting social responsibility in the value chain

VI. Community

- 30 Payment from government / tax payment
- 31 Community involvement and development (engagement)
- 32 Education and culture
- 33 Employment creation and skills development
- 34 Technology development and access
- 35 Wealth and income creation
- 36 Community health
- 37 Community investment

Source: Sustainability Report of MTR, 2021; page 9;
https://www.mtr.com.hk/sustainability/2021/en/pdf/Sustainability_Report_EN.pdf

4. Discussion

4.1. Analysing the MTR ESG Strategies by Applying Yue's 3H Model

4.1.1. Heart-oriented dimension

As mentioned before, motivating people to work together to achieve an organizational goals is a key part of the "Heart" domain. It is obvious that motivation is the fuel of employees but the motivation factors vary among different individuals because of their different needs and wants. Motivation is a concept that is used in management to motivate employees, which means using a variety of effective methods to motivate employees so that they work hard to achieve the organisation's tasks and goals. Motivation is an

important element of human resources management and refers to the psychological process of motivating human behaviour.

Although it is difficult to work out a common definition of motivation due to the multiplicity of the views on motivation and individual behavior of people, in management, however, motivation can be defined as “the willingness to exert high level of effort toward organisational goals, conditioned by the effort’s ability to satisfy some individual need.” Robbins suggests that this is the result of the interaction of the individual and the situation (Robbins, 1994, p. 212). On the other hand, a more pragmatic definition for motivation was introduced by Mullins (1999) stating that “*The underlying of concept to motivation is a driving force within individuals by which they attempt to achieve some goal in order to satisfy a need or expectation.*”

According to the 3H model, the Heart-oriented dimension is the more difficult than Head and Hand oriented dimensions. The reason is that the behavior and attitude of human will be changed continuously. Therefore, the management shall pay extra attention to the Heart-oriented dimension at the beginning of launching initiatives (Yu, 2019). In other words, senior management should find appropriate ways to motivate their subordinates and staff to perform the required works. Effective motivation will ignite the passion of employees and motivate them to work more strongly, giving them the desire to surpass themselves and others, and releasing the potentially huge internal drive to dedicate themselves to the vision of the company. How to motivate employees at work and stimulate the creativity of all employees is the highest-level goal of developing human resources. As an enterprise, it needs to shape the environment and mechanism to stimulate the creativity of its employees.

Understanding people needs and wants is important when identifying motivators for individuals. Abraham Maslow introduced the Hierarchy of Needs in his 1943 book *The Theory of Human Motivation*. His theory divides human needs into five categories: (1) physiological needs, (2) security needs, (3) social needs, (4) respect needs and (5) self-actualisation needs. Maslow believed that all human beings harbour these five different levels of needs, but the degree of urgency of each need varies from time to time (Maslow, 1943).

According to the Sustainability Report of MTR in year 2021, MTR and its staff have a strong motivation to contribute to the sustainable development of Hong Kong. Their staff have spared their own time, that is non-office hours to contribute in community services. This indicates that implementing sustainable programmes or measures is likely very different from other company business strategies because the employees believe that they are doing something good for our planet and are contributing to a worthy goal. In year 2021, the staff in Hong Kong volunteered a total of 8,593 hours of their time to 95 community projects; and it then made in-kind donations worth HK\$32 million and invested HK\$15 million in various community projects. It is a very good sign that the staff are willing to contribute their own time to voluntary community services; and MTR can enhance the engagement of staff through arranging corporate social responsibility activities with positive effects on staff satisfaction and retention intention (Lee and Chen, 2018). This will

be a good example that the company can align and motivate the staff by achieving the same purpose, that is contributing to Hong Kong community.

The findings indicating the MTR employees do not mind using their own time to perform the community services are in line with Chan and Hawkins' (2010) study concluding that employees normally are willing to participate in environmental programmes despite the additional workload due to the meaningfulness and significance of the job task. In addition, The employees can gain the respect from others by participating in the community services using their own resources and time. This can fulfil one's respect need in Maslow's Hierarchy of Needs. It is obvious that MTR's motivations to implement the sustainable measures and community services have a positive impact on its staff. The meaningful activities included in the company ESG strategy result in a more harmonious working environment and positively affect the staff involvement in the ESG implementation.

In addition, although the volunteer projects have been reduced during the COVID-19 pandemic to protect the employee and community members, MTR provides free of charge advertising spaces to over 70 Non-Government Organizations (NGO), one of the corporation's stakeholders who have limited resources to promote their services. On the other hand, MTR has reduced the rent for NGOs along the Tuen Ma Line. All these initiatives have demonstrated the commitment of MTR's leadership to make contribution to the society and community, which reflect the 'Heart' of MTR in implementing ESG indicating the company's value to share with those people in need.

4.1.2. Head-oriented dimension

In the Head domain, the role of corporate office and senior executives who are normally strategic planners is emphasized. Cheung and Yu (2020) in their study reviewing the strategic planning process in the Hong Kong Police Force indicated that the strategists should possess different important skills such as strategic thinking, planning, analytical and creative skills to formulate a feasible and good strategy for a company. As mentioned before, the overall management of MTR is vested in the Board responsible for the corporation's all strategic policies. The Board has delegated the day-to-day management to the Executive Committee responsible for the development and implementation of different policies and systems (MTR, 2021). To enhance the senior managers' leadership capabilities and nurture their creative and innovative mind-sets, MTR has established different training and development programmes such as the 'Management Potential Development Programme' and the 'Corporate Development Ladder Programme' from which newly joined managers can have the opportunity to develop their leadership and management skills.

With regard to the ESG strategy, when reviewing the MTR's sustainability report, it was noticed that the corporation has developed 'stakeholder engagement programmes' in order to engage its stakeholders when implementing its ESG activities and practices. These stakeholder engagement programmes involve the company employees, customers/passengers, suppliers and even the political body etc..

To understand the needs, wants, conditions of their workplace and social protection of the employees, MTR has established different channels to communicate with different levels of staff including management communication meetings, divisional/departamental communication, staff communication programmes, various internal communications, and staff engagement survey etc. In addition, they also established staff consultation mechanisms such as the staff consultative council to discuss the issue of employee health and safety. Apart from MTR employees, the corporation has also established a policy to regularly conduct supplier surveys on corporate responsibility and supplier audits in order to achieve fair operating practices when dealings with other business partners. The company has also established a mechanism to regularly meet with District Council liaison group to discuss customers/passengers' health and safety. With regard to environmental interests, MTR has established Continuous Environmental Improvement Programme (CEIP) to examine different possible ways to prevent air and water pollution and reduce waste. The corporation also publishes annual Sustainability Report to share its sustainable measures and environmental performance etc. with the public.

It is clear that sharing with internal and external stakeholders through different engagement programmes and other channels is important and useful for the improvement of ESG. The engagement programmes help improve mutual understanding between the MTR and its business partners from which different parties can have the opportunity to forward their ideas, review the ESG information and find out about the development of the MTR's ESG policies. The communications are helpful in achieving the company's ESG improvement.

4.1.3. Hand-oriented dimension

Enterprises are required to organise continuous learning for their employees in order to update their knowledge, and to guide them properly to face the reality to study new trends in technology. (Ozkeser, 2019). In order to secure the business in the increasingly fierce market competition and at the same time fulfil the regulatory requirements, enterprises must have product quality advantages or service level characteristics, to achieve excellent quality and service. The premise of all this is to have talent advantages, and the most rapid and powerful way to cultivate talents is to organise comprehensive training, so that workers can make continuous progress in learning, master more professional skills and reserve richer professional knowledge to ensure the core competitiveness and competitive advantages of enterprises. (Pfeffer, 1994). The importance of enhancing the competency of staff by providing all sorts of training and development activities are very much aligned with the Head-oriented approach (Yu, 2019) in advocating the importance of enhancing new skillsets and competences for solving future problems. In terms of training, the MTR has built the capability of their staff in many aspects.

MTR promotes “social inclusion”, and as a major provider of public transport services in Hong Kong. The corporation is obligated to provide “Universal Basic Mobility”. MTR is also committed to providing access to a safe, affordable, accessible and sustainable transport system with affordable fee. In order to deliver the above-mentioned, MTR requires the ‘Hand’ to perform the tasks. To train and enhance the operational skills, MTR

established the MTR Academy in year 2016, to promote operational training. It refers to the process of using systematic methods to strengthen employees' railway related knowledge and skills, enhance their professional skills and improve their work attitudes, so that they can improve their performance to meet customers' needs. The training of railway professional has a very important role in the development of MTR strategically. In the new era, human resources are the endogenous driving force for the development of enterprises, and modern enterprise competition is not only limited to product quality and price, but also exists in terms of after-sales service and talent. Hong Kong Government is the key shareholder of MTR, and the quality of service provided is important to free the government from any potential reputational risk. Therefore, MTR has paid extra attention on staff training in order to build up a perfect staff training system to enhance operational excellence continuously.

MTR has also showcased their training and development activities in their Sustainability Report 2021:

- Online Code of Conduct training are offered to all employees
- New employees must complete the online Code of Conduct training within three months of joining MTR
- Regular Independent Commission Against Corruption (“ICAC”) are arranged
- 70 diversity, equity and inclusion (“DEI”) training events for staff will be held in 2022
- 50+ key suppliers will attend training sessions on ESG best practices in 2022
- MTR Nordic has also created a e-learning course for operative staff on how to prevent
 - and de-escalate threatening and violent situations
- Dealing with the management of infectious diseases training
- Occupational Safety and Health (IOSH) safety management training
- Training provided for Hong Kong retired athletes for helping them to rejoin the Workplace

Training plays a positive role in promoting communication between the company and the employees, as well as between the management and the employees, and can effectively enhance the loyalty of the employees to the company, thus achieving a win-win situation of mutual development between the employees and the company. Compared with traditional remuneration incentives, most workers are beginning to attach importance to their own professional skills and comprehensive quality improvement. Therefore, it is very necessary to set up a scientific and reasonable training platform, establish a perfect and sound training system, create a strong training atmosphere in the enterprise and form a good corporate culture in order to better promote the development of the enterprise. To develop a company with high performance and morale, management should continue to improve their training systems, actively guide employees to participate in all sorts of training in alignment with the company's Vision, Mission and Core Values. (Klemm, Sanderson and Luffman, 1991).

The training system shall include full coverage of training as far as possible, and not leave a single employee behind. This will further stimulate the enthusiasm of the employees, increase their motivation and enhance their subjective initiative, and achieve the goal of a win-win situation for both the employees and the enterprise. MTR has set the target to provide at least five learning days per year to the employees. In 2021, the average number of training days per employee in Hong Kong of MTR is 5.2 days, which is higher than the average number of annual training hours of 12.9 per employee revealed by a survey conducted by the Hong Kong Institute of Human Resource Management last year. MTR has also committed that five days training will be provided to each employee annually.

The corporation has also made use of technology, VR facilities and simulators etc. to provide their staff to access technical and management self-learning resources anywhere and anytime. (MTR, 2021). It is obvious that MTR has cultivated a culture of continuous learning, which is important for the corporation's sustainable development.

On the other hand, there is an increase attention to Green Human Resources Management (Renwick, Redman and Maguire, 2013), which is a new management concept and management model formed by applying the "green" concept to the field of human resources management (Farooq, Zhang, Talwar and Dhir, 2022). Its main task is to adopt management methods that are in line with the "green" concept. The human attitude and the ecological harmony of the employees are taken care, so as to bring the enterprise the comprehensive benefits of unified economic, social and ecological benefits, and to realise the common and sustainable development of the enterprise and the employees.

To further foster and embed the concept of ESG, MTR may consider to assign a certain percentage among the five training days to ESG related training. Green related training shall be one of the key topics for engaging the colleagues. The results can be monitored and included in the Sustainability Report.

It is also worth to note that there are no significant negative impacts of COVID-19 pandemic on the MTR's ESG strategy though the management admitted that the corporation is facing many challenges under the prolonged global pandemic. Conversely, MTR has recognized that ESG is more important than ever as a business imperative. As stated in his Chairman's message in the Sustainability Report 2021, Mr. Rex Auyeung Pak-kuen emphasized *"ESG is a centre piece of our new Corporate Strategy Being a world class low-carbon public transport provider, we will continue to demonstrate our ESG leadership by embedding sustainable thinking in the different areas of our business to create long-term social, environmental and economic value for the cities we serve."* (MTR, 2021). Internally, the MTR management has done their utmost to ensure the health and safety and protect the job security of their employees. For instance, the corporation has implemented measures to safeguard their employees' health and minimize the risk of infection at the workplace. Externally, the corporation has continued to support and fund relevant projects to save energy and protect the environment. From the analysis, it is clear that the MTR continues to do their part to contribute to the fight against climate change and strengthen their bonds with the communities they serve.

5. Conclusion

The focus of ESG strategic planning and implementation varies from industry to industry. On the whole, business organizations need to firstly raise their recognition and attention to the ESG concept, so that they can fully recognise that the essence of ESG is to help them improve their corporate management and meet future challenges, thereby reaping long-term benefits. On the other hand, it is necessary that in implementing and promoting ESG strategic planning, business organizations should fully leverage the combined resources from the ESG related stakeholders across the industry to jointly promote sustainable development.

The planning and implementation of ESG in the railway industry is often referred to as uncharted territory in the academic world because of the limited knowledge about which ESG activities and practices should be undertaken and which factors play an important role in determining the processes and outcomes of ESG for the industry. The main purpose of this study is to review the ESG strategy of MTR in Hong Kong through the lens of Yu's 3 H model. The model is found to be a useful analytical tool in planning and implementing the ESG strategy, which is one of the important company business strategies. It is found that the three main domains of 3 H model namely (1) Heart, (2) Head, and (3) Hand can be used to plan and implement the MTR's ESG strategy.

By looking at the planning and implementation of ESG from the perspective of 3 H model, this study contributes to the existing knowledge of environmental management, CSR and ESG literature in a particularly important area by identifying the elements and processes of EGS planning and implementation based on the model.

The study is important for both governments and business organizations of Hong Kong. It is noticed that governments from different countries encourage the corporate sector and the community to play a more proactive role in implementing ESG. The findings of this study would help the governments understand what appropriate measures or activities can be designed and implemented to achieve the intended goal of ESG through the 3 H model. In addition, the findings can also serve as a reference for the public transportation sector and the railway industry. It will be valuable for a railway company to better understand the planning and implementation of ESG so that adequate strategy can be formulated to react.

References

1. Buysse, K. and Verbeke, A. (2003), "Proactive environmental strategies: A stakeholder management perspective", *Strategic Management Journal*, Vol. 24 No. 5, pp. 453-470.
2. Chan, E.S.W. and Hawkins, R. (2010), "Attitude towards EMSs in an international hotel: An exploratory case study", *International Journal of Hospitality Management*, Vol. 29 No. 4, pp. 641-651.
3. Chan, H. Y., Chen, A., Li, G., Xu, X. and Lam, W. (2021), "Evaluating the value of new metro lines using route diversity measures: The case of Hong Kong Mass Transit Railway system", *Journal of Transport Geography*, Vol. 91, 102945.
4. Cheung, H.Y. and Yu, E. (2020), "A review of the strategic planning process in the Hong Kong Police Force", *Public Administration and Policy*, Vol. 23 No. 3, pp. 245-258.
5. Dyrhaug, H. (2013), "Modal shift to environmentally friendly rail", *EU Railway Policy-Making*, pp. 132-147.
6. Farooq, R., Zhang, Z., Talwar, S. and Dhir, A. (2022), "Do green human resource management and self-efficacy facilitate green creativity? A study of luxury hotels and resorts", *Journal of Sustainable Tourism*, Vol. 30 No. 4, pp. 824-845.
7. Gao, S., Meng, F., Gu, Z., Liu, Z. and Farrukh, M. (2021), "Mapping & clustering analysis on environmental, social & governance field a bibliometric analysis using Scopus", *Sustainability*, Vol. 13, 7304.
8. Gillan, S.L., Koch, A. and Starks, L.T. (2021), "Firms and social responsibility: A review of ESG and CSR research in corporate finance", *Journal of Corporate Finance*, Vol. 66, 101889.
9. Gore, A. (2006), *An inconvenient truth: The planetary emergency of global warming and what we can do about it*. Rodale.
10. Hoobler, J.M., Masterson, C.R., Nkomo, S.M. and Michel, E.J. (2016), "The business case for women leaders: Meta-analysis, research critique, and path forward", *Journal of Management*, Vol. 44 No. 6, pp. 2473-2499.
11. Hu, J., Liu, Y.L., Yuen, T.W.W., Lim, M.K. and Hu, J. (2019), "Do green practices really attract customers? The sharing economy from the sustainable supply chain management perspective", *Resources, Conservation and Recycling*, Vol. 149, pp. 177-187.
12. Johnson, C. E. (2003), "Enron's ethical collapse: Lessons for leadership educators", *Faculty Publications – College of Business*, 87, available at <https://digitalcommons.georgefox.edu/gfsb/87>
13. Klemm, M., Sanderson, S. and Luffman, G. (1991), "Mission statements: Selling corporate values to employees", *Long Range Planning*, Vol. 24 No. 3), pp. 73-78.
14. Leong, L. (2016), "The "Rail plus Property" model: Hong Kong's Successful self-financing Formula", *McKinsey Insights*, McKinsey & Company, Washington, DC., available at https://www.mtr.com.hk/en/corporate/operations/detail_worldclass.html
15. Lee, L. and Chen, L.F. (2018), "Boosting employee retention through CSR: A configurational analysis", *Corporate Social Responsibility and Environmental Management*, Vol. 25 No.5, pp. 948-960.

16. Lo, K. Y. and Kwan, C. L. (2017), "The effect of environmental, social, governance and sustainability initiatives on stock value—Examining market response to initiatives undertaken by listed companies", *Corporate Social Responsibility and Environmental Management*, Vol.24 No. 6, pp. 606-619.
17. Lu, H. (2016), "The 'legalisation' of corporate social responsibility: Hong Kong experience on ESG reporting", *Asia Pacific Law Review*, Vol. 24 No. 2, pp. 123-148.
18. Luan, C.J. and Tang, M.J. (2007), "Where is independent director efficacy?", *Corporate Governance*, Vol. 15, pp. 636-643.
19. Maslow, A.H. (1943), "A theory of human motivation", *Psychological Review*, Vol. 50 No. 4, pp. 370-396.
20. McElroy, M.W. and van Engelen, J.M. (2012), *Corporate Sustainability Management: The Art and Science of Managing Non-financial Performance*, Routledge.
21. Mullins, L.J. (1999), *Management and Organisational Behavior* (5th Ed.), Boston: Irwin.
22. MTR (2021), *Ten-Year Statistics*, available at <https://www.mtr.com.hk/archive/corporate/en/investor/annual2021/E21.pdf>.
23. Muñoz-Torres, M.J., Fernández-Izquierdo M.Á., Rivera-Lirio, J.M. and Escrig-Olmedo, E. (2019). "Can environmental, social, and governance rating agencies favor business models that promote a more sustainable development?", *Corporate Social Responsibility and Environmental Management*, Vol. 26 No. 2, pp. 439-452.
24. Ozkeser, B. (2019), "Impact of training on employee motivation in human resources management", *Procedia Computer Science*, Vol. 158, pp. 802-810.
25. Pfeffer, J. (1994), *Competitive Advantage through People*. Boston: Mass.
26. Renwick, D. W., Redman, T. and Maguire, S. (2013), "Green human resource management: A review and research agenda", *International journal of Management Reviews*, Vol. 15 No. 1, pp. 1-14.
27. Robbins, S. (1994). *Essential of Organisational Behaviour*, (fourth edition). Prentice Hall International, Inc.
28. Ruggie, J. G. (2013), *Just business: Multinational corporations and human rights (Norton global ethics series)*, WW Norton & Company.
29. Shin, H., Sharma, A., Nicolau, J.L. and Kang, J. (2021), "The impact of hotel CSR for strategic philanthropy on booking behavior and hotel performance during the COVID 19 pandemic", *Tourism Management*, Vol. 85, 104322.
30. Turban, D.B. and Greening, D.W. (1997), "Corporate social performance and organizational attractiveness to prospective employees", *Academy of Management Journal*, Vol. 40 No. 3, pp. 658-672.
31. UNECE (2020, Aug 29). COVID-19, the environment and climate change. Retrieved from <https://www.unece.org/runcw/welcome/issue-based-coalitions/environment-and-climate-change/covid-19-and-environment.html>.
32. Wallace, M. I. and Ng, K. C. (2016), "Development and application of underground space use in Hong Kong", *Tunnelling and Underground Space Technology*, Vol. 55, pp. 257-279.
33. von Wachter, T. (2020), "Lost generations: Long-term effects of the COVID-19 crisis on job losers and labour market entrants, and options for policy", *Fiscal Studies*, Vol. 41 No. 3, pp. 549-590.

34. Xie, J., Nozawa, W., Yagi, M., Flujii, H. and Managi, S. (2019), "Do ESG activities improve corporate financial performance?" *Business Strategy and the Environment*, Vol. 28, pp. 286-300.
35. Yu, E. (2021), "An analysis of China's strategy in combating the coronavirus pandemic with the 3H framework", *Public Administration and Policy*, Vol.24 No. 1, pp.76-91.
36. Yu, E.P.Y., Guo, C.Q. and Luu, B.V. (2018), "ESG transparency and firm value", *Business Strategy and the Environment*, Vol. 27, pp. 987-1004.