

Dear HKEx Market Consultation Team,

As an independent board director for a Hong Kong listed company, Techtronic Industries (SEHK.0669), as well as a permanent resident of Hong Kong and part of the corporate advisory community that broadly advocates for good corporate governance and meaningful ESG reporting here, I have seen Hong Kong progress a great deal in this area over the last eight years. When mandatory ESG reporting was initially introduced in 2015-16, listed issuers merely did the bare, formulaic minimum to comply and report. But as they built up the expertise and talent, as HKEx issued more guidance and offered more education, and as shareholders and asset owners fully embraced ESG investing in larger and larger asset pools, reporting in Hong Kong became much more sophisticated, strategic and comprehensive. Meanwhile, the rest of the world did not stand still – the bar is being raised higher all the time.

Companies have complained about the huge variety and competing nature of different reporting standards and ratings methodologies, and many other stakeholders have grown weary and critical of “greenwashing.” Investors are increasingly demanding high quality, transparent, consistent and comparable reporting by companies on climate and other ESG matters, and the new ISSB Climate Standard gives companies an internationally recognized standard for doing so. I am glad to see HKEx’s commitment to get its issuers ready for the climate-related reporting requirements based on the ISSB Climate Standard.

It is only very recently (26 June) that the ISSB has published S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate-related Disclosures to establish a global baseline of sustainability related information, after lengthy consultations with investors, companies, governments, and regulators. Hong Kong can benefit by being one of the first jurisdictions to embrace and roll out these standards.

Speaking for myself as an individual, I would like to share my views:

- I believe that it is time to upgrade climate-related disclosure from comply or explain to mandatory for all listed companies in Hong Kong. We are one of the biggest financial centers in the world and our issuers are held to the highest governance and ESG standards in Asia Pacific and internationally by their stakeholders. Most issuers are already putting the effort in to disclose on climate issues, so it won’t be that hard to move toward mandatory reporting.
- I support introducing stronger governance disclosures focusing on how the board oversees climate-related risks and opportunities, as it would encourage boards and management to spend the necessary time together to understand the climate strategy and subject it to robust review and discussion.
- I would be in favor of incorporating ISSB S1 into the Hong Kong Listing Rules, on the basis that the ISSB Standards, which are built on the TCFD Recommendations, are expected to become the global baseline for sustainability-related disclosures.
- I recommend HKEx to encourage listed issuers to use ISSB’s S1 and S2 but provide localised transitional periods or reliefs to cater for the characteristics in the Hong Kong market.
- I am strongly in favor of industry-based disclosure requirements prescribed under other international ESG reporting frameworks such as the SASB Standards, as it allows companies to be compared to their peers on an apple-to-apple basis. I also think it is crucial that companies and those who rate them ensure correct categorization in the right industry group, use thoughtful discretion to choose the right applicable metrics for individual companies and choose the right peer group. I have been truly appalled at how poorly the ESG ratings agencies understand industries and companies (in contrast to sell-side analysts) and anything HKEx can do to promote more nuanced and bespoke views on appropriate metrics and standards by industry is most welcome. I believe that is a core part of what ISSB has been set up to do, as well, as it incorporates SASB in the organization.
- I urge HKEx to hold training sessions for listed companies to better understand the standards and educate them on how to do a good job reporting and what is the strategic rationale for doing so

I believe that by upgrading our ESG reporting to keep up with the times and promote international standards, this will help Hong Kong attract new issuers and maintain the best access to capital markets.

Sincerely,



Virginia ("Ginny") Wilmerding  
Independent Non-Executive Director Techtronic Industries  
and Partner, FGS Global