



The Canadian
Chamber of Commerce
in Hong Kong

15 July, 2019

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
8th Floor, Two Exchange Square
8 Connaught Place, Central
Hong Kong

RE: Consultation Paper on Review of the ESG Reporting Guide and Related Listing Rules

Dear Sir/Madam:

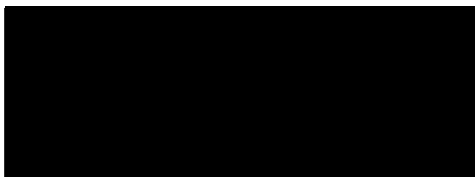
The Canadian Chamber of Commerce in Hong Kong (CanCham) supports the Hong Kong Exchanges and Clearing Limited (the Exchange)'s proposed changes to expand and enhance the requirements for listed companies to disclose both information on how they manage environmental, social and governance (ESG) issues and data on related performance.

CanCham believes that The Exchange's proposed changes encourage and increasingly require listed companies to adopt best practice in ESG reporting and disclosure, in line with other stock exchanges and indices and internationally-recognised reporting frameworks. These importantly include the *Taskforce on Climate-related Financial Disclosures* and the Global Reporting Initiative's *Sustainability Reporting Standards*.

CanCham supports The Exchange's approach of "comply or explain" as this enables companies to report on important ESG issues and performance where material and feasible, or provide explanations on why the disclosure item is not material or how they plan to move towards disclosure in the future.

Our responses to the specific questions in the *Consultation Paper – Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules*, dated May 2019, are provided in this document.

Yours sincerely,



Todd Handcock
Chairman, The Canadian Chamber of Commerce in Hong Kong

cc: Ms. Sophia Chan-Combrink, Executive Director, The Canadian Chamber of Commerce in Hong Kong, and Mr. Ron Chung, Chairman, Sustainable Development Committee, The Canadian Chamber of Commerce in Hong Kong



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| <i>QUESTION 1</i> | <i>Do you agree with our proposal to amend MB Rule 13.91 and GEM Rule 17.103 to shorten the time required to publish an ESG report from three months after the publication of the annual report to within four months for Main Board issuers or three months for GEM issuers from the financial year-end date?</i> |
| <i>RESPONSE 1</i> | Agree with The Exchange's proposal. |
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| <i>QUESTION 2</i> | <i>Do you agree with our proposal to amend the Listing Rules and the Guide to clarify that issuers are not required to provide printed form of the ESG report to shareholders unless responding to specific requests, but are required to notify shareholders that the ESG report has been published on the Exchange's and the issuer's websites?</i> |
| <i>RESPONSE 2</i> | Agree with The Exchange's proposal. |
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| <i>QUESTION 3</i> | <i>Do you agree with our proposal to amend the Guide to introduce Mandatory Disclosure Requirements?</i> |
| <i>RESPONSE 3</i> | Agree with The Exchange's proposal as this brings disclosure requirements more in line with international best practice and is needed to encourage improved ESG disclosure and performance. |
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| <i>QUESTION 4</i> | <p><i>If your response to Question 3 is positive, do you agree with our proposal to introduce an MDR requiring a statement from the board containing the following elements:</i></p> <ul style="list-style-type: none"> <i>(a) a disclosure of the board's oversight of ESG issues?</i> <i>(b) the process used to identify, evaluate and manage material ESG-related issues (including risks to the issuer's businesses); and</i> <i>(c) how the board reviews progress made against ESG-related goals and targets?</i> |
| <i>RESPONSE 4</i> | Agree with The Exchange's proposal as Board oversight and engagement is important to further improved ESG disclosure and performance. |
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| <i>QUESTION 5</i> | <i>Do you agree with our proposal to set out in a note that the board statement should include information on the issuer's current ESG management approach, strategy, priorities and goals/targets and an explanation of how they relate to the issuer's businesses?</i> |
| <i>RESPONSE 5</i> | Agree with The Exchange's proposal as such disclosure will further improved ESG performance. |
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| <i>QUESTION 6</i> | <i>Do you agree with our proposal to amend the Guide to introduce an MDR requiring disclosure of an explanation on how the issuer has applied the Reporting Principles in the preparation of the ESG report?</i> |
| <i>RESPONSE 6</i> | Agree with The Exchange's proposal as this will |
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| <i>QUESTION 7</i> | <i>Do you agree with our proposal to amend the Reporting Principle on "materiality" to make it clear that materiality of ESG issues is to be determined by the board and that the issuer must disclose a description of significant stakeholders identified, the process and results of the issuer's stakeholder engagement (if any), and the criteria for the selection of material ESG factors?</i> |
| <i>RESPONSE 7</i> | Agree with The Exchange's proposal. |
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| <i>QUESTION 8</i> | <i>Do you agree with our proposal to amend the Reporting Principle on "quantitative" to:</i> (a) <i>require disclosure of information on the standards, methodologies, assumptions and/or calculation tools used, and source of the conversion factors used for the reporting of emissions/energy consumption (where applicable); and</i> (b) <i>clarify that while KPIs for historical data must be measurable, targets may be expressed by way of directional statements or quantitative descriptions?</i> |
| <i>RESPONSE 8</i> | Agree with The Exchange's proposal. |
| <i>QUESTION 9</i> | <i>Do you agree with our proposal to amend the Guide to include an MDR requiring an explanation of the ESG report's reporting boundary, disclosing the process used to identify the specific entities or operations that are included in the ESG report?</i> |
| <i>RESPONSE 9</i> | Agree with The Exchange's proposal. |
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| QUESTION 10 | <i>Do you agree with our proposal to introduce a new Aspect A4 requiring:</i> (a) <i>disclosure of policies on measures to identify and mitigate the significant climate-related issues which have impacted, and those which may impact the issuer; and</i> (b) <i>a KPI requiring a description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them?</i> |
| RESPONSE 10 | Agree with The Exchange's proposal. |
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| QUESTION 11 | <i>Do you agree with our proposal to amend the Environmental KPIs to require disclosure of a description of targets set regarding emissions, energy use and water efficiency, waste reduction, etc. and steps taken to achieve them?</i> |
| RESPONSE 11 | Agree with The Exchange's proposal. |
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| QUESTION 12 | <i>Do you agree with our proposal to revise an Environmental KPI to require disclosure of Scope 1 and Scope 2 GHG emissions?</i> |
| RESPONSE 12 | Agree with The Exchange's proposal. |
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| QUESTION 13 | <i>Do you agree with our proposal to upgrade the disclosure obligation of all Social KPIs to "comply or explain"?</i> |
| RESPONSE 13 | Agree with The Exchange's proposal. |
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| QUESTION 14 | <i>Do you agree with our proposal to revise a KPI to clarify "employment types" should include "full- and part-time" staff?</i> |
| RESPONSE 14 | Agree with The Exchange's proposal. |
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| QUESTION 15 | <i>Do you agree with our proposal to amend the KPI on fatalities to require disclosure of the number and rate of work-related fatalities occurred in each of the past three years including the reporting year?</i> |
| RESPONSE 15 | Agree with The Exchange's proposal. |
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| QUESTION 16 | <i>Do you agree with our proposal to introduce the following new KPIs in respect of supply chain management?</i> (a) <i>Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.</i> (b) <i>Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.</i> |
| RESPONSE 16 | Agree with The Exchange's proposal. |
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| QUESTION 17 | <i>Do you agree with our proposal to introduce a new KPI requiring disclosure of anti-corruption training provided to directors and staff?</i> |
| RESPONSE 17 | Agree with The Exchange's proposal. |
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| QUESTION 18 | <i>Do you agree with the proposal to revise the Guide's wording on independence assurance to state that the issuer may seek independent assurance to strengthen the credibility of ESG information disclosed; and where independent assurance is obtained, the issuer should describe the level, scope and processes adopted for assurance clearly in the ESG report?</i> |
| RESPONSE 18 | Agree with The Exchange's proposal. |
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