

Corporate Communication Department
Hong Kong Exchanges and Clearing Limited
8/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

19 July 2019

Dear Sir

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

On behalf of ACCA Hong Kong, we would like to submit our comments regarding the captioned consultation paper, and enclose a copy of the duly completed questionnaire.

ACCA Hong Kong is supportive of the effort of the Hong Kong Exchanges and Clearing Limited (HKEX) to improve the disclosure quality of the annual ESG reports and upgrade the disclosure obligation of the social KPIs from recommended disclosures to 'comply or explain' provisions in the ESG Reporting Guide (the Guide).

As different companies have different business models, ESG issues will have very different implications to their operations even if the issuers are operating in the same industry. Hence, while we agree to the proposals in principle, we suggest HKEX provide more guidelines, explanation and examples in the FAQ to facilitate a better understanding of how issuers can put in practice the required disclosure requirements and prepare the disclosure notes appropriately.

Should you wish to clarify any of the above issues, please do not hesitate to contact the undersigned at [REDACTED].

Yours faithfully,

[REDACTED]

Natalie Chan
Chairman
ACCA Hong Kong

Enclosures

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/May-2019-Review-of-ESG-Guide/Consultation-Paper/cp201905.pdf>.

Where there is insufficient space provided for your comments, please attach additional pages.

Timeframe for Publication of ESG Reports

1. Do you agree with our proposal to amend Main Board Listing Rule 13.91 and GEM Listing Rule 17.103 to shorten the time required to publish an environmental, social and governance (“**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?

Yes

No

Please give reasons for your views.

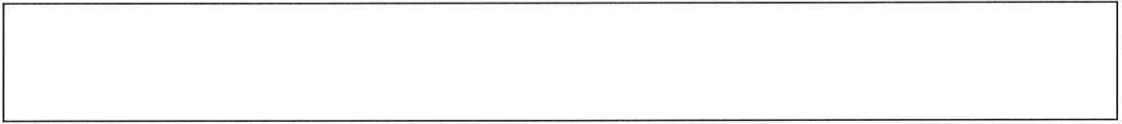
Printed Form of ESG Reports

2. 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?

Yes

No

Please give reasons for your views.



Introducing Mandatory Disclosure Requirements

General

3. Do you agree with our proposal to amend the Guide to introduce Mandatory Disclosure Requirements (“MDR”)?

Yes

No

Please give reasons for your views.

Governance Structure

4. 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:

(a) a disclosure of the board’s oversight of ESG issues?

(b) the process used to identify, evaluate and manage material ESG-related issues (including risks to the issuer’s businesses); and

(c) how the board reviews progress made against ESG-related goals and targets?

Yes

No

Please give reasons for your views.

5. 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?

Yes

No

Please give reasons for your views.

While we agree to the recommendation in principle, we suggest HKEX provide more guidelines, explanation and examples in the FAQ. As different companies operate differently, ESG will have very different implications to their operations even they are operating in the same industry. More concrete examples will better illustrate the requirement and help issuers prepare the notes appropriately.

Reporting Principles

6. 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?

Yes

No

Please give reasons for your views.

7. 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?

Yes

No

Please give reasons for your views.

8. Do you agree with our proposal to amend the Reporting Principle on “quantitative” to:

(a) 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

(b) clarify that while key performance indicators (“KPIs”) for historical data must be measurable, targets may be expressed by way of directional statements or quantitative descriptions?

Yes

No

Please give reasons for your views.

We agree to the proposal in principle but would like to clarify the wordings in the Rules of whether the required disclosures of information on standards, methodologies, assumptions and / or calculation tools used only refer to emission / energy consumption or these also apply to other KPIs.

To facilitate issuers' understanding and preparation of the directional statements, we suggest concrete examples be provided in the FAQ to illustrate HKEx's expectation.

Reporting Boundary

9. 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?

Yes

No

Please give reasons for your views.

Introducing Aspect on Climate Change and Revising the Environmental KPIs

Climate Change

10. Do you agree with our proposal to introduce a new Aspect A4 requiring:
- (a) 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
 - (b) 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?

Yes

No

Please give reasons for your views.

Targets

11. 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?

Yes

No

Please give reasons for your views.

GHG Emissions

12. Do you agree with our proposal to revise an Environmental KPI to require disclosure of Scope 1 and Scope 2 greenhouse gas (“**GHG**”) emissions?

Yes

No

Please give reasons for your views.

Upgrading the Disclosure Obligation of the Social KPIs

13. Do you agree with our proposal to upgrade the disclosure obligation of all Social KPIs to “comply or explain”?

Yes

No

Please give reasons for your views.

Revising the Social KPIs

Employment Types

14. Do you agree with our proposal to revise a KPI to clarify “employment types” should include “full- and part-time” staff?

Yes

No

Please give reasons for your views.

Today's workplace is diversified and complex. There are more forms of employment other than just 'full- and part-time' employment. For instance, some staff may work as full time staff but at reduced working hours (e.g. 20 hour per weeks) on a long term basis. Alternatively some staff may take unpaid leave for a few months during low season periods.

Issuers should be allowed the flexibility to describe the various employment types applicable to their policies rather than arbitrarily categoring their employees into 'full and part-time' staff. This may create more value to the users of the ESG report to better understand the business model of the issuers.

Rate of Fatalities

15. 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?

Yes

No

Please give reasons for your views.

Supply Chain Management

16. Do you agree with our proposal to introduce the following new KPIs in respect of supply chain management?

(a) Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.

(b) Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.

Yes

No

Please give reasons for your views.

The above requirements will encourage issuers to select those suppliers who also comply with the ESG requirements.

Anti-corruption

17. Do you agree with our proposal to introduce a new KPI requiring disclosure of anti-corruption training provided to directors and staff?

Yes

No

Please give reasons for your views.

Encouraging Independent Assurance

18. 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?

Yes

No

Please give reasons for your views.

We agree that the issuer should describe the level, scope and process adopted for assurance clearly in the ESG report when, and only when, the issuer seek independent assurance AND disclose this fact in the ESG report. The proposal seems too onerous to issuers not seeking to enhance the appearance of credibility of ESG information disclosed but nevertheless obtained independent assurance for their own data verification or other purposes.

- End -

