

16 July 2019

By Fax (2524-0149) and By e-mail

Hong Kong Exchanges and Clearing Limited  
8<sup>th</sup> Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

Dear Sir or Madam,

**Re: Consultation Paper on Review of the ESG Reporting Guide and Related Listing Rules  
(the “Consultation”)**

We welcome the opportunity to comment on the Consultation. We would like to express our broad support for the Exchange’s commitment to improve listed issuers’ governance and disclosure of ESG activities and metrics.

In our view, the key proposals put forward in the Consultation are appropriate especially having regard to how the ESG reporting for Hong Kong listed issuers has evolved since the ESG Reporting Guide was introduced in 2013 and the changing expectations of ESG stakeholders. We welcome, in particular, the proposals to introduce mandatory disclosure of a board statement setting out the board’s consideration of ESG issues and applications of relevant reporting principles and boundaries in the ESG report. Board oversight and responsibility for ESG disclosures is one important step required to move away from a box ticking approach to ESG reporting and to embed a more meaningful focus on ESG within an organisation. In a similar vein, we agree with the proposal to shorten the deadline for publication of the ESG report to align with publication timeframe of an annual report. This is consistent with the increasing relevance and importance of the disclosures included in the ESG Report and would assist promote the requisite level of focus and attention on these issues.

We are also supportive of the climate-related initiatives proposed in the Consultation as these are aligned with the development of international practices. We believe the following specific changes are steps in the right direction: requiring disclosure of significant climate-related issues of an issuer; amending the “Environmental” key performance indicators (“KPIs”) to require disclosure of relevant targets; and upgrading the disclosure obligation of “Social” KPIs to “comply or explain”.

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We would also like to take the opportunity to offer some constructive suggestions on some of the specific proposals in the Consultation. We believe that further clarifications from the Exchange in certain aspects, as set out below, would be helpful to market practitioners:

1. New Climate Change KPIs

To align with Section B of the Recommendations of the Task Force on Climate-related Financial Disclosure, we recommend including disclosure requirements of both transition and physical risks, opportunities and financial impact of climate change, instead of simply referring to “climate change issues”. This would assist promote the sort of consistency and comparability of disclosures that investors are seeking from ESG reporting.

2. Environmental KPIs

With regard to targets for environmental KPIs, these should be set at Group level if KPIs are deemed as material at Group level (i.e. if selected KPIs are material at asset/site level only, they do not automatically form part of the Group level disclosure as the emphasis should be on the materiality at the Group level). ESG Reporting should be steadfastly focused on those issues that are material to the listed company in order to ensure the utility of the disclosures and the requisite level of board and senior management attention within the organisation.

3. Materiality Principles - Stakeholders Engagement

Under the materiality principles, an ESG report should disclose (i) a description of significant stakeholders identified; (ii) the process and results of the issuer’s stakeholder engagement (if any); and (iii) the criteria for the selection of material ESG factors. We agree that stakeholder engagement is an important part of the process of assessing materiality. However, we recommend the Exchange to make it more explicit that stakeholder engagement is not required on an annual basis for determining materiality as for most businesses repeating an engagement process annually is unlikely to be meaningful and could unintentionally encourage a box ticking approach.

4. Setting of KPI Targets

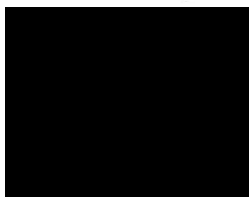
In terms of KPI targets disclosures, it would be helpful to provide more guidance or at least the provision of examples to show what are the required quantitative description and directional statements.

*Printed Form of ESG Report – Annual Report*

We would like to put forward a related point on the printed form of annual reports. We very much agree with the proposal that where the ESG report does not form part of the issuer's annual report, an issuer is not required to provide printed form of the ESG report to its shareholders, except if there is a specific request from a shareholder. We find this to be a sensible approach and is more aligned with today's general shareholders expectations on printed form of corporate reports. In this regard, we would respectfully recommend the Stock Exchange to consider extending this practice for annual reports.

Finally, we are most grateful for the opportunity to comment on the Consultation. If you have any questions on our response, please feel free to contact the undersigned on [REDACTED].

Yours faithfully,



David Simmonds  
Company Secretary