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From: Sin Kar Tim [redacted]
Sent: 19 July 2019 12:40
To: response
Subject: Re: Consultation Paper on Review of the ESG Reporting Guide and Related Listing Rules

WARNING: External email, please exercise caution.

To : Corporate Communications Department Hong Kong Exchanges and Clearing Limited
Re : Consultation Paper on Review of the ESG Reporting Guide and Related Listing Rules
Date : 19 July 2019

Before I respond to each question separately, I would like to express a general comment to this paper.

General Comment

All the proposed new requirements would only benefit large-sized companies and their investors. Also they have adequate resources to meet.

However, small-sized and medium-sized companies would face extra workload and operating costs. Investors in these companies are based on profit, sensitive information and not ESG KPI to invest. No need to argue, investors or stakeholders would prefer better financial results rather than ESG KPI. Therefore, it is a waste of resources without any benefits. Also, you have quoted in Paragraph 26 that survey indicates lack of detail materiality assessment, adopting a box-ticking approach and incomplete disclosure. I think the reasons are these companies considered KPI are in general immaterial to their businesses. Therefore, they prefer to take a passive role. So, my responses below will give more weightings to these small-sized and medium-sized companies.

My comments to this Consultation Paper are as follow:-

Question 1: You quoted that 60% of sample issuers published their ESG reports at the same time as their annual report, so what are the reasons behind that the remaining 40% cannot do it? Are they all small-sized and medium-sized companies? Without further analysis, your conclusion is misleading. You should not push the 40% to meet your requirement without knowing the reasons. They don't have the resources to do the financial and ESG reporting at the same time.

Suggestion: Follow Singapore, 5 months

Question 2: Agree, this is only a housekeeping matter.

Question 3: Disagree

Too much burden and not practical to small-sized and medium-sized companies.

Question 4: N.A.

Question 5: Disagree

Not practical. I disagree to increase the Board involvement, in particular for the small-sized and medium-sized companies. Board members may not have adequate ESG skills, and there is a danger that INED become executive director. How to identify an appropriate management approach, strategy that apply to a company? Setting goals/targets are not possible, these are not financial targets.

Question 6: Disagree

How to apply “materiality” and “quantitative”? Too abstract!

All ESG KPI for small-sized and medium-sized companies are immaterial and not related to business. Such as CO2 emission, utilities consumption, paper consumption.

Question 7: Disagree

Difficult to define materiality, unless Stock Exchange issued some applicable and practical guidelines. Significant stakeholders of those small-sized and medium-sized companies are their controlling shareholders. Those minority stakeholders cannot influence the company.

Question 8: Disagree

Same reason as (6) and (7).

Question 9: Disagree

Same reason as (6) and (7)

Question 10: Disagree

This disclosure should only be relevant to some large-sized companies operating in a unique industry, such as gas, telecommunications, aviation, utilities etc.

Most of the small-sized and medium sized companies businesses as are not related to climate change issues, therefore, no significant impact.

Suggestion: Optional disclosure

Question 11: Disagree

Proposed steps taken to achieve is not practical. We would like to have a high paper consumption, utilities consumption etc, which means high business volume and activities, therefore better profit.

Same reason as (10)

Question 12: Disagree

These are useless data for small-sized and medium-sized companies. Don’t waste time to collect these data mainly to meet disclosure requirements.

Question 13: Disagree

No need to upgrade to “comply or explain”. Not practical as most circumstances cannot give reasons.

Question 14: Disagree

No need, existing disclosure is adequate.

Question 15: Disagree

Useless data, unless the company’s business is at high fatal risk, such as mining, gas etc.

Question 16: Disagree

Not practical and difficult to meet (a) and (b) requirements. Unless the company is a multinational company with very high turnover and well established supply chains.

Question 17: Agree to provide anti-corruption training to staff, not necessary to director who should have these knowledge.

Question 18: Disagree

ESG KPI are not financial information and investors not really care about KPI in most cases. So no need to spend extra money to engage consultant for independent assurance. If KPI is so important as financial information, then guidelines for profit warning/alert on ESG KPI should be set.

In conclusion, upgrading the disclosure requirements will bring extra workload and costs and does not make any reasonable contribution. You should evaluate the usefulness of data provided when investors making an investment decision. Otherwise, it is just a waste of resources. Too many meaningless information does not help.

Please review and consider my above comments, hope to receive favorable feedback.

Kindly acknowledge receipt of this email.

Thank you.

K T Sin
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