

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.

AustCham supports more timely reporting of ESG outcomes so investors can make more informed decisions more quickly. We balance that against the obligation compression, and favour early reporting.

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.

AustCham supports environmentally friendly reporting.

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.

AustCham is supportive to the proposal to introduce Mandatory Disclosure Requirements.

In addition, we strongly recommend the HKEX to:

- Amend the Corporate Governance Code/Report in Appendix 14 at the same time as these proposals for Appendix 27 to include a new MDR that “An issuer should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks”.
- upgrade main board Rule 13.92 with the guidance HKEX-GL86-1 and make this a requirement for all existing listing companies in Appendix 14 and include requirements that a company have a diversity policy applicable across the company, measurable objectives to implement the policy and report on workplace statistics by grade and by gender.

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.

AustCham supports the proposal as it will bring greater transparency to the board of the ESG issues.

Additionally, as mentioned in the consultation paper, The Australian Securities Exchange (“ASX”) requires that companies, on an “if not, why not” basis, disclose whether they have any material exposure to economic, environmental and social sustainability risks, and if they do, how they manage those risks. We support this being a requirement in the MDR.

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.

AustCham agrees with this proposal subject to our recommendations above in Section 3.

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.

AustCham agrees with the proposal subject to our recommendations above in Section 3.

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.

We agree with the amendment as it would improve the clarity of the current Reporting Principle on "materiality".

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.

AustCham supports (a) because we advocate greater transparency.

However, with regard to (b), AustCham prefer KPI targets be expressed by way of directional statements (for accessibility) AND quantitative goals for clarity.

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.

We agree with the proposal since it would give investors more information, and understanding of the process and the ESG reporting methodology.

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.

AustCham strongly supports the proposal to introduce reporting on climate change.

AustCham believes boards should report on the impact of climate change on their operations, and support (a) and (b).

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.

The current legislation only require issuers to disclose the "results achieved", so requiring disclosure of the targets will allow the investors to understand the company's targets and goals. It also aligns with international standards. AustCham supports this proposal.

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.

AustCham supports the proposal to require Scope 1 and Scope 2 disclosure.

AustCham further supports the disclosure of Scope 3 emissions.

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.

As stated in the consultation paper, the level of disclosure for Social KPIs has been relatively low as the reporting obligation is voluntary.

AustCham believes that by upgrading the disclosure to "comply or explain" reflects the overall importance of social impact KPIs.

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.

AustCham has no comment on this

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.

AustCham agrees since it would help issuers review their safety practice and provide useful information to investors and stakeholders.

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.

AustCham has no comment on this

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.

AustCham supports this proposal to bring anti-corruption training in line with other jurisdictions, including Australia.

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.

AustCham supports the proposal to clarify the terms under which independent assurance is provided to issuers.

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