

香港聯合交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

Our Ref: HOL20191218-033

18 December 2019

To: Main Board Listed Issuers (Attn: Authorised Representatives)
GEM Listed Issuers (Attn: Authorised Representatives)
Market Practitioners

Dear Sirs

Publication of Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and related Listing Rules, and Findings of ESG Disclosure Review

We have today published “*Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules*” (“**Consultation Conclusions**”) along with the findings of its latest review of listed issuers’ Environmental, Social and Governance (“**ESG**”) disclosure (“**ESG Disclosure Review**”).

Consultation Conclusions

The Consultation Conclusions represent the results of a public consultation held from 17 May 2019 to 19 July 2019. The market feedback indicated strong support for the proposals in the consultation paper. Key changes to the Environmental, Social and Governance Reporting Guide (“**ESG Guide**”) and related Listing Rules include:

- Introducing mandatory disclosure requirements in the ESG Guide to include:
 - a board statement setting out the board’s consideration of ESG issues;
 - application of Reporting Principles “materiality”, “quantitative” and “consistency”; and
 - explanation of reporting boundaries of ESG reports;
- Requiring disclosure of significant climate-related issues which have impacted and may impact the issuer;
- Amending the “Environmental” key performance indicators (KPIs) to require disclosure of relevant targets;
- Upgrading the disclosure obligation of all “Social” KPIs to “comply or explain”; and
- Shortening the deadline for publication of ESG reports to within five months after the financial

year-end.

The Rule amendments will be effective for financial years commencing on or after 1 July 2020.

The [Consultation Conclusions](#), [respondents' submissions](#), [amendments to the Main Board Listing Rules](#) and [amendments to the GEM Listing Rules](#) are available on the HKEX website.

ESG Disclosure Review

The Exchange reviewed ESG reports for the financial year ended on 31 March, 30 June or 31 December 2018 from 400 randomly selected issuers ("**Sample Issuers**"). The review provides insight and guidance to issuers on the possible improvement areas on which to focus in their approach to assessing ESG-related risks, and when preparing ESG reports.

Key findings and recommendations of the ESG Disclosure Review include:

- All Sample Issuers published an ESG report within the timeframe set out in the Listing Rules. A majority published their ESG reports on the same day as their annual report (63 per cent).
- Two-thirds of Sample Issuers disclosed that a materiality assessment had been undertaken, some described the assessment in a more detailed manner than others. The Exchange emphasises the importance of materiality since it is a fundamental element for a company to assess ESG-related risks it faces.
- ESG reports from a majority of Sample Issuers contained little or no description of board involvement. It is important for boards to be meaningfully involved in assessing and addressing ESG-related risks.
- When an issuer is required to "comply or explain", only 3 per cent of such provisions were "explained". The high percentage of reports adopting the "comply" option may suggest that issuers have not properly determined what is material to them, or that the "explain" option is believed to be a less-preferable option. Issuers are reminded that if a "comply or explain" provision is immaterial to them, then an explanation to that effect may well be appropriate. "Explanation" is not a less preferred or secondary option.

For more details of the findings and our recommendations, please see the report entitled "[Analysis of Environmental, Social and Governance Practice Disclosure In 2018](#)" available on the HKEX website.

Yours faithfully
For and on behalf of
The Stock Exchange of Hong Kong Limited

[Signed]

David Graham
Head of Listing