

Frequently Asked Questions Series 18 (Released on 31 August 2012 / Last updated on 16 November 2018)

Questions relating to environmental, social and governance reporting

Status of “Frequently Asked Questions”

The following frequently asked questions (FAQs) are designed to help applicants and issuers to understand and comply with the Listing Rules, particularly in situations not explicitly set out in the Listing Rules or where further clarification may be desirable.

Users of the FAQs should refer to the Rules themselves and, if necessary, seek qualified professional advice. The FAQs are not substitutes for the Listing Rules. If there is any discrepancy between the FAQs and the Listing Rules, the Listing Rules prevail.

In formulating our “answers”, we may have assumed certain underlying facts, selectively summarised the Listing Rules or concentrated on one particular aspect of the question. They are not definitive and do not apply to all cases where the scenario may at first appear similar. In any given case, regard must be had to all the relevant facts and circumstances.

The Listing Department may be consulted on a confidential basis. Contact the Listing Department at the earliest opportunity with any queries.

No.	Main Board Rules	GEM Rules	Query	Response
1.				
2.	13.91/ Appendix 27	17.103/ Appendix 20	Can an issuer adopt other guidelines instead of the ESG Reporting Guide (“ESG Guide” or “Guide”)? Where an issuer adopts alternative reporting guidance or international standards with comparable provisions to the Guide, is it required to give any explanation/reconciliation in relation to the Guide?	<p>The Guide sets out minimum parameters for reporting with a view to facilitating issuers’ disclosure and communication with investors and other stakeholders. The issuer’s board may consider adopting international standards or guidelines that is relevant to the issuer’s industry or sector, such as the Global Reporting Initiative’s Sustainability Reporting Standards, CDP’s Climate Change Questionnaire and Water Security Questionnaire, Recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures, the International Organization for Standardization’s Guidance on Social Responsibility, and the Corporate Sustainability Assessment for inclusion in the Dow Jones Sustainability Indices.</p> <p>To avoid duplication, adopting international reporting standards or guidelines that contain comparable provisions to the ESG Guide should be sufficient compliance with the Guide without the need for further explanation. However, issuers that report on international standards or guidelines should make clear which “comply or explain” provisions and recommended disclosures of the Guide they are reporting on.</p> <p><i>(Updated on 16 November 2018)</i></p>
3.				<i>(Deleted on 16 November 2018)</i>

No.	Main Board Rules	GEM Rules	Query	Response
4.	Appendix 27	Appendix 20	An issuer may have many operations/subsidiaries. Does it need to report on all its operations/subsidiaries?	<p>The Guide does not prescribe which entities in an issuer’s group and/or which operations should be included in the ESG report. An issuer’s board should, based on the issuer’s ESG risks identified by it, decide on and disclose the operational boundaries of its ESG report in view of its individual circumstances. If there is any change to the boundaries of its ESG report, the difference and reason for the change should be explained in the ESG report.</p> <p>In relation to determining operational boundaries for reporting on greenhouse gas (“GHG”) emissions, issuers may refer to the “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong”, published by the HKSAR Environmental Protection Department (“EPD”) and Electrical and Mechanical Services Department (https://www.epd.gov.hk/epd/sites/default/files/epd/english/climate_change/files/Guidelines_English_2010.pdf).</p> <p><i>(Updated on 16 November 2018)</i></p>

No.	Main Board Rules	GEM Rules	Query	Response
5.	Appendix 27	Appendix 20	How does an issuer determine materiality and what is the board’s involvement in the process? Are there resources that issuers may refer to in this regard?	<p>“Materiality” is defined in the Guide as “the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported”.</p> <p>Whether a particular ESG issue is material is a matter of judgment that depends on the facts involved, the circumstances of the specific issuer with reference to the views of its key stakeholders. The issuer’s board is responsible for evaluating and determining the issuer’s ESG-related risks and opportunities in the context of its business strategy. Prioritisation of the risks and opportunities that have been determined by the board may be achieved through conducting a materiality assessment exercise. Issuers should bear in mind that materiality can have different meanings for different stakeholder groups, and investors and other stakeholders would expect to see disclosure of the board’s involvement and the process of materiality assessment in the issuer’s ESG report.</p> <p>Issuers may also refer to the Exchange’s “How to prepare an ESG Report?” (https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Environmental-Social-and-Governance/How-to-Prepare-an-ESG-Report/steps.pdf?la=en) and/or the following resources on how to determine materiality:</p> <ul style="list-style-type: none"> • The GRI and RobecoSAM’s “Defining What Matters: Do companies and investors agree on what is material?” (https://www.globalreporting.org/resource/library/GRI-DefiningMateriality2016.pdf); and

No.	Main Board Rules	GEM Rules	Query	Response
				<ul style="list-style-type: none"> <li data-bbox="1182 268 2029 448">The Business Environment Council’s “BEC Handbook: Understanding Materiality for Environmental, Social and Governance Reporting” (http://bec.org.hk/files/images/BEC_advisorygroups/BEC_ESG_Handbook_web.pdf). <p data-bbox="1182 488 1608 520"><i>(Updated on 16 November 2018)</i></p>
6.	Appendix 27	Appendix 20	The Guide does not set out calculation/measure methods for KPIs. Issuers may need more resources and guidance to help them with the reporting process. Where may issuers find resources in this regard?	<p data-bbox="1182 555 2029 655">The HKEX website provides various resources for issuers: http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/index.htm.</p> <p data-bbox="1182 699 2029 1023">We set out in the table below the provisions of a number of international standards and guidelines that broadly correspond to the provisions of the ESG Guide, as well as other references and resources that an issuer may find useful in preparing its ESG report. The provisions of the international standards and guidelines included in the table may not be strictly equivalent to the corresponding provisions of the ESG Guide, but relate to the same ESG issue. Please note that the references and resources listed below are not exhaustive and are for reference only.</p>

ESG Reporting Guide			Guidelines/ Reference/Resources
	“Comply or explain” Provisions	Recommended Disclosures	<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
A. Environmental			
Aspect A1 : Emissions	<p>General Disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</i></p> <p><i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluoro- carbons, perfluoro-carbons and sulphur hexafluoride.</i></p> <p><i>Hazardous wastes are those defined by national regulations.</i></p>		<p>GRI: 103-2 (c-i), 305, 306, 307-1</p> <p>DJSI: 2.2.1</p> <p><i>(Note: G4 Guidelines have been superseded by the GRI Sustainability Reporting Standards effective on 1 July 2018. References to the relevant standards have been updated accordingly in the FAQs on 16 November 2018)</i></p>

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	“Comply or explain” Provisions		Recommended Disclosures
			<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
	KPI A1.1	The types of emissions and respective emissions data.	GRI: 305-1, 305-2, 305-3, 305-4, 305-6, 305-7
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CDP: C6.1, C6.2, C6.3, C6.5, C6.10 ISO: 6.5.3.2, 6.5.5.2.1 DJSI: 2.3.1, 2.3.2, 2.4.5 TCFD: Metrics & Targets - Recommended Disclosure (b)
			<i>(Note: References to CDP and DJSI have been updated in the FAQs on 16 November 2018 to refer to CDP’s Climate Change Questionnaire 2018, CDP’s Water Security Questionnaire 2018 and DJSI Corporate Sustainability Assessment 2018 respectively.)</i>
			References/Resources:
			<ul style="list-style-type: none"> The Clean Air Charter – A Business Handbook , published by The Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment http://www.cleanair.hk/eng/guidebook/guidebook_eng_r.pdf

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	“Comply or explain” Provisions	Recommended Disclosures	<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
			<ul style="list-style-type: none"> Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, EPD and Electrical and Mechanical Services Department (https://www.epd.gov.hk/epd/sites/default/files/epd/gn_pdf/GN2014P097-2014c-e.pdf) Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong, published by The University of Hong Kong and City University of Hong Kong (http://www6.cityu.edu.hk/aerc/sme/imag/sme_eng.pdf) EMFAC-HK Vehicle Emission Calculation Tool by EPD (https://www.epd.gov.hk/epd/english/environmentinhk/air/guide_ref/emfac-hk.html) Greenhouse Gas Protocol – Calculation Tools (https://ghgprotocol.org/calculation-tools)

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			<p><i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i></p> <ul style="list-style-type: none"> Motor Vehicles Emission Simulator 2014b, United States Environmental Protection Agency https://www.epa.gov/moves/latest-version-motor-vehicle-emission-simulator-moves Carbon Manager launched by the Council for Sustainable Development for calculation of the carbon footprint of users https://www.epd.gov.hk/epd/misc/ehk12/en/ch13b.html#section1 <p><i>(Updated on 16 November 2018)</i></p>
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<p>GRI: 306-2(a) ISO: 6.5.3.2 DJSI: 2.3.5</p> <p>References/Resources:</p> <ul style="list-style-type: none"> Waste guidelines & references, published by EPD https://www.epd.gov.hk/epd/english/environmentinhk/waste/guide_ref/waste_guidelines.html

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	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI: 306-2(b) ISO: 6.5.3.2 DJSI: 2.3.5
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	GRI: 103-2, 305-5 CDP: C4.1, C4.1a, C4.1b, C4.3, C4.3a, C4.3b, C7.9 ISO: 6.5.3.2, 6.5.5.2.1 DJSI: 2.4.4 TCFD: Metrics & Targets - Recommended Disclosure (c) <i>(Updated on 16 November 2018)</i>

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	“Comply or explain” Provisions		Recommended Disclosures
			<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	GRI: 103-2, 306-2, 306-4 ISO: 6.5.3.2 References/Resources: <ul style="list-style-type: none">Hong Kong Waste Reduction Website of EDP (https://www.wastereduction.gov.hk/en/quickaccess/resource_centre_index.htm)
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>		GRI: 103-2(c-i), 301, 302, 303 CDP: W6.1, W6.1a DJSI: 2.2.1
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ‘000s) and intensity (e.g. per unit of production volume, per facility).	GRI: 302-1, 302-3 CDP: C8.2a, C8.2c, C8.2e ISO: 6.5.4.2 DJSI: 2.3.3

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	“Comply or explain” Provisions		Recommended Disclosures
			<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	CDP: W1.2b ISO: 6.5.4.2 DJSI: 2.3.4
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	GRI: 103-2, 302-4, 302-5 CDP: C4.1, C4.1a, C4.1b, C4.2 ISO: 6.5.4.2, 6.5.5.2.1
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	GRI: 103-2, 303 CDP: W4.2, W8.1, W8.1b ISO: 6.5.4.2
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	GRI: 301-1 ISO: 6.7.5.2

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	“Comply or explain” Provisions		Recommended Disclosures
			<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
Aspect A3: The Environ- ment and Natural Resources	General Disclosure: Policies on minimising the issuer’s significant impact on the environment and natural resources.		GRI: 103-2(c-i), 301, 302, 303, 304, 305, 306 CDP: C2.2, C2.2a, C2.2b, C2.2c, C2.2d DJSI: 2.2.1 TCFD: Risk Management - Recommended Disclosures (b) and (c) <i>(Updated on 16 November 2018)</i>
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GRI: 103-1, 103-2, 303-1, 304-2, 306-3(c), 306-5 CDP: C2.2, C2.2a, C2.3, C2.3a ISO: 6.5.3.2, 6.5.4.2, 6.5.5.2.1, 6.5.5.2.2, 6.5.6.2 TCFD: Risk Management - Recommended Disclosures (b) and (c), Strategy - Recommended Disclosure (a) <i>(Updated on 16 November 2018)</i>

ESG Reporting Guide				Guidelines/ Reference/Resources
	“Comply or explain” Provisions	Recommended Disclosures		<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
B. Social				
Employment and Labour Practices				
Aspect B1: Employment	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare</p>			<p>GRI: 103-2(c-i), 202, 401, 405, 406, 419-1</p> <p>ISO: 6.3.10.3, 6.4.3.2, 6.4.4.2</p> <p>DJSI: 3.2.1, 3.2.2, 3.4.1, 3.5.2</p>
		KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	GRI: 102-8(a), 102-8(b), 102-8(c), 405-1(b-ii) DJSI: 3.2.1
		KPI B1.2	Employee turnover rate by gender, age group and geographical region.	GRI: 401-1(b) DJSI: 3.5.3

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	“Comply or explain” Provisions	Recommended Disclosures		(Please note that these references/ resources are not exhaustive and are for reference only.)
Aspect B2: Health and Safety	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>			<p>GRI: 103-2(c-i), 403, 419-1</p> <p>ISO: 6.4.6.2</p> <p>DJSI: 3.7.2</p>
		KPI B2.1	Number and rate of work-related fatalities.	GRI: 403-9, 403-10
		KPI B2.2	Lost days due to work injury.	GRI: 403-9 DJSI: 3.7.1
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	GRI: 103-2, 103-3(a-i), 403 ISO: 6.4.6.2 DJSI: 3.7.2

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	“Comply or explain” Provisions	Recommended Disclosures		(Please note that these references/ resources are not exhaustive and are for reference only.)
Aspect B3: Development and Training	<p>General Disclosure</p> <p>Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i></p>			<p>GRI: 103-2(c-i), 404-2(a)</p> <p>ISO: 6.4.7.1</p> <p>DJSI: 3.4.1, 3.4.2</p>
		KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<p>GRI: 404-1</p> <p>ISO: 6.4.7.2</p> <p>DJSI: 3.4.1, 3.4.2</p>
		KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labour Standards	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant</p>			<p>GRI: 103-2(c-i), 408, 409, 419-1</p> <p>ISO: 6.3.10.3</p>

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	“Comply or explain” Provisions	Recommended Disclosures		<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
	<p>impact on the issuer relating to preventing child and forced labour.</p>			
		KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	GRI: 103-2, 408-1(c), 409-1(b) ISO: 6.3.10.3
		KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
Operating Practices				
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.			GRI: 103-2(c-i), 308, 414 DJSI: 2.2.1
		KPI B5.1	Number of suppliers by geographical region.	GRI: 102-9

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	“Comply or explain” Provisions	Recommended Disclosures	<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
		KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. GRI: 103-2, 308-1, 308-2, 414-1. 414-2 ISO: 6.4.3.2
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		GRI: 103-2(c-i), 416-2, 417-2, 417-3, 418-1, 419-1 ISO: 6.6.7.2, 6.7.4.2, 6.7.9.2 DJSI: 2.2.1

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	“Comply or explain” Provisions	Recommended Disclosures	<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
		KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	ISO: 6.7.4.2
		KPI B6.2 Number of products and service related complaints received and how they are dealt with.	GRI: 102-43, 102-44, 103-2(c-vi), 418-1 ISO: 6.7.6.2 DJSI: 1.5.2
		KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	ISO: 6.6.7.2
		KPI B6.4 Description of quality assurance process and recall procedures.	ISO: 6.7.4.2

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	“Comply or explain” Provisions	Recommended Disclosures		(Please note that these references/ resources are not exhaustive and are for reference only.)
		KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	GRI: 103-2, 103-3(a-i), 418 ISO: 6.7.7.2 DJSI: 1.10.2, 1.10.3
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.			GRI: 205, 103-2(c-i), 205-3, 419-1 ISO: 6.6.3.2 DJSI: 1.4.1, 1.4.2, 1.4.3
		KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	GRI: 205-3 DJSI: 1.4.6

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	“Comply or explain” Provisions	Recommended Disclosures	<i>(Please note that these references/ resources are not exhaustive and are for reference only.)</i>
		KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.
			GRI: 102-17, 103-2, 103-3(a-i), 205 ISO: 6.6.3.2 DJSI: 1.4.1, 1.4.2, 1.4.3
Community			
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.		GRI: 103-2(c-i), 413 ISO: 6.8.3.2, 6.8.4.2, 6.8.5.2, 6.8.6.2, 6.8.7.2, 6.8.8.2, 6.8.9.2 DJSI: 3.6.1, 3.6.2, 3.6.3
		KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).
			GRI: 203-1(a)

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		KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	GRI: 201-1(a-ii)

Key:

1. GRI – Global Reporting Initiative’s Sustainability Reporting Standards (<https://www.globalreporting.org/standards>)
Please also refer to GRI’s guide *Linking the GRI Standards and HKEX ESG Reporting Guide* (<https://www.globalreporting.org/standards/resource-download-center/linking-the-gri-standards-and-hkex-esg-reporting-guide>) when preparing ESG reporting based on the GRI Standards
2. CDP – CDP’s Climate Change Questionnaire and Water Security Questionnaire (<https://www.cdp.net/en/guidance>)
3. ISO – International Organization for Standardization’s Guidance on Social Responsibility (ISO 26000:2010) (<http://www.iso.org/iso/home/standards/iso26000.htm>)
4. DJSI – Corporate Sustainability Assessment for inclusion in the Dow Jones Sustainability Indices (<https://www.sustainability-indices.com/sustainability-assessment/corporate-sustainability-assessment.html>)
5. TCFD – Recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (<https://www.fsb-tcfd.org/publications/final-recommendations-report>)

(Updated on 16 November 2018)

7.	Appendix 27	Appendix 20	Both Aspect A2 and Aspect A3 concern “resources”. What is the difference between the information called for under each of these Aspects?	<p>The main distinction between the two is that: (a) Aspect A2 relates to the use of resources – i.e. it is concerned with the quantity (e.g. how much an issuer is consuming); whilst (b) Aspect A3 is concerned with the impact of an issuer’s activities on natural resources and the environment (e.g. the effect that an issuer’s activities have on water supply or biodiversity).</p> <p><i>(Added on 21 December 2015)</i></p>
8.	Appendix 16 Paragraph 28(2)(d), Appendix 27	18.07A (2)(d), Appendix 20	The Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (“Companies Ordinance”) requires all Hong Kong incorporated companies (unless exempted) to include in the business review section of their annual directors’ reports a discussion of certain ESG matters (Companies Ordinance Schedule 5, sections 2(b)(i), 2(b)(ii) and 2(c)). Does this requirement also apply to issuers incorporated outside Hong Kong?	<p>The Companies Ordinance requirement in this regard has been incorporated under Main Board Rules Appendix 16 Paragraph 28(2)(d) (GEM Rule 18.07A(2)(d)) and applies to all issuers listed on the Exchange, regardless of their place of incorporation, for financial years ending on or after 31 December 2015.</p> <p><i>(Updated on 16 November 2018)</i></p>

9.	Appendix 16 Paragraph 28(2)(d), Appendix 27	18.07A (2)(d), Appendix 20	Does an issuer fulfil its obligation to discuss certain ESG matters in the business review section of its annual directors' report, as required by Main Board Rules Appendix 16 Paragraph 28(2)(d) (GEM Rule 18.07A(2)(d)), by cross-referencing its ESG report?	<p>An issuer does not fulfil its obligation to discuss certain ESG matters in the business review section of its annual directors' report, as required by Main Board Rules Appendix 16 Paragraph 28(2)(d) (GEM Rule 18.07A(2)(d)), by cross-referencing its ESG report.</p> <p>The requirement under Main Board Rules Appendix 16 (GEM Rules Chapter 18) is separate and distinct from the information called for under the ESG Guide. The requirement under Main Board Rules Appendix 16 (GEM Rules Chapter 18) requires a discussion of certain ESG matters (as set out in sections 2(b)(i), 2(b)(ii) and 2(c) of Schedule 5 of the New Companies Ordinance), whilst the Guide calls for greater details including data in relation to the environmental and social performance of the issuer. The disclosure under the ESG Guide should complement, rather than be a substitute for, the information disclosed in the business review section of the annual directors' report.</p> <p><i>(Added on 21 December 2015)</i></p>
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10.	Appendix 27	Appendix 20	<p>What is the difference between direct and indirect GHG emissions? For the purposes of reporting on KPI A1.2, is an issuer expected to report on both direct and indirect GHG emissions?</p>	<p>The difference between direct and indirect GHG emissions is that: (a) direct GHG emissions are emissions from sources that are owned or controlled by the reporting issuer; and (b) indirect GHG emissions are emissions that are a consequence of the activities of the reporting issuer, but occur at sources owned or controlled by another entity.</p> <p>Globally, direct and indirect GHG emissions are further categorised into three broad scopes:</p> <ul style="list-style-type: none"> • “Scope 1” covers direct emissions from operations that are owned or controlled by the company; • “Scope 2” covers “energy indirect” emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the company; and • “Scope 3” covers all other indirect emissions that occur outside the company, including both upstream and downstream emissions. It captures emissions from a wide range of activities (e.g. employee business travel, transporting fuel and the use of a company’s products). <p>Scopes of emissions are defined in accordance with the international reporting framework published by the World Resources Institute / World Business Council for Sustainable Development, as reported in <i>The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard</i>.</p>
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				<p>Also see the Hong Kong Government’s “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong” https://www.epd.gov.hk/epd/sites/default/files/epd/english/climate_change/files/Guidelines_English_2010.pdf).</p> <p>Issuers are encouraged to report in accordance with the scope classifications.</p> <p><i>(Updated on 16 November 2018)</i></p>
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11.	Appendix 16 Paragraph 28(2)(d), Appendix 27	18.07A (2)(d), Appendix 20	<p>Under Main Board Rules Appendix 16 Paragraph 28(2)(d) (GEM Rule 18.07A(2)(d)), an issuer must include a discussion of its compliance with the relevant laws and regulations that have a significant impact on it (as set out in section 2(b)(ii) of Schedule 5 of the Companies Ordinance), along with a discussion of other ESG matters (as set out in sections 2(b)(i) and 2(c) of Schedule 5 of the Companies Ordinance). What should the issuer include in the discussion of its compliance with relevant laws and regulations?</p>	<p>In determining what to cover in the discussion of its compliance with relevant laws and regulations, an issuer should assess which laws and regulations have a significant impact on it in the context of its own specific circumstances, bearing in mind recent legislative and/or regulatory changes. For example, an issuer with operations in the PRC should consider the potential impact of the Environmental Protection Tax Law, which came into effect on 1 January 2018.</p> <p>Where there are relevant laws and regulations that have a significant impact on the issuer, the issuer should specify (a) what these relevant laws and regulations are; (b) their potential impact on the issuer; and (c) the ways in which the issuer has ensured compliance.</p> <p>Where there are no relevant laws and regulations that have a significant impact on the issuer, the ESG report should state so.</p> <p>A blanket statement of compliance or absence of non-compliance is not sufficient.</p> <p><i>(Updated on 16 November 2018)</i></p>
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12	1.01, 2.07A, 13.91, Appendix 27	1.01, 16.04A, 17.103, Appendix 20	<p>Is the ESG report a “corporate communication”, as defined in Main Board Rule 1.01 (GEM Rule 1.01)? If so, is the issuer required to send to its shareholders:</p> <p>(i) printed copies of the ESG report; and/or</p> <p>(ii) printed notifications as required under Main Board Rule 2.07A(2A)(d)/ GEM Rule 16.04A(2A)(d)?</p>	<p>The ESG report is a “corporate communication”, as defined in Main Board Rule 1.01 (GEM Rule 1.01).</p> <p>However, if an ESG report is presented as a separate report or information on the issuer’s website pursuant to Note 1 to Main Board Rule 13.91 (Note 1 to GEM Rule 17.103), the issuer is not required to send:</p> <p>(i) printed copies of ESG reports, and/or</p> <p>(ii) printed notification as required under Main Board Rule 2.07A(2A)(d)/ GEM Rule 16.04A(2A)(d)</p> <p>irrespective of whether the holder of the issuer’s securities has elected to receive issuer’s corporate communication electronically or otherwise under Main Board Rule 2.07A/ GEM Rule 16.04A.</p> <p>Issuers should send printed copies of ESG reports to shareholders who have specifically requested to receive printed copies of the ESG report.</p> <p><i>(Added on 16 November 2018)</i></p>
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13	Appendix 27	Appendix 20	When preparing its ESG report, can an issuer cross-reference to disclosure in ESG reports of its listed parent/subsidiary to satisfy its disclosure obligations under the ESG Guide?	<p>To avoid duplications, an issuer may use cross-referencing in its ESG report to refer to disclosure in ESG reports of its listed parent/ subsidiaries, provided that each of the listed companies fulfils its own disclosure obligations under the ESG Guide. If cross-referencing is used, the issuer’s ESG report is expected to have clear-referencing and URL links to specific provisions on its listed parent/ subsidiaries’ ESG reports that enables it to comply or explain each of the specific provisions. Any cross-referenced ESG reports must be available at the time when the issuer publishes its ESG report.</p> <p><i>(Added on 16 November 2018)</i></p>
14	Appendix 27	Appendix 20	Can an issuer which has operations in multiple countries use Hong Kong emission factors to calculate the emissions of their operations in other countries?	<p>The Exchange’s webpage provides reporting guidance (http://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Environmental-Social-and-Governance/How-to-Prepare-an-ESG-Report/app2_kpis.pdf?la=en) (“Reporting Guidance”) on data collection methodologies and on calculating and reporting on the Environmental KPIs in the ESG Guide. The emission factors referred to in the Reporting Guidance are Hong Kong-based.</p> <p>Issuers having operations in other countries may refer to international resource links set out in the HKEX website (http://www.hkex.com.hk/listing/rules-and-guidance/other-resources/listed-issuers/environmental-social-and-governance/esg-resources-hyperlinks?sc_lang=en) for methods to calculate the emissions of their operations in other countries. However, HKEX website does not contain the emission factors of all countries in the world and expert advice may be sought as appropriate.</p> <p><i>(Added on 16 November 2018)</i></p>