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HKEX
香港交易所

CONSULTATION PAPER

REVIEW OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE AND RELATED LISTING RULES

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APPENDICES

HOW TO RESPOND TO THIS CONSULTATION PAPER

The Exchange, a wholly-owned subsidiary of HKEX, invites written comments on the changes proposed in this paper, or comments on related matters that might have an impact upon the changes proposed in this paper, on or before 19 July 2019. You can respond by completing the questionnaire which is available at:

http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/May-2019-Review-of-ESG-Guide/Questionnaire/cp201905q.docx

Written comments may be sent:

By mail or hand delivery to	Corporate Communications Department Hong Kong Exchanges and Clearing Limited 8/F, Two Exchange Square 8 Connaught Place Central Hong Kong **Re: Consultation Paper on Review of the ESG Reporting Guide and Related Listing Rules**
By fax to	(852) 2524-0149
By e-mail to	response@hkex.com.hk Please mark in the subject line: **Re: Consultation Paper on Review of the ESG Reporting Guide and Related Listing Rules**

Our submission enquiry number is (852) 2840-3844.

Respondents are reminded that the Exchange will publish responses on a named basis in the intended consultation conclusions. If you do not wish your name to be disclosed to members of the public, please state so when responding to this paper. Our policy on handling personal data is set out in **Appendix II**.

Submissions received by 19 July 2019 will be taken into account before the Exchange decides upon any appropriate further action. The Exchange will develop a consultation conclusions paper which will be published in due course.

DISCLAIMER

EXECUTIVE SUMMARY

Background

1. This consultation paper seeks views and comments on proposed changes to the Environmental, Social and Governance Reporting Guide ("**ESG Guide**" or "**Guide**")[1] and related Listing Rules.

2. The introduction of the Guide in 2013, and the subsequent upgrade of the Guide's reporting obligation to "comply or explain" in 2016, have significantly moved the dial for Hong Kong issuers' environmental, social and governance ("**ESG**") reporting. The Guide is organised into subject areas ("**Subject Areas**"). Each Subject Area has various aspects ("**Aspects**"). Each Aspect sets out general disclosures ("**General Disclosures**") and key performance indicators (**"KPIs**"), based on which issuers report material ESG matters.

3. Our 2018 review of the implementation of the Guide found all issuers have published ESG reports for the financial year 2016/2017.[2] The Guide, together with the training and guidance that we have provided in recent years, successfully helped to raise the overall ESG reporting standards of the issuers.

4. Today it is widely recognised that ESG risks present financial, operational and compliance risks to companies. That is, ESG is no longer merely a corporate social responsibility or a reputational issue. It affects businesses, and failure to manage these risks carefully may bring about real financial impacts on the company. Investors are increasingly willing to allocate capital in sustainable investments which take into account climate change concerns and ESG reporting of issuers, and are thus demanding for more information on how issuers manage their ESG risks. The global regulatory landscape in this area is also changing rapidly prompting the need for us to undertake a comprehensive review of our ESG framework. This exercise is aimed at ensuring the framework remains fit for purpose, continues to promote the quality of ESG performance and reporting, and is up to date with investor and stakeholder expectations and international best practice.

5. In reviewing the ESG framework, we have taken into account lessons learnt from our reviews of issuers' ESG reports which include a general absence of ESG governance structures and a lack of discussions on the process of materiality assessments supposedly conducted.[3] We have referenced recent significant international developments including the recommendations made by the Taskforce on Climate-related Financial Disclosures ("**TCFD Recommendations**").[4] Locally, the Securities and Futures Commission ("**SFC**") has published a paper on the strategic framework for green finance, and the Financial Services Development Council ("**FSDC**") has also published a report on ESG strategy for Hong Kong.[5] We have also listened to views expressed by professional and market practitioners, as well as industry groups including those representing investors.

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[1] Appendix 27 to the MB Rules (Appendix 20 to the GEM Rules).
[2] See HKEX Analysis of Environment, Social and Governance Practice Disclosure in 2016/2017, May 2018.
[3] See Chapter 1, under "Current Reporting Level".
[4] See Chapter 1, under "Latest International Developments".
[5] See Chapter 1, under "Latest Developments in Hong Kong".

Governance for ESG

6. Mandating governance for ESG and its disclosure is the most important change of this review. The current ESG Guide contains wording to the effect that oversight of ESG issues, including identifying material ESG-related risks to the issuer's businesses is the board's responsibility. To emphasise the importance of the governance structure of ESG, the board's leadership role and to promote accountability of the board in this area, we propose to introduce mandatory disclosure requirements ("**Mandatory Disclosure Requirements**" or "**MDRs**") to improve issuers' ESG performance and reporting.

7. The key to a meaningful and concise ESG report is materiality. Materiality is the threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported. It is important that the issuer explains its materiality assessment process in the ESG report. In the context of a "comply or explain" provision, if a particular Aspect in the Guide is deemed not material to the issuer's business (e.g. water consumption or product responsibility are issues that may not be material to all types of businesses), the report should explain rather than disclose immaterial information/data. It would not be considered a good ESG report if it contains full disclosures of ESG matters that are not truly material to the issuer's business.

Key Proposals

Shorten the Timeframe for Publication of ESG Report

8. We propose to amend a Listing Rule to require the issuer to publish ESG reports within four months for Main Board issuers and three months for GEM issuers after the year-end date.

Printed Form of ESG Reports

9. We propose to amend the Listing Rules and the Guide to clarify that irrespective of whether a shareholder has elected to receive the issuer's corporate communication electronically or otherwise generally,[6] where the ESG report does not form a part of an issuer's annual report, the issuer is not required to provide printed form of the report to shareholders unless responding to their specific requests in relation to the ESG report. However, given the increasing importance of ESG information, issuers are required to notify shareholders that the ESG report has been published on the Exchange's and the issuer's websites.

Governance Structure

10. We propose to introduce an MDR requiring the disclosure of a statement from the board setting out the board's consideration of ESG issues. This must include the disclosure of (i) the board's oversight of ESG issues; (ii) the process used to identify, evaluate and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets.

[6] MB Rule 2.07A (GEM Rule 16.04A).

Reporting Principles and Boundary

11. We propose to introduce an MDR requiring the ESG report to contain an explanation of the application of the Reporting Principles. For instance, for “materiality”, the issuer will be required to disclose the process for the selection of material ESG factors, including a description of the process and results of the issuer’s stakeholder engagement, if any.

12. We propose to introduce an MDR requiring the ESG report to contain an explanation of its reporting boundary, describing the process used to identify the specific entities or operations that are included in the ESG report.

Climate Change

13. We propose to introduce a new Aspect (subject to “comply or explain”) requiring disclosure of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.

Environmental KPIs

14. Under the Subject Area: Environmental (“**Environmental**”)[7], we propose to revise:

    - the relevant KPIs (subject to “comply or explain”) to require disclosure of a description on targets set and steps taken to achieve them; and

    - the KPI (subject to “comply or explain”) on greenhouse gas (“**GHG**”) emissions to require disclosure of Scope 1 and Scope 2[8] emissions.

Social KPIs

15. Under Subject Area: Social (“**Social**”), we propose to:

    - upgrade the disclosure obligation of all KPIs from recommended disclosures (i.e. voluntary) to “comply or explain” provisions;

    - amend a KPI to clarify that “employment types” should include “full- and part-time” staff;

    - revise a KPI to require disclosure of the number and rate of work-related fatalities occurred in each of the past three years including the reporting year;

    - introduce new KPIs under “Supply chain management” to require disclosure of the issuer’s (a) practices used to identify the environmental and social risks along the supply chain, and how they are managed and monitored; and (b) practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored; and

    - introduce a new KPI under “Anti-corruption” to require disclosure of anti-corruption training provided to directors and staff.

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7 The disclosure obligation for Environmental KPIs is “comply or explain”.

8 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. 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 The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.

Independent Assurance

16. We propose to state that issuers may seek independent assurance to strengthen the credibility of ESG information disclosed; and where such assurance is obtained, the issuer should describe the level, scope and processes adopted for assurance clearly in the ESG report.

Going Forward

17. Subject to responses to this consultation, we intend to implement the revised Listing Rules and the Guide for financial years commencing on or after 1 January 2020, whereupon issuers would need to start gathering the necessary information for the purpose of publishing their ESG reports under the revised Guide in 2021.

18. The proposed amendments apply to both the Main Board Listing Rules ("**MB Rules**") and the GEM Listing Rules ("**GEM Rules**"). The proposed amendments to the Listing Rules are set out in **Appendix I**.

CHAPTER 1: OVERVIEW

Background

Introduction

19. In 2013, the Guide was introduced as a voluntary guide. Following a market consultation in 2015, the Listing Rules[9] were amended to mandate issuers to report on ESG matters on an annual basis and regarding the same period covered in their annual reports. The Guide contains 11 Aspects under two Subject Areas: Environmental (three Aspects) and Social (eight Aspects).

20. Under the Guide, materiality is a Reporting Principle which underpins the preparation of ESG reports. The Guide's General Disclosures and Environmental KPIs are currently subject to "comply or explain". This means that an issuer must either disclose under the "comply or explain" provision or else it needs to give considered reasons.[10] For Social KPIs, the disclosure obligation is currently voluntary.

21. The Guide makes it clear that it is not comprehensive and issuers may adopt international ESG reporting guidance for its relevant industry or sector.

22. In November 2018, the Exchange updated its "How to prepare an ESG report?"[11] and Frequently Asked Questions ("**FAQs**")[12] on its ESG-related Listing Rules, taking into account TCFD Recommendations and with an emphasis on the issuer's governance structure for ESG issues.

23. Together with the publication of this consultation paper, the Exchange updated a Guidance Letter[13] recommending more specific ESG disclosure for new listing applicants.

24. The current review is a continuation of our approach stated in the 2015 ESG consultation conclusions, i.e. "*[t]he development of the ESG Guide has been, and will continue to be, an evolutionary process, with the longer term goal of achieving better and more comprehensive ESG reporting amongst our issuers.*"

Current Reporting Level

25. In 2017, we sample reviewed 400 issuers' ESG disclosure for the 2016/2017 financial year.[14] The review was from a regulatory perspective, primarily on issuers' compliance with the ESG Guide. We found that all the sampled issuers published their ESG reports within three months of publication of their annual reports. 61% published ESG reports at the same time as their annual reports, with the rest issuing standalone ESG reports.

26. Whilst we noted some excellent ESG reporting, we also identified certain areas for improvement. They include:

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[9] MB Rule 13.91 (GEM Rule 17.103).

[10] See "What is Comply or Explain" in the Corporate Governance Code and Corporate Governance Report, Appendix 14 of the MB Rules (Appendix 15 of the GEM Rules).

[11] See HKEX How to Prepare an ESG Report?, November 2018.

[12] See HKEX ESG Reporting Guide and FAQs.

[13] HKEX Guidance Letter HKEX-GL86-16 for new listing applicants.

[14] See footnote 2.

- A lack of governance structure - the board's involvement in the ESG reporting process was not clearly explained;

- A lack of discussion on how ESG issues related to the issuer's business;

- A lack of details on materiality assessment;

- Some issuers adopted a box-ticking approach; and

- Incomplete disclosure, i.e. not meeting the disclosure requirements in full.

27. A number of other market practitioners also conducted reviews or surveys on listed issuers' ESG reports.[15] Their findings are largely in line with the Exchange's review mentioned above. Additional observations included that ESG risks were often not considered as principal risks, and a lack of discussion on ESG governance and the management system to address ESG risks and opportunities.

Latest Developments in Hong Kong

Securities and Futures Commission

28. In September 2018, the SFC published a paper entitled "Strategic Framework for Green Finance" ("**Framework**")[16] in which it noted that Hong Kong is well positioned to complement the Mainland's green development ambitions and as a market regulator, it will take actions to develop green finance in Hong Kong. Top of the list is the recommendation that it should be a priority "*to enhance listed companies' reporting of environmental information emphasising climate-related disclosure, taking into account the Mainland's policy direction to target mandatory environmental disclosure by 2020, and aiming to align with the TCFD Recommendations*".

29. Other measures set out in the Framework include engaging asset managers/asset owners and educating investors to factor ESG into their risk analysis and investment decisions.

Financial Services Development Council

30. In a paper titled "Environmental, Social and Governance Strategy for Hong Kong" published by the FSDC in November 2018[17], the FSDC recommended that the Exchange should:

    (a) require listed issuers' ESG reports to demonstrate the issuers' governance structure on ESG, with emphasis on the role of the board in the oversight of assessing and managing material environmental and social risks and issues;

[15] KPMG's 2017 ESG reporting survey of Hong Kong listed issuers; KPMG and CLP's research report entitled "ESG: A view from the top"; and BDO's 2018 survey titled "The Performance of ESG Reporting of Hong Kong Listed Companies".

[16] SFC, Strategic Framework for Green Finance, 21 September 2018.

[17] FSDC, Environmental, Social and Governance (ESG) Strategy for Hong Kong, 28 November 2018.

(b) clearly elaborate the link between the Corporate Governance Code and the ESG Guide which may be in the form of an FAQ, so as to enable the three areas (E, S and G) to be considered and addressed in a more coherent and holistic manner; and

(c) recommend specific ESG disclosure for listing applicants.[18]

Latest International Developments

Taskforce on Climate-related Financial Disclosures

31. In recent years, particularly after the Paris Agreement entered into force on 4 November 2016,[19] climate change and its potential terminal effects have been a global focus[20] with China playing a leading role.[21]

32. Founded in 2015, the Taskforce on Climate-related Financial Disclosures ("**TCFD**") is a task force established by the Financial Stability Board at the G20's request with a mandate to strengthen financial systems and increase stability of international financial markets.[22]

33. The TCFD published its recommendations[23] in June 2017. The TCFD Recommendations (the compliance obligation is voluntary) aim to enhance market transparency and enable the efficient allocation of capital in the transition to a low-carbon economy as envisioned by the Paris Agreement. Disclosures under the TCFD Recommendations are divided into four thematic areas:

    Governance - the company's governance around climate-related risks and opportunities.

    Strategy - the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.

    Risk Management - how the organisation identifies, assesses, and manages climate-related risks.

    Metrics and Targets - the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

34. Since its publication in June 2017, the TCFD Recommendations have received significant support from leading corporates and financial regulators around the world including the SFC.[24] In many jurisdictions, the adoption of the TCFD Recommendations is encouraged and in some countries, extracts of the TCFD Recommendations have been incorporated into their ESG guidance materials. These will be discussed in greater detail below.

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[18] This recommendation has been adopted in an updated HKEX Guidance Letter HKEX-GL86-16 for new listing applicants.

[19] See United Nations Climate Change, The Paris Agreement. The primary goal of the Paris Agreement is to keep the average global temperature rise well below 2C degrees and as close as possible to 1.5C above pre-industrial levels.

[20] 195 signatories and 184 parties to the Paris Agreement. For details of the Paris Agreement, please refer to: United Nations Treaty Collection, CHAPTER XXVII - ENVIRONMENT - 7. d Paris Agreement.

[21] See news article on United Nations Climate Change's website headed: China, EU Reaffirm Strong Commitment to Paris Agreement, dated 17 July 2018 at: China, EU Reaffirm Strong Commitment to Paris Agreement.

[22] Details about TCFD at: About the Task Force.

[23] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017.

[24] TCFD Supporters.

35. Whilst the TCFD Recommendations focus on material risks and opportunities from climate change perspectives, our Guide applies more broadly across all environmental and social areas. Many of the features in our Guide, as well as the new proposals in this consultation paper, are aligned with the TCFD Recommendations.

Developments in International Practice

36. There has been a notable acceleration in the number of countries that promulgate laws and introduce regulations on ESG reporting, many adopting a combination of laws, listing rules, “comply or explain” and/or voluntary guidelines. It is also an international trend to adopt a higher level of reporting obligation (i.e. “comply or explain” and/or mandatory).

37. We summarise below our understanding of the practice in Mainland China, the European Union (“**EU**”), the United Kingdom (“**UK**”), Australia, the United States (“**US**”), Singapore, Malaysia and Japan where there have been new developments in this area.

Mainland China

38. The Mainland has issued Guidelines for Establishing the Green Financial System in 2016 [25] and according to some media reporting, is working towards mandatory requirement for listed companies to disclose environmental information by 2020.

39. In 2017, the Mainland’s China Securities Regulatory Commission (“**CSRC**”) revised its guidelines requiring listed issuers that are key polluting entities to disclose environmental information on pollutant discharge and pollution prevention in their annual and interim reports. Other listed issuers should also make the same disclosure on a “comply or explain” basis. The CSRC further encourages listed issuers to disclose information on protection of ecology and poverty alleviation etc. on a voluntary basis.[26]

40. The latest “Listed Companies’ Corporate Governance Code” published by the CSRC in September 2018 has made it a general obligation for listed companies to disclose environmental and social information.[27]

41. In respect of emissions, the Mainland’s Environmental Protection Law requires entities that discharge certain key pollutants to disclose information on their emissions, such as concentration and total volume.[28]

[25] The People’s Bank of China, The People’s Bank of China and six other agencies jointly issue “Guidelines for Establishing the Green Financial System”, 1 September 2016.

[26] Article 44 of the “Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 - Contents and Formats of Annual Reports”: 《公開發行證券的公司資訊披露內容與格式準則第 2 號——年度報告的內容與格式（2017 年修訂）》 (Chinese version only) and Article 40 of the “Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 3 - Contents and Formats of Interim Reports”: 《公開發行證券的公司資訊披露內容與格式準則第 3 號——半年度報告的內容與格式（2017 年修訂）》(Chinese version only).

[27] Article 95 of the “Listed Companies’ Corporate Governance Code”: 上市公司治理準則 (Chinese version only).

[28] Articles 44, 45 and 55, Environmental Protection Law of the People's Republic of China, 24 April 2014.

EU

42. In July 2017, the European Commission ("**EC**") published the EU's Guidelines on Non-Financial Reporting ("**EU Guidelines**") to help companies disclose relevant non-financial information in a consistent and more comparable manner, which took effect from 2018.[29] The EU Guidelines supplement an earlier EU Directive published by the EC in October 2014,[30] which included best practices and environmental and social disclosures.

43. There is a "comply or explain" element built into the EU Directive, which requires companies that do not have a specific policy in one or more of the ESG areas to explain why that is the case.[31]

44. In February 2019, the EC published a consultation paper on the update of the non-binding guidelines on non-financial reporting aimed at providing further guidance to companies on how to disclose climate-related information in line with the TCFD Recommendations.[32]

UK

45. UK's legislation[33] requires all quoted companies[34] to disclose information about GHG emissions, human rights and gender diversity but it allows an explanation to be given for non-disclosure. The UK Listing Authority's rules require issuers' annual management reports to include, to the extent necessary for an understanding of the development, performance or position of an issuer's business, analysis using non-financial KPIs, including information relating to environmental and employee matters.[35]

46. In January 2018, the London Stock Exchange ("**LSE**") Group issued guidance for UK listed companies to report on ESG[36] in which the TCFD Recommendations were discussed and endorsed.

47. In March 2018, the UK Green Finance Taskforce (established by the UK government) recommended that "*relevant financial regulators should integrate the TCFD recommendations throughout the existing U.K. corporate governance and reporting framework.*"[37]

48. On 30 January 2019, the UK Financial Reporting Council published a consultation on "Proposed Revision to the UK Stewardship Code". One of the proposed key changes is

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29 A set of non-binding (voluntary) guidelines. See Communication from the Commission — Guidelines on non-financial reporting (methodology for reporting non-financial information).

30 Directive 2014/95/EU requires large listed companies with more than 500 employees to report in their management reports on non-financial and diversity information on a "comply or explain" basis from financial year 2017. For details, please refer to: Directives.

31 See Articles 1(1)(a) and 1(2)(a) of the Amendments to Directive 78/660/EEC at: Proposal for a Directive of the European Parliament and of the Council - Amending Council Directives 78/660/EEC and 83/349 EEC as regards disclosure of non-financial and diversity information by certain large companies and groups.

32 European Commission, Consultation Document on the Update of the Non-Binding Guidelines on Non--Financial Reporting, February 2019.

33 Part 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

34 UK quoted companies include those that are (a) incorporated in the UK; and (b) whose equity share capital is (i) officially listed on the Main Market of the London Stock Exchange; or (ii) officially listed in a European Economic Area State; or (iii) admitted to dealing on either the New York Stock Exchange or the exchange known as NASDAQ.

35 UK Listing Authority, Disclosure Guidance and Transparency Rules, DTR 4.1.9 R.

36 LSE, Revealing the full picture - your guide to ESG reporting, published in January 2018.

37 Green Finance Taskforce, A report to the Government by the Green Finance Taskforce: Accelerating Green Finance, March 2018, p. 8.

that signatories to the Stewardship Code are expected to take into account material ESG factors, including climate change, when fulfilling their stewardship responsibilities.[38]

Australia

49. 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.[39]

50. The Australian Council of Superannuation of Investors issued "Governance Guidelines" on 29 November 2017 stating that it expects companies materially exposed to climate change risk to make substantive improvements in their climate-related reporting with reference to the TCFD Recommendations.[40] The Australian Securities and Investments Commission on 18 June 2018 publicly encouraged companies and directors to carefully consider the TCFD Recommendations.[41]

51. Also, Australian companies that meet certain thresholds in respect of their gas emissions, energy production and consumption must report on this information each year.[42]

US

52. Companies listed on US exchanges must file with the Securities and Exchange Commission ("**SEC**") annual reports (10-K filings) containing information on a number of environmental matters, such as expenditures on environmental controls, and pending environmental litigation.[43]

53. In the US, companies with large sources of emissions face disclosure obligations on GHG emissions under the Environmental Protection Agency's Greenhouse Gas Reporting Rule.[44]

Singapore

54. Effective for the Singapore Stock Exchange's ("**SGX**") listed companies' financial years ending on or after 31 December 2017, SGX has made sustainability reporting mandatory.[45] The sustainability report must describe the sustainability practices with reference to five primary components: (a) material ESG factors; (b) policies, practices and performances; (c) targets; (d) sustainability reporting framework; and (e) board statement.[46] Regarding these primary components, the issuer must disclose any exclusion and describe what it does instead, with reasons for doing so.

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38 FRC, Proposed Revision to the UK Stewardship Code, January 2019.

39 ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Fourth Edition, Principle 7: Recognise and manage risk, Recommendation 7.4.

40 ACSI Governance Guidelines - A Guide to Investor Expectations of Listed Australian Companies.

41 See ASIC website: Keynote address by John Price, Commissioner, Australian Securities and Investments Commission, Centre for Policy Development: Financing a Sustainable Economy, Sydney, Australia, 18 June 2018.

42 Australia's National Greenhouse and Energy Reporting Act 2007.

43 SEC Regulation S-K, Items 101 and 103.

44 The Greenhouse Gas Reporting Rule (40 CFR Part 98) requires reporting of greenhouse gases from sources that in general emit 25,000 metric tons or more of carbon dioxide equivalent per year in the US, Electronic Code of Federal Regulations.

45 SGX Listing Rule 711A.

46 SGX Listing Rule 711B(1).

55. The SGX has also issued the "Investor Guide to Reading Sustainability Reports"[47] which encourages listed companies to report on climate change and its impact on businesses in accordance with the TCFD Recommendations if such impact is material to their businesses.

56. Furthermore, energy-intensive companies are required by law to report on GHG emissions, as well as on energy consumption, energy management strategies and conservation plans.[48]

Malaysia

57. Bursa Malaysia has introduced listing rules[49] mandating a sustainability statement ("**Sustainability Statement**") in the annual report which must include information such as: (a) governance structure in place to manage the economic, environmental and social risks and opportunities; (b) the scope of the Sustainability Statement and basis for the scope; (c) material sustainability matters including how these matters are identified and managed, and why are they important to the issuer and how are they managed. It also requires details of policies, measures taken and relevant indicators.

Japan

58. Japan's corporate governance code requires companies listed on the Tokyo Stock Exchange to, on a "comply or explain" basis,[50] take appropriate measures to address sustainability issues, including social and environmental matters.[51]

59. In August 2017, the Ministry of Economy, Trade and Industry ("**METI**") published a set of guidelines providing that companies should disclose social and environmental factors material to their business models or risks associated with their businesses. They should also explain their responses to such risks and the strategies for turning the risks into opportunities.[52] On 23 July 2018, METI decided to establish a study group on implementing TCFD Recommendations for mobilising green finance through proactive corporate disclosure.[53]

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47 SGX's report on Investor Guide to Reading Sustainability Reports, 7 December 2018.
48 Singapore's Energy Conservation Act 2012.
49 Paragraph 9.45(2) and paragraph 29, Part A of Appendix 9C of the Main Market Listing Requirements (supplemented by Practice Note 9).
50 A TSE 1st or 2nd section-listed company is required to provide explanation for non-compliance with any principle of the Code, while a Mothers or JASDAQ-listed company is required to provide explanation for non-compliance with any General Principle of the Code.
51 Japan's Corporate Governance Code, Principle 2.3.
52 Japan's Ministry of Economy, Trade and Industry, Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation, May 2017, at p.15. (Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation).
53 See METI, METI Establishes Study Group on Implementing TCFD Recommendations for Mobilizing Green Finance through Proactive Corporate Disclosure, 23 July 2018.

CHAPTER 2: PROPOSALS AND CONSULTATION QUESTIONS

Our Approach

60. For ESG reporting, it has long been recognised that "one size does not fit all". The "comply or explain" approach takes into account issuers' broad range of businesses and industries and specific circumstances. The approach in relation to the "comply or explain" provisions will be preserved.

61. However, as is evident from international standards and guidance (such as the TCFD Recommendations and the Global Reporting Initiatives ("**GRI**") Standards), it is considered crucially important for issuers to have in place a governance structure for ESG. It is important for ESG matters to be led by the board so as to ensure, amongst others, that ESG issues are factored into high level discussions and appropriate systems and processes are implemented with adequate resources. To facilitate the inclusion of these essential elements in the ESG reports, we propose to introduce an MDR requiring the disclosure of the board's involvement in ESG governance.

62. When considering the proposals in this chapter, it is important to bear in mind that ESG reporting is subject to materiality. In this context, there are two broad categories of considerations:

    (a) **Reporting boundaries** – the issuer should consider which of its entities and operations should be included in the ESG report. For instance, some of the issuer's entities may be asset holding companies and their operations do not pose material impact to the environment and the society in which case the issuer should exclude these entities in its ESG report.

    (b) **Materiality of Aspects** – where an Aspect is not material to the issuer's business and operations, instead of making a disclosure, the issuer should explain that the information called for in this particular Aspect is not material to the issuer given the nature of its business and operations.

Resources Available for ESG Reporting

63. The Exchange continues to provide training, resources and materials to assist issuers with their reporting. The dedicated webpage[54] on HKEX website is regularly updated with new materials. These include a step-by-step guide to ESG reporting: "How to Prepare an ESG Report?" consisting a Toolkit and a Reporting Guidance on Environmental KPIs,[55] a series of FAQs, training webcasts, e-Training and links to other useful resources.

64. Numerous internationally recognised standards/guidelines for ESG reporting can provide further guidance and instruction to companies on how to report on environmental and other ESG issues. These include, but are not limited to, the GRI Standards, TCFD Recommendations, ISO 26000, CDP's Climate Change Questionnaire and Water Security Questionnaire; and Corporate Sustainability Assessment for inclusion in the Dow Jones Sustainability Index.

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54 HKEX, Environmental, Social and Governance (ESG).
55 HKEX, How to Prepare an ESG Report?.

Discussion of Proposals

Proposed amendments to the Listing Rules

Current Requirements

65. MB Rule 13.91 and GEM Rule 17.103 require an issuer to disclose information set out in the ESG Guide in the annual report, in a separate report or on the issuer's website within three months after publication of the issuer's annual report.

Issues

Timeframe for Publication of ESG Reports

66. The current time frame (up to seven months[56]) for the publication of the ESG reports has been criticised for being too long, rendering information contained in the report out-of-date and less relevant for investors. It is considered best practice to provide ESG data at the same time as the annual report and when accounts are published, or as soon as possible afterwards in order to present to investors a more comprehensive picture and up-to-date information on the company's performance and long term prospects.

Printed Form of ESG Reports

67. The Listing Rules should be made clear that issuers are not required to send printed form of the ESG reports to shareholders unless responding to their specific requests.

Proposals and Rationale

Timeframe for Publication of ESG Reports

68. We propose to amend MB Rule 13.91 and GEM Rule 17.103 to shorten the time required to publish an ESG report to align with the publication timeframe of the annual report (i.e. from three months after the publication of the annual report to within four months for Main Board issuers and three months for GEM issuers from the financial year-end).

69. A majority of the issuers are already publishing ESG reports at the same time as their annual reports.[57] The requirement to publish the ESG reports within a shorter time frame should not impose undue burden on most issuers.

70. We are aware of some issuers' concerns that those with operations in multiple countries may need considerable amount of time to collect and verify data, as well as obtaining third party assurances. Nevertheless there are also very strong calls from investors to shorten the timeframe for ESG reporting. We consider our proposal strikes the right balance.

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[56] The Listing Rules state that the issuer must publish its annual report within four months for Main Board issuers and three months for GEM issuers from its financial year end (MB Rule 13.46 and GEM Rule 18.03), and it must publish an ESG report within three months of the publication of its annual report (MB Rule 13.91 and GEM Rule 17.103).

[57] In a review published in May 2018 (see footnote 2), we found over 60% of the sample issuers published their ESG reports at the same time as their annual reports.

71. The practices in other markets vary. In the UK, ESG information must be presented in the annual reports.[58] Singapore allows five months from the company's year-end to publish an ESG report.[59]

Printed Form of ESG Reports

72. We propose to amend the Listing Rules and the Guide to clarify that irrespective of whether a shareholder has elected to receive the issuer's corporate communication electronically or otherwise generally, [60] where the ESG report does not form a part of an issuer's annual report, the issuer is not required to provide printed form of the report to shareholders unless responding to their specific requests in relation to the ESG report. However, given the increasing importance of ESG information, issuers are required to notify shareholders that the ESG report has been published on the Exchange's and the issuer's websites.

Consultation Question

Question 1: Do you agree with our proposal to amend MB Rule 13.91 and GEM Rule 17.103 to shorten the time required to publish an 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?

Question 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?

Proposed amendments to the ESG Guide

73. We propose to amend the ESG Guide by:

A. Introducing Mandatory Disclosure Requirements;

B. Introducing Aspect on Climate Change and Revising the Environmental KPIs;

C. Upgrading the Disclosure Obligation of the Social KPIs;

D. Revising the Social KPIs; and

E. Encouraging Independent Assurance.

[58] Rule 4.1.3 of Disclosure Guidance and Transparency Rules.
[59] SGX Listing Rule 711A.
[60] MB Rule 2.07A(1) (GEM Rule 16.04A).

A. Introducing Mandatory Disclosure Requirements

Current Requirements

Governance Structure

74. The ESG Guide states that the board has overall responsibility for the issuer's ESG strategy and reporting, including evaluating and determining the issuer's ESG related risks. [61] In addition to the requirements of the ESG Guide, issuers are required under the Hong Kong Companies Ordinance to include, in their Directors' Reports, a discussion of their environmental policies and performance including environmental laws and regulations that have a significant impact on them. [62]

Reporting Principles

75. The ESG Guide sets out Reporting Principles (including Materiality and Quantitative[63]) that are said to underpin the preparation of an ESG report, informing the content of the report and how information is presented.

Reporting Boundary

76. The ESG Guide provides that an ESG report should state which entities in the issuer's group and/or which operations have been included in the report. [64]

Issues

Governance Structure

77. Investors expect the board to have oversight of the ESG strategy and the way material ESG matters are dealt with and reported.

Reporting Principles

78. There is a lack of disclosure on how the Reporting Principles are applied in issuers' reports. In particular, in respect of:

Materiality - Some issuers have purportedly reported on a majority of the requirements/recommendations in the ESG Guide resulting in the report losing focus on critical issues. Others have reportedly identified Aspects that are material to them but omitted to explain how they arrived at that conclusion.

Quantitative - We note that not all of the issuers provide information on the standards, methodologies, assumptions and/or calculation tools used, or source of conversion factors used in respect of their emissions/energy consumption factors. Without this information, it is difficult for investors to assess and compare data, either on a year-on-year basis or amongst peer companies.

[61] Paragraphs 8 to 10 (ESG strategy and reporting) of the ESG Guide.
[62] Paragraph 28(2) of Appendix 16 of the Listing Rules, schedule 5 of Hong Kong Companies Ordinance (Cap. 622).
[63] The other two principles mentioned in the ESG Guide are Balance and Consistency.
[64] Paragraph 10 of the ESG Guide.

Reporting Boundary

79. Since issuers are not required to disclose the process in which entities or operations are chosen to be excluded from the ESG report, investors may potentially misunderstand an issuer's overall ESG performance where poor-performing entities or operations are excluded from the ESG report without explanation.

Proposals and Rationale

80. We propose to mandate disclosure on governance structure and ESG matters including the board's role, Reporting Principles and reporting boundaries.

Governance Structure

81. We propose 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.

To provide more guidance on what should be disclosed in the board statement, we also propose 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.

82. The aim of the proposals is to ensure that the board takes the lead on ESG issues. It is important for the board to have oversight of ESG issues. The board should have discussions in identifying, evaluating and managing ESG-related issues (including risks that are material to the issuer's businesses). Although we would encourage the issuer's board to also consider ESG-related opportunities (as recommended in the TCFD Recommendations), we do not propose to mandate such disclosure in the ESG report as we appreciate that it may be more appropriate for these discussions to be included in other parts of the issuer's corporate communications (e.g. in the "management's discussions and analysis" section of the annual report).

83. The board's involvement in ESG would also help to promote the board's understanding of ESG issues and their accountability in this area. The disclosure on the issuer's governance structure for ESG would allow investors and stakeholders to assess the issuer's commitment and effort in ESG matters and the quality of its ESG governance.

84. Nearly all jurisdictions we have examined require disclosure of board involvement in ESG matters. "Governance" is also one of the key components of the TCFD Recommendations widely adopted by other markets.

Reporting Principles

85. We propose an MDR requiring an explanation on how the issuer has applied the Reporting Principles in the preparation of the ESG report. Such an explanation would enable investors to better understand the issuer's management of ESG issues.

86. We propose to enhance the disclosure requirements for materiality and quantitative principles as follows:

Materiality

87. To amend the existing wording to make it clear that materiality of ESG issues is to be determined by the board and that the issuer must disclose the process for the selection of material ESG factors, including 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.

88. Materiality assessment serves as a part of the risk assessment process through which companies can gain a fresh and fuller understanding of what ESG factors would have the greatest impact on the company's business, prospects, asset value, reputation leading to greater investor confidence. To state that the board determines the materiality of ESG issues is in line with the amendments on governance structure as discussed above. The process of stakeholder engagement can serve as a tool to enable the company to understand the reasonable expectations and interests of stakeholders, as well as their information needs. This is an integral part of the materiality assessment process.

Quantitative

89. To add to the existing wording a statement requiring 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). Furthermore, we would clarify that while KPIs for historical data must be measurable, targets may be expressed by way of directional statements or quantitative descriptions.

90. It is important that stakeholders are able to compare ESG information among different issuers in order to assess a company's performance. To facilitate comparability over time, it is important to maintain consistency in the methods used to calculate data and the explanation of methods and assumptions used to prepare information. Requiring a disclosure of standards and methodologies would remind issuers to use consistent standards and methodologies when disclosing ESG data.

91. We recognise the sensitivity of disclosing quantitative targets in a public document, and understand that issuers may be prone to disclosing a lower, more achievable target if they were required to disclose actual numbers as targets, defeating the purpose of setting meaningful targets. Therefore, we would suggest that the issuer should endeavour to disclose actual numerical figures where possible, or otherwise use directional statements in relation to the targets set.

<u>Reporting Boundary</u>

92. Moreover, we propose 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.

93. The rationale for introducing this MDR is to allow investors to appreciate the scope of the ESG report. We do not propose to require disclosure of a list of entities or operations that are excluded from the ESG report as it may be lengthy and not necessarily helpful to the readers.

Consultation Questions

General

Question 3: Do you agree with our proposal to amend the Guide to introduce Mandatory Disclosure Requirements?

Governance Structure

Question 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?

Question 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?

Reporting Principles

Question 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?

Question 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?

Question 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 KPIs for historical data must be measurable, targets may be expressed by way of directional statements or quantitative descriptions?

Reporting Boundary

Question 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?*

B. Introducing Aspect on Climate Change and Revising the Environmental KPIs

Current Requirements

Climate Change

94. Issuers are not required to disclose how climate change impacts them.

Targets

95. Issuers are required to disclose "results achieved" from their initiatives to reduce emissions/waste, but not targets.[65]

GHG Emissions

96. Issuers are required to disclose GHG emissions in total and the intensity.[66] Emissions by scope types are not required under the current Listing Rules.[67] Issuers are encouraged (in the FAQs)[68] to report on emissions by scope.

Issues

97. With climate change being a global concern and focus, investors are demanding more information on how climate change has impacted or may impact a company, and are expecting to see efforts being made by reporting companies to tackle this important issue.

Proposals and Rationale

Climate Change

98. We propose to introduce a new Aspect A4 consisting:

(i) General Disclosure - policies on measures to identify and mitigate the significant climate-related issues which have impacted, and those which may impact the issuer; and

(ii) 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.

99. Climate change poses serious risks to the global economy and has an impact across many, if not all sectors, in which our issuers operate. These risks could have significant impact on the issuers' long term sustainability. Broadly divided into transition and

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65 E.g. KPI A.1.5, KPI A.1.6, KPI A.2.4 of the ESG Guide.
66 KPI A1.2 of the ESG Guide.
67 Globally, direct and indirect GHG emissions are further categorised into three broad scopes: "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. [The Greenhouse Gas Protocol - A Corporate Accounting and Reporting Standard].
68 FAQ Series 18, Q.10, see footnote 12.

physical risks, the former include changes in policies, laws / regulations and market behaviour that may increase operating, compliance and other costs whilst the latter include natural disasters such as draught, floods, severe typhoons, persistent and abnormal heat waves, etc. that may seriously affect the issuer's businesses and operations. These are considerations that should be included in the issuers' ESG reports. The proposed new Aspect reflects the TCFD Recommendations' call for disclosure on the actual and potential impacts of climate-related risks and opportunities on the company[69], which has been widely adopted globally. In light of increasing international focus on climate change and its impact on businesses, we will continue to review our disclosure requirements from time to time, particularly in light of any future regional or international, legislative and regulatory developments in this area.

<u>Targets</u>

100. We propose to revise the Environmental KPIs (where applicable) 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.

101. In addition to the climate change concerns and investor expectations discussed in paragraph 99, we believe that having specific targets and requiring disclosure of the steps taken to achieve them would drive issuers to scrutinise and refine their strategies and systems which ultimately may lead to better risk management and improved performance.

102. To include disclosure requirements regarding targets would also, to an extent, align with international standards such as the GRI Standards and TCFD Recommendations.

<u>GHG Emissions</u>

103. We propose to revise a KPI to require disclosure of Scope 1 and Scope 2[70] GHG emissions.

104. This amendment aims to raise issuers' environmental awareness, provide transparency and clarity to emissions data so as to meet the expectations of investors and other stakeholders.

105. A majority of issuers already report on GHG emissions according to the scope classifications despite being a voluntary requirement only.[71]

106. Most international standards and the TCFD Recommendations also require disclosure of Scope 1 and Scope 2 GHG emissions.

Consultation Questions

<u>Climate Change</u>

Question 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*

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[69] TCFD Recommendations, Strategy – Recommended Disclosure (b).
[70] See footnote 8.
[71] HKEX data.

(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?*

<u>Targets</u>

Question 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?

<u>GHG Emissions</u>

Question 12: Do you agree with our proposal to revise an Environmental KPI to require disclosure of Scope 1 and Scope 2 GHG emissions?

C. Upgrading the Disclosure Obligation of the Social KPIs

Current Requirements

107. The Social KPIs of the ESG Guide are recommended disclosures (i.e. voluntary disclosures).

Issues

108. By keeping the reporting obligation of Social KPIs as voluntary, the level of disclosure for Social KPIs has been relatively low. This may give the wrong impression that they are less important than Environmental KPIs, resulting in less attention being paid by the issuers.

109. Investors and other stakeholders have, in their responses to the previous ESG consultations, called for an upgrade of the disclosure obligation of the Social KPIs.

110. Equal treatment of environmental and social risks is also in line with both the UK Stewardship Code and the SFC's Principles of Responsible Ownership, which refer to ESG risks as a whole without singling out environmental risks.

Proposals and Rationale

111. We propose to upgrade the disclosure obligation of Social KPIs to "comply or explain".

112. Social KPIs are no less important than Environmental KPIs and for some issuers, they are more material. It is important to note that if any of the Social KPIs is considered immaterial to an issuer's businesses, the issuer has the flexibility to explain rather than make irrelevant disclosures.

Consultation Question

Question 13: Do you agree with our proposal to upgrade the disclosure obligation of all Social KPIs to "comply or explain"?

D. Revising the Social KPIs

Current Requirements

Employment Types

113. Issuers are recommended to disclose total workforce by gender, employment type, age group and geographical region.[72]

Rate of Fatalities

114. Issuers are recommended to disclose the number and rate of work-related fatalities[73] for the reporting year.

Supply Chain Management

115. Issuers are recommended to describe practices relating to engaging suppliers, number of suppliers where the practices are being implemented and how they are implemented and monitored.[74]

Anti-corruption

116. Issuers are recommended to disclose the following KPIs:

(a) 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.

(b) Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.

Proposals and Rationale

Employment Types

117. We propose to amend a KPI to clarify that "employment types" should include "full- and part-time" staff.

Rate of Fatalities

118. We propose to amend a KPI on fatalities to require disclosure of the number and rate of work-related fatalities occurred for each of the past three years including the reporting year. We consider this disclosure of the track-record would help issuers review their safety practice and provide useful information to investors and stakeholders.

Supply Chain Management

119. We propose to introduce the following new KPIs:

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72 KPI B1.1 of the Guide.
73 KPI B2.1 of the Guide.
74 KPI B5.2 of the Guide.

(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.

120. Customers, consumers and other stakeholders are becoming increasingly aware of and focused on whether a company is operating a “sustainable business”. One aspect of running a sustainable business is the supply chain. For example, if a company’s goods are sourced unethically from a supplier in a developing country (e.g. involving forced or child labour in the process), then it is exposed to reputational risks.

121. Requiring disclosure of practices on identification and monitoring of environmental and social risks along the supply chain would heighten the issuer’s awareness of ESG risks in its procurement practices. It would also allow investors to assess the risks associated with the issuer’s supply chain.

<u>Anti-corruption</u>

122. We propose to introduce a new KPI requiring disclosure of anti-corruption training provided to directors and staff.

123. Anti-corruption is an important aspect of ESG reporting and training for directors and staff is essential to create a healthy corporate culture and ethics within the entity.

Consultation Questions

<u>Employment Types</u>

Question 14: Do you agree with our proposal to revise a KPI to clarify “employment types” should include “full- and part-time” staff?

<u>Rate of Fatalities</u>

Question 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?

<u>Supply Chain Management</u>

Question 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.

<u>Anti-corruption</u>

Question 17: Do you agree with our proposal to introduce a new KPI requiring disclosure of anti-corruption training provided to directors and staff?

E. Encouraging Independent Assurance

Current Requirement

124. The ESG Guide provides that the issuer may consider obtaining assurance on its ESG report. [75]

Issue

125. There is no guidance on the information to be disclosed if assurance is obtained, or the benefits of obtaining assurance.

Proposals and Rationale

126. We propose to revise the ESG Guide 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.

127. With increasing sustainable investments, ESG information is used in conjunction with financial information by management, investors, rating agencies and other analysts to help them make decisions. It is important for ESG information disclosed to be reliable. External assurance on an ESG report can help improve the credibility of information and readers' confidence in the ESG information, making it more likely that the data will be relied on and used for decision making.

128. Given that ESG reporting practices are still evolving, a globally-accepted assurance standard is yet to be developed. We are also aware of the potential compliance burden that this may impose on small-to-medium sized issuers. We have kept this as a voluntary requirement for issuers wishing to give additional confidence to its stakeholders. However, where independent assurance is obtained, there should be more transparency on the details of the assurance.

Consultation Question

Question 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?

[75] Paragraph 7 of the ESG Guide.

APPENDIX I: PROPOSED AMENDMENTS TO LISTING RULES

A. Proposed Amendments to Main Board Listing Rules

Chapter 13

EQUITY SECURITIES

CONTINUING OBLIGATIONS

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Environmental and Social Matters

13.91 (1) The Environmental, Social and Governance ("ESG") Reporting Guide in Appendix 27 comprises two levels of disclosure obligations: (a) mandatory disclosure requirements; and (b) "comply or explain" provisions~~; and (b) recommended disclosures~~.

(2) For the relevant financial year in their annual reports or in separate ESG reports, issuers must:

(a) disclose the information required under the "Mandatory Disclosure Requirements" in Part B of the ESG Reporting Guide; and

(b) ~~issuers must~~ state whether they have complied with the "comply or explain" provisions set out in Part C of the ESG Reporting Guide~~ for the relevant financial year in their annual reports or in separate ESG reports~~.

~~(3)~~ Where the issuer deviates from the "comply or explain" provisions, it must give considered reasons in its ESG report.

~~(4) Issuers are encouraged, but not required, to report on the recommended disclosures of the ESG Reporting Guide.~~

(3) ~~(5)~~ Issuers must publish their ESG reports on an annual basis and regarding the same period covered in their annual reports.

(4) (a) An ESG report may be presented as information in the issuer's annual report or in a separate report. Regardless of the format adopted, it must be published on the Exchange's website and the issuer's website.

(b) Where the ESG report does not form a part of the issuer's annual report, to the extent permitted under all applicable laws and regulations and the issuer's own constitutional documents, an issuer is not required to provide printed form of the ESG report to its shareholders irrespective of whether such shareholders have elected to receive the issuer's corporate communication electronically or otherwise under rule 2.07A.

(c) The issuer must notify the intended recipient of:

  (i) the presence of the ESG report on the website;

  (ii) the address of the website;

  (iii) the place on the website where it may be accessed; and

  (iv) how to access the ESG report.

(d) Notwithstanding the above, the issuer shall promptly provide a shareholder with a printed form of the ESG report upon its specific request.

(e) Where ESG information is not presented in the issuer's annual report, the issuer should publish such information as close as possible to, and in any event no later than four months after, the end of the financial year to which such information relates.

~~*Notes:*~~

~~*(1)*~~ ~~*An ESG report may be presented as information in the issuer's annual report, in a separate report, or on the issuer's website. Where not presented in the issuer's annual report, the issuer should publish this information as close as possible to, and in any event no later than three months after, the publication of the issuer's annual report.*~~

~~*(2)*~~ ~~*As regards "Subject Area A. Environmental" of the ESG Reporting Guide, the upgrade of the Key Performance Indicators to "comply or explain" will come into effect for issuers' financial years beginning on or after 1 January 2017.*~~

…

Appendix 27

Environmental, Social and Governance Reporting Guide

Part A: Introduction

The Guide

1. This Guide comprises two levels of disclosure obligations: (a) mandatory disclosure requirements; and (b) “comply or explain” provisions~~; and (b) recommended disclosures~~.

2. Mandatory disclosure requirements are set out in Part B of this Guide. An issuer must include such information for the period covered by the ESG report.

~~2.~~3. “Comply or explain” provisions are set out in Part C of this Guide. An issuer must report on the “comply or explain” provisions of this Guide. If the issuer does not report on one or more of these provisions, it must provide reasons in its ESG report. ~~The issuer is encouraged, but not required, to report on the recommended disclosures of this Guide.~~ For guidance on the “comply or explain” approach, issuers may refer to the “*What is “comply or explain”?*” section of the Corporate Governance Code and Corporate Governance Report (“Corporate Governance Code”) in Appendix 14 of the Main Board Listing Rules.

~~3.~~4. (1) An issuer must disclose ESG information on an annual basis and regarding the same period covered in its annual report. An ESG report may be presented as information in the issuer’s annual report~~,~~ or in a separate report~~, or on the issuer’s website~~. Regardless of the format adopted, the ESG report ~~should~~must be published on the Exchange’s website and the issuer’s website.

(2) Where the ESG report does not form a part of the issuer’s annual report, to the extent permitted under all applicable laws and regulations and the issuer’s own constitutional documents, an issuer is not required to provide printed form of the ESG report to its shareholders irrespective of whether such shareholders have elected to receive the issuer’s corporate communication electronically or otherwise under rule 2.07A.

(3) The issuer must notify the intended recipient of:

(i) the presence of the ESG report on the website;

(ii) the address of the website;

(iii) the place on the website where it may be accessed; and

(iv) how to access the ESG report.

(4) Notwithstanding the above, the issuer shall promptly provide a shareholder with a printed form of the ESG report upon its specific request.

(5) Where the ESG information is not presented in the issuer’s annual report, the issuer should publish ~~this~~ such information as close as possible to, and in any event no later than ~~three~~ four months after~~, the publication of~~ the end of the financial year to which such information relates~~ the issuer’s annual report~~.

Overall Approach

~~4.~~5. This Guide is organised into two ESG subject areas ("Subject Areas"): Environmental (Subject Area A) and Social (Subject Area B). Corporate governance is addressed separately in the Corporate Governance Code.

~~5~~6. Each Subject Area has various aspects ("Aspects"). Each Aspect sets out general disclosures ("General Disclosures") and key performance indicators ("KPIs") for issuers to report on in order to demonstrate how they have performed.

~~6~~7. In addition to the "comply or explain" matters set out in this Guide, the Exchange encourages an issuer to identify and disclose additional ESG issues and KPIs~~, including recommended disclosures,~~ that reflect the issuer's significant environmental and social impacts; or substantially influence the assessments and decisions of stakeholders. In assessing these matters, the issuer should engage stakeholders on an ongoing basis in order to understand their views and better meet their expectations.

~~7~~8. This Guide is not comprehensive and the issuer may refer to existing international ESG reporting guidance for its relevant industry or sector. The issuer may adopt international ESG reporting guidance so long as it includes comparable disclosure provisions to the "comply or explain" provisions set out in this Guide. ~~The issuer may also consider obtaining assurance on its ESG report.~~

9. The issuer may seek independent assurance to strengthen the credibility of the ESG information disclosed. Where independent assurance is obtained, the issuer should describe the level, scope and processes adopted for assurance clearly in the ESG report.

~~***ESG strategy and reporting***~~

~~8~~10. The board has overall responsibility for an issuer's ESG strategy and reporting.

~~9. In line with the Corporate Governance Code, the board is responsible for evaluating and determining the issuer's ESG-related risk, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Management should provide a confirmation to the board on the effectiveness of these systems.~~

~~10. The ESG report should state the issuer's ESG management approach, strategy, priorities and objectives and explain how they relate to its business. It would be useful to discuss the issuer's management, measurement and monitoring system employed to implement its ESG strategy. An ESG report should also state which entities in the issuer's group and/ or which operations have been included in the report. If there is a change in the scope, the issuer should explain the difference and reason for the change.~~

~~**Reporting Principles**~~

~~11. The following Reporting Principles underpin the preparation of an ESG report, informing the content of the report and how information is presented:~~

~~**(1) Materiality** is the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported.~~

~~**(2) Quantitative:** KPIs need to be measurable. Targets can be set to reduce a~~

~~particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.~~

~~**(3)** **Balance:** The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.~~

~~**(4)** **Consistency:** The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time. The issuer should disclose in the ESG report any changes to the methods used, or any other relevant factors affecting a meaningful comparison.~~

Complementing ESG discussions in the Business Review Section of the Directors' Report

~~12~~11. Pursuant to paragraph 28(2)(d) of Appendix 16 of the Main Board Listing Rules, an issuer's directors' report for a financial year must contain a business review in accordance with Schedule 5 to the Companies Ordinance. The business review must include, to the extent necessary for an understanding of the development, performance or position of the issuer's business:

(i) a discussion of the issuer's environmental policies and performance;

(ii) a discussion of the issuer's compliance with the relevant laws and regulations that have a significant impact on the issuer; and

(iii) an account of the issuer's key relationships with its employees, customers and suppliers and others that have a significant impact on the issuer and on which the issuer's success depends.

This Guide should complement the content requirements of the directors' report, as it calls for issuers to disclose information in respect of specific ESG areas.

~~*Note: As regards "Subject Area A. Environmental", the upgrade of the KPIs to "comply or explain" will come into effect for issuers' financial years beginning on or after 1 January 2017.*~~

Part B: Mandatory Disclosure Requirements

12. A statement from the board containing the following elements:

Governance Structure

(i) a disclosure of the board's oversight of ESG issues;

(ii) the process used to identify, evaluate and manage material ESG-related issues (including risks to the issuer's businesses); and

(iii) how the board reviews progress made against ESG-related goals and targets.

Note: 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.*

Reporting Principles

13. A description, or an explanation on the application of the following reporting principles in the preparation of the ESG report:

Materiality: The threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported. The 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.

Quantitative: KPIs in respect of historical data need to be measurable. The issuer should set targets (which may be actual numerical figures or directional, forward-looking statements) to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate. Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used for the reporting of emissions/energy consumption (where applicable) should be disclosed.

Balance: The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

Consistency: The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time. The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.

Reporting Boundary

14. A narrative explaining the reporting boundaries of the ESG report, describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.

Part C: "Comply or explain" Provisions

Subject Areas, Aspects, General Disclosures and KPIs			
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~
A. Environmental			
Aspect A1: Emissions	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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.* *Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.* *Hazardous wastes are those defined by national regulations.*		
	KPI A1.1	The types of emissions and respective emissions data.	
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) g~~G~~reenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	

Subject Areas, Aspects, General Disclosures and KPIs			
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.5	Description of emission target(s)~~measures to mitigate emissions~~ set and ~~results achieved~~ steps taken to achieve them.	
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) ~~initiatives~~ set and ~~results achieved~~ steps taken to achieve them.	
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*		
	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).	

Subject Areas, Aspects, General Disclosures and KPIs			
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.3	Description of energy use efficiency and a description of target(s) ~~initiatives~~ set and ~~results achieved~~ steps taken to achieve them.	
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency and a description of target(s) ~~initiatives~~ set and ~~results achieved~~ steps taken to achieve them.	
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.		
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
Aspect A4: Climate Change	General Disclosure Policies on measures to identify and mitigate significant climate-related issues which have impacted, and those which may impact the issuer.		
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	

Subject Areas, Aspects, General Disclosures and KPIs				
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~	
B. Social				
Employment and Labour Practices				
Aspect B1: Employment	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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.			
			~~KPI B1.1~~	~~Total workforce by gender, employment type, age group and geographical region.~~
			~~KPI B1.2~~	~~Employee turnover rate by gender, age group and geographical region.~~
	KPI B1.1	Total workforce by gender, employment type (i.e. full- or part-time), age group and geographical region.		
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.		

Subject Areas, Aspects, General Disclosures and KPIs				
	~~“Comply or explain” Provisions~~		~~Recommended Disclosures~~	
Aspect B2: Health and Safety	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 providing a safe working environment and protecting employees from occupational hazards.			
			~~KPI B2.1~~	~~Number and rate of work-related fatalities.~~
			~~KPI B2.2~~	~~Lost days due to work injury.~~
			~~KPI B2.3~~	~~Description of occupational health and safety measures adopted, how they are implemented and monitored.~~
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.		
	KPI B2.2	Lost days due to work injury.		
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.		

Subject Areas, Aspects, General Disclosures and KPIs				
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~	
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note: Training refers to vocational training. It may include internal and external courses paid by the employer.*			
			~~KPI B3.1~~	~~The percentage of employees trained by gender and employee category (e.g. senior management, middle management).~~
			~~KPI B3.2~~	~~The average training hours completed per employee by gender and employee category.~~
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		
	KPI B3.2	The average training hours completed per employee by gender and employee category.		

Subject Areas, Aspects, General Disclosures and KPIs				
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~	
Aspect B4: Labour Standards	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 preventing child and forced labour.			
			~~KPI B4.1~~	~~Description of measures to review employment practices to avoid child and forced labour.~~
			~~KPI B4.2~~	~~Description of steps taken to eliminate such practices when discovered.~~
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.		

Subject Areas, Aspects, General Disclosures and KPIs				
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~	
Operating Practices				
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.			
			~~KPI B5.1~~	~~Number of suppliers by geographical region.~~
			~~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.~~
	KPI B5.1	Number of suppliers by geographical region.		
	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.		
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, how they are implemented and monitored.		

Subject Areas, Aspects, General Disclosures and KPIs				
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~	
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.			
			~~KPI B6.1~~	~~Percentage of total products sold or shipped subject to recalls for safety and health reasons.~~
			~~KPI B6.2~~	~~Number of products and service related complaints received and how they are dealt with.~~
			~~KPI B6.3~~	~~Description of practices relating to observing and protecting intellectual property rights.~~
			~~KPI B6.4~~	~~Description of quality assurance process and recall procedures.~~
			~~KPI B6.5~~	~~Description of consumer data protection and privacy policies, how they are implemented and monitored.~~
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.		
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.		
	KPI B6.4	Description of quality assurance process and recall procedures.		
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.		

Subject Areas, Aspects, General Disclosures and KPIs				
	~~“Comply or explain” Provisions~~		~~Recommended Disclosures~~	
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.		~~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.~~
			~~KPI B7.2~~	~~Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.~~
	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.		
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.		
	KPI B7.3	Description of anti-corruption training provided to directors and staff.		

<table>
<tr><th colspan="5">Subject Areas, Aspects, General Disclosures and KPIs</th></tr>
<tr><th></th><th colspan="2">~~“Comply or explain” Provisions~~</th><th colspan="2">~~Recommended Disclosures~~</th></tr>
<tr><td colspan="5">Community</td></tr>
<tr><td rowspan="5">Aspect B8: Community Investment</td><td colspan="2" rowspan="3">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.</td><td></td><td></td></tr>
<tr><td>~~KPI B8.1~~</td><td>~~Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).~~</td></tr>
<tr><td>~~KPI B8.2~~</td><td>~~Resources contributed (e.g. money or time) to the focus area.~~</td></tr>
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<tr><td>KPI B8.2</td><td>Resources contributed (e.g. money or time) to the focus area.</td></tr>
</table>

B. Proposed Amendments to GEM Listing Rules

Chapter 17

EQUITY SECURITIES

CONTINUING OBLIGATIONS

…

Environmental and Social Matters

17.103 (1) The Environmental, Social and Governance ("ESG") Reporting Guide in Appendix 20 comprises two levels of disclosure obligations: (a) mandatory disclosure requirements; and (b) "comply or explain" provisions~~; and (b) recommended disclosures~~.

(2) For the relevant financial year in their annual reports or in separate ESG reports, issuers must:

(a) disclose the information required under the "Mandatory Disclosure Requirements" in Part B of the ESG Reporting Guide; and

(b) ~~issuers must~~ state whether they have complied with the "comply or explain" provisions set out in Part C of the ESG Reporting Guide~~ for the relevant financial year in their annual reports or in separate ESG reports~~.

~~(3)~~ Where the issuer deviates from the "comply or explain" provisions, it must give considered reasons in its ESG report.

~~(4) Issuers are encouraged, but not required, to report on the recommended disclosures of the ESG Reporting Guide.~~

(3) ~~(5)~~ Issuers must publish their ESG reports on an annual basis and regarding the same period covered in their annual reports.

(4) (a) An ESG report may be presented as information in the issuer's annual report or in a separate report. Regardless of the format adopted, it must be published on the Exchange's website and the issuer's website.

(b) Where the ESG report does not form a part of the issuer's annual report, to the extent permitted under all applicable laws and regulations and the issuer's own constitutional documents, an issuer is not required to provide printed form of the ESG report to its shareholders irrespective of whether such shareholders have elected to receive the issuer's corporate communication electronically or otherwise under rule 16.04A.

(c) The issuer must notify the intended recipient of:

(i) the presence of the ESG report on the website;

(ii) the address of the website;

(iii) the place on the website where it may be accessed; and

(iv) how to access the ESG report.

(d) Notwithstanding the above, the issuer shall promptly provide a shareholder with a printed form of the ESG report upon its specific request.

(e) Where ESG information is not presented in the issuer's annual report, the issuer should publish such information as close as possible to, and in any event no later than three months after, the end of the financial year to which such information relates.

~~*Notes:*~~

~~*(1)*~~ ~~*An ESG report may be presented as information in the issuer's annual report, in a separate report, or on the issuer's website. Where not presented in the issuer's annual report, the issuer should publish this information as close as possible to, and in any event no later than three months after, the publication of the issuer's annual report.*~~

~~*(2)*~~ ~~*As regards "Subject Area A. Environmental" of the ESG Reporting Guide, the upgrade of the Key Performance Indicators to "comply or explain" will come into effect for issuers' financial years beginning on or after 1 January 2017.*~~

…

Appendix 20

Environmental, Social and Governance Reporting Guide

Part A: Introduction

The Guide

1. This Guide comprises two levels of disclosure obligations: (a) mandatory disclosure requirements; and (b) "comply or explain" provisions~~; and (b) recommended disclosures~~.

2. Mandatory disclosure requirements are set out in Part B of this Guide. An issuer must include such information for the period covered by the ESG report.

~~2.~~3. "Comply or explain" provisions are set out in Part C of this Guide. An issuer must report on the "comply or explain" provisions of this Guide. If the issuer does not report on one or more of these provisions, it must provide reasons in its ESG report. ~~The issuer is encouraged, but not required, to report on the recommended disclosures of this Guide.~~ For guidance on the "comply or explain" approach, issuers may refer to the "*What is "comply or explain"?*" section of the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code") in Appendix 15 of the GEM Listing Rules.

~~3.~~4. (1) An issuer must disclose ESG information on an annual basis and regarding the same period covered in its annual report. An ESG report may be presented as information in the issuer's annual report~~,~~ or in a separate report~~, or on the issuer's website~~. Regardless of the format adopted, the ESG report ~~should~~must be published on the Exchange's website and the issuer's website.

(2) Where the ESG report does not form a part of the issuer's annual report, to the extent permitted under all applicable laws and regulations and the issuer's own constitutional documents, an issuer is not required to provide printed form of the ESG report to its shareholders irrespective of whether such shareholders have elected to receive the issuer's corporate communication electronically or otherwise under rule 16.04A.

(3) The issuer must notify the intended recipient of:

(i) the presence of the ESG report on the website;
(ii) the address of the website;
(iii) the place on the website where it may be accessed; and
(iv) how to access the ESG report.

(4) Notwithstanding the above, the issuer shall promptly provide a shareholder with a printed form of the ESG report upon its specific request.

(5) Where the ESG information is not presented in the issuer's annual report, the issuer should publish ~~this~~ such information as close as possible to, and in any event no later than three months after, ~~the publication of~~ the end of the financial year to which such information relates ~~the issuer's annual report~~.

Overall Approach

~~4.~~5. This Guide is organised into two ESG subject areas ("Subject Areas"): Environmental (Subject Area A) and Social (Subject Area B). Corporate governance is addressed separately in the Corporate Governance Code.

~~5~~6. Each Subject Area has various aspects ("Aspects"). Each Aspect sets out general disclosures ("General Disclosures") and key performance indicators ("KPIs") for issuers to report on in order to demonstrate how they have performed.

~~6~~7. In addition to the "comply or explain" matters set out in this Guide, the Exchange encourages an issuer to identify and disclose additional ESG issues and KPIs~~, including recommended disclosures,~~ that reflect the issuer's significant environmental and social impacts; or substantially influence the assessments and decisions of stakeholders. In assessing these matters, the issuer should engage stakeholders on an ongoing basis in order to understand their views and better meet their expectations.

~~7~~8. This Guide is not comprehensive and the issuer may refer to existing international ESG reporting guidance for its relevant industry or sector. The issuer may adopt international ESG reporting guidance so long as it includes comparable disclosure provisions to the "comply or explain" provisions set out in this Guide. ~~The issuer may also consider obtaining assurance on its ESG report.~~

9. The issuer may seek independent assurance to strengthen the credibility of the ESG information disclosed. Where independent assurance is obtained, the issuer should describe the level, scope and processes adopted for assurance clearly in the ESG report.

~~***ESG strategy and reporting***~~

~~8~~10. The board has overall responsibility for an issuer's ESG strategy and reporting.

~~9. In line with the Corporate Governance Code, the board is responsible for evaluating and determining the issuer's ESG-related risk, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Management should provide a confirmation to the board on the effectiveness of these systems.~~

~~10. The ESG report should state the issuer's ESG management approach, strategy, priorities and objectives and explain how they relate to its business. It would be useful to discuss the issuer's management, measurement and monitoring system employed to implement its ESG strategy. An ESG report should also state which entities in the issuer's group and/ or which operations have been included in the report. If there is a change in the scope, the issuer should explain the difference and reason for the change.~~

~~**Reporting Principles**~~

~~11. The following Reporting Principles underpin the preparation of an ESG report, informing the content of the report and how information is presented:~~

~~**(1) Materiality** is the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported.~~

~~**(2) Quantitative:** KPIs need to be measurable. Targets can be set to reduce a~~

~~particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.~~

~~**(3) Balance:** The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.~~

~~**(4) Consistency:** The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time. The issuer should disclose in the ESG report any changes to the methods used, or any other relevant factors affecting a meaningful comparison.~~

Complementing ESG discussions in the Business Review Section of the Directors' Report

~~12~~<u>11.</u> Pursuant to rule 18.07A(2)(d), an issuer's directors' report for a financial year must contain a business review in accordance with Schedule 5 to the Companies Ordinance. The business review must include, to the extent necessary for an understanding of the development, performance or position of the issuer's business:

(i) a discussion of the issuer's environmental policies and performance;

(ii) a discussion of the issuer's compliance with the relevant laws and regulations that have a significant impact on the issuer; and

(iii) an account of the issuer's key relationships with its employees, customers and suppliers and others that have a significant impact on the issuer and on which the issuer's success depends.

This Guide should complement the content requirements of the directors' report, as it calls for issuers to disclose information in respect of specific ESG areas.

~~*Note: As regards "Subject Area A. Environmental", the upgrade of the KPIs to "comply or explain" will come into effect for issuers' financial years beginning on or after 1 January 2017.*~~

<u>**Part B: Mandatory Disclosure Requirements**</u>

<u>12. A statement from the board containing the following elements:</u>

<u>***Governance Structure***</u>

<u>(i) a disclosure of the board's oversight of ESG issues;</u>

<u>(ii) the process used to identify, evaluate and manage material ESG-related issues (including risks to the issuer's businesses); and</u>

<u>(iii) how the board reviews progress made against ESG-related goals and targets.</u>

<u>*Note: 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.*</u>

Reporting Principles

13. A description, or an explanation on the application of the following reporting principles in the preparation of the ESG report:

Materiality: The threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported. The 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.

Quantitative: KPIs in respect of historical data need to be measurable. The issuer should set targets (which may be actual numerical figures or directional, forward-looking statements) to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate. Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used for the reporting of emissions/energy consumption (where applicable) should be disclosed.

Balance: The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

Consistency: The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time. The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.

Reporting Boundary

14. A narrative explaining the reporting boundaries of the ESG report, describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.

Part C: "Comply or explain" Provisions

Subject Areas, Aspects, General Disclosures and KPIs			
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~
A. Environmental			
Aspect A1: Emissions	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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.* *Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.* *Hazardous wastes are those defined by national regulations.*		
	KPI A1.1	The types of emissions and respective emissions data.	
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) g~~G~~reenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	

Subject Areas, Aspects, General Disclosures and KPIs			
	~~“Comply or explain” Provisions~~		~~Recommended Disclosures~~
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.5	Description of emission target(s)~~measures to mitigate emissions~~ set and ~~results achieved~~ steps taken to achieve them.	
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) ~~initiatives~~ set and ~~results achieved~~ steps taken to achieve them.	
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*		
	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).	

Subject Areas, Aspects, General Disclosures and KPIs			
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.3	Description of energy use efficiency and a description of target(s) ~~initiatives~~ set and ~~results achieved~~ steps taken to achieve them.	
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency and a description of target(s) ~~initiatives~~ set and ~~results achieved~~ steps taken to achieve them.	
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.		
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
Aspect A4: Climate Change	General Disclosure Policies on measures to identify and mitigate significant climate-related issues which have impacted, and those which may impact the issuer.		
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	

<table>
<tr><th colspan="5">Subject Areas, Aspects, General Disclosures and KPIs</th></tr>
<tr><th></th><th colspan="2"><s>“Comply or explain” Provisions</s></th><th colspan="2"><s>Recommended Disclosures</s></th></tr>
<tr><td colspan="5">B. Social</td></tr>
<tr><td colspan="5">Employment and Labour Practices</td></tr>
<tr><td rowspan="5">Aspect B1: Employment</td><td colspan="2" rowspan="3">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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</td><td></td><td></td></tr>
<tr><td><s>KPI B1.1</s></td><td><s>Total workforce by gender, employment type, age group and geographical region.</s></td></tr>
<tr><td><s>KPI B1.2</s></td><td><s>Employee turnover rate by gender, age group and geographical region.</s></td></tr>
<tr><td><u>KPI B1.1</u></td><td><u>Total workforce by gender, employment type (i.e. full- or part-time), age group and geographical region.</u></td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td><u>KPI B1.2</u></td><td><u>Employee turnover rate by gender, age group and geographical region.</u></td></tr>
</table>

Subject Areas, Aspects, General Disclosures and KPIs				
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~	
Aspect B2: Health and Safety	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 providing a safe working environment and protecting employees from occupational hazards.			
			~~KPI B2.1~~	~~Number and rate of work-related fatalities.~~
			~~KPI B2.2~~	~~Lost days due to work injury.~~
			~~KPI B2.3~~	~~Description of occupational health and safety measures adopted, how they are implemented and monitored.~~
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.		
	KPI B2.2	Lost days due to work injury.		
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.		

<table>
<tr><th colspan="5">Subject Areas, Aspects, General Disclosures and KPIs</th></tr>
<tr><th></th><th colspan="2">~~"Comply or explain" Provisions~~</th><th colspan="2">~~Recommended Disclosures~~</th></tr>
<tr><td rowspan="5">Aspect B3: Development and Training</td><td colspan="2" rowspan="3">General Disclosure

Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.

Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</td><td></td><td></td></tr>
<tr><td>~~KPI B3.1~~</td><td>~~The percentage of employees trained by gender and employee category (e.g. senior management, middle management).~~</td></tr>
<tr><td>~~KPI B3.2~~</td><td>~~The average training hours completed per employee by gender and employee category.~~</td></tr>
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<tr><td>KPI B3.2</td><td>The average training hours completed per employee by gender and employee category.</td></tr>
</table>

Subject Areas, Aspects, General Disclosures and KPIs				
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~	
Aspect B4: Labour Standards	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 preventing child and forced labour.			
			~~KPI B4.1~~	~~Description of measures to review employment practices to avoid child and forced labour.~~
			~~KPI B4.2~~	~~Description of steps taken to eliminate such practices when discovered.~~
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.		

Subject Areas, Aspects, General Disclosures and KPIs				
	~~**"Comply or explain" Provisions**~~		~~**Recommended Disclosures**~~	
Operating Practices				
Aspect B5: **Supply Chain Management**	General Disclosure Policies on managing environmental and social risks of the supply chain.			
			~~KPI B5.1~~	~~Number of suppliers by geographical region.~~
			~~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.~~
	KPI B5.1	Number of suppliers by geographical region.		
	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.		
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, how they are implemented and monitored.		

Subject Areas, Aspects, General Disclosures and KPIs				
	~~"Comply or explain" Provisions~~		**~~Recommended Disclosures~~**	
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.			
			~~KPI B6.1~~	~~Percentage of total products sold or shipped subject to recalls for safety and health reasons.~~
			~~KPI B6.2~~	~~Number of products and service related complaints received and how they are dealt with.~~
			~~KPI B6.3~~	~~Description of practices relating to observing and protecting intellectual property rights.~~
			~~KPI B6.4~~	~~Description of quality assurance process and recall procedures.~~
			~~KPI B6.5~~	~~Description of consumer data protection and privacy policies, how they are implemented and monitored.~~
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.		
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.		
	KPI B6.4	Description of quality assurance process and recall procedures.		
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.		

Subject Areas, Aspects, General Disclosures and KPIs				
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~	
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.			
			~~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.~~
			~~KPI B7.2~~	~~Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.~~
	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.		
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.		
	KPI B7.3	Description of anti-corruption training provided to directors and staff.		

Subject Areas, Aspects, General Disclosures and KPIs				
	~~"Comply or explain" Provisions~~		~~Recommended Disclosures~~	
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.			
			~~KPI B8.1~~	~~Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).~~
			~~KPI B8.2~~	~~Resources contributed (e.g. money or time) to the focus area.~~
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).		
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.		

APPENDIX II: PRIVACY POLICY STATEMENT

Hong Kong Exchanges and Clearing Limited, and from time to time, its subsidiaries (together the "**Group**") (and each being "**HKEX**", "**we**", "**us**" or "**member of the Group**" for the purposes of this Privacy Policy Statement as appropriate) recognise their responsibilities in relation to the collection, holding, processing, use and/or transfer of personal data under the Personal Data (Privacy) Ordinance (Cap. 486) ("**PDPO**"). Personal data will be collected only for lawful and relevant purposes and all practicable steps will be taken to ensure that personal data held by us is accurate. We will use your personal data which we may from time to time collect in accordance with this Privacy Policy Statement.

We regularly review this Privacy Policy Statement and may from time to time revise it or add specific instructions, policies and terms. Where any changes to this Privacy Policy Statement are material, we will notify you using the contact details you have provided us with and, where required by the PDPO, give you the opportunity to opt out of these changes by means notified to you at that time. Otherwise, in relation to personal data supplied to us through the HKEX website or otherwise, continued use by you of the HKEX website or your continued relationship with us shall be deemed to be your acceptance of and consent to this Privacy Policy Statement, as amended from time to time.

If you have any questions about this Privacy Policy Statement or how we use your personal data, please contact us through one of the communication channels set out in the "Contact Us" section below.

We will take all practicable steps to ensure the security of the personal data and to avoid unauthorised or accidental access, erasure or other use. This includes physical, technical and procedural security methods, where appropriate, to ensure that the personal data may only be accessed by authorised personnel.

Please note that if you do not provide us with your personal data (or relevant personal data relating to persons appointed by you to act on your behalf) we may not be able to provide the information, products or services you have asked for or process your requests, applications, subscriptions or registrations, and may not be able to perform or discharge the Regulatory Functions (defined below).

Purpose

From time to time we may collect your personal data including but not limited to your name, mailing address, telephone number, email address, date of birth and login name for the following purposes:

1. to process your applications, subscriptions and registration for our products and services;

2. to perform or discharge the functions of HKEX and any company of which HKEX is the recognised exchange controller (as defined in the Securities and Futures Ordinance (Cap. 571)) ("Regulatory Functions");

3. to provide you with our products and services and administer your account in relation to such products and services;

4. to conduct research and statistical analysis;

5. to process your application for employment or engagement within HKEX to assess your suitability as a candidate for such position and to conduct reference checks with your previous employers; and

6. other purposes directly relating to any of the above.

Direct marketing

Where you have given your consent and have not subsequently opted out, we may also use your name, mailing address, telephone number and email address to send promotional materials to you and conduct direct marketing activities in relation to HKEX financial services and information services, and financial services and information services offered by other members of the Group.

If you do not wish to receive any promotional and direct marketing materials from us or do not wish to receive particular types of promotional and direct marketing materials or do not wish to receive such materials through any particular means of communication, please contact us through one of the communication channels set out in the "Contact Us" section below. To ensure that your request can be processed quickly please provide your full name, email address, log in name and details of the product and/or service you have subscribed.

Identity Card Number

We may also collect your identity card number and process this as required under applicable law or regulation, as required by any regulator having authority over us and, subject to the PDPO, for the purpose of identifying you where it is reasonable for your identity card number to be used for this purpose.

Transfers of personal data for direct marketing purposes

Except to the extent you have already opted out we may transfer your name, mailing address, telephone number and email address to other members of the Group for the purpose of enabling those members of the Group to send promotional materials to you and conduct direct marketing activities in relation to their financial services and information services.

Other transfers of your personal data

For one or more of the purposes specified above, your personal data may be:

1. transferred to other members of the Group and made available to appropriate persons in the Group, in Hong Kong or elsewhere and in this regard you consent to the transfer of your data outside of Hong Kong;

2. supplied to any agent, contractor or third party who provides administrative, telecommunications, computer, payment, debt collection, data processing or other services to HKEX and/or any of other member of the Group in Hong Kong or elsewhere; and

3. other parties as notified to you at the time of collection.

How we use cookies

If you access our information or services through the HKEX website, you should be aware that cookies are used. Cookies are data files stored on your browser. The HKEX website automatically installs and uses cookies on your browser when you access it. Two kinds of cookies are used on the HKEX website:

Session Cookies: temporary cookies that only remain in your browser until the time you leave the HKEX website, which are used to obtain and store configuration information and administer the HKEX website, including carrying information from one page to another as you browse the site so as to, for example, avoid you having to re-enter information on each page that you visit. Session cookies are also used to compile anonymous statistics about the use of the HKEX website.

Persistent Cookies: cookies that remain in your browser for a longer period of time for the purpose of compiling anonymous statistics about the use of the HKEX website or to track and record user preferences.

The cookies used in connection with the HKEX website do not contain personal data. You may refuse to accept cookies on your browser by modifying the settings in your browser or internet security software. However, if you do so you may not be able to utilise or activate certain functions available on the HKEX website.

Compliance with laws and regulations

HKEX and other members of the Group may be required to retain, process and/or disclose your personal data in order to comply with applicable laws and regulations or in order to comply with a court order, subpoena or other legal process (whether in Hong Kong or elsewhere), or to comply with a request by a government authority, law enforcement agency or similar body (whether situated in Hong Kong or elsewhere) or to perform or discharge the Regulatory Functions. HKEX and other members of the Group may need to disclose your personal data in order to enforce any agreement with you, protect our rights, property or safety, or the rights, property or safety of our employees, or to perform or discharge the Regulatory Functions.

Corporate reorganisation

As we continue to develop our business, we may reorganise our group structure, undergo a change of control or business combination. In these circumstances it may be the case that your personal data is transferred to a third party who will continue to operate our business or a similar service under either this Privacy Policy Statement or a different privacy policy statement which will be notified to you. Such a third party may be located, and use of your personal data may be made, outside of Hong Kong in connection with such acquisition or reorganisation.

Access and correction of personal data

Under the PDPO, you have the right to ascertain whether we hold your personal data, to obtain a copy of the data, and to correct any data that is inaccurate. You may also request us to inform you of the type of personal data held by us. All data access requests shall be made using the form prescribed by the Privacy Commissioner for Personal Data ("**Privacy Commissioner**") which may be found on the official website of the Office of the Privacy Commissioner or via this link:

https://www.pcpd.org.hk/english/publications/files/Dforme.pdf

Requests for access and correction of personal data or for information regarding policies and practices and kinds of data held by us should be addressed in writing and sent by post to us (see the "Contact Us" section below).

A reasonable fee may be charged to offset our administrative and actual costs incurred in complying with your data access requests.

Termination or cancellation

Should your account or relationship with us be cancelled or terminated at any time, we shall cease processing your personal data as soon as reasonably practicable following such cancellation or termination, provided that we may keep copies of your data as is reasonably required for archival purposes, for use in relation to any actual or potential dispute, for the purpose of compliance with applicable laws and regulations and for the purpose of enforcing any agreement we have with you, for protecting our rights, property or safety, or the rights, property or safety of our employees, and for performing or discharging our functions, obligations and responsibilities.

General

If there is any inconsistency or conflict between the English and Chinese versions of this Privacy Policy Statement, the English version shall prevail.

Contact us

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Personal Data Privacy Officer
Hong Kong Exchanges and Clearing Limited
8/F., Two Exchange Square
8 Connaught Place
Central
Hong Kong

By Email:
DataPrivacy@HKEX.COM.HK

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