

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/May-2019-Review-of-ESG-Guide/Consultation-Paper/cp201905.pdf>.

Where there is insufficient space provided for your comments, please attach additional pages.

Timeframe for Publication of ESG Reports

1. Do you agree with our proposal to amend Main Board Listing Rule 13.91 and GEM Listing Rule 17.103 to shorten the time required to publish an environmental, social and governance (“**ESG**”) report from three months after the publication of the annual report to within four months for Main Board issuers or three months for GEM issuers from the financial year-end date?

Yes

No

Please give reasons for your views.

Issuers engaging independent assurance of ESG reports will require more time for the ESG information to be reviewed and verified. Therefore, the current ESG reporting timeline, i.e. within three months after the publication of the annual report, should be retained.

Assigning the same deadline for the ESG report and the annual report may also strain issuers' resources, potentially leading to the unintended consequences of lowering the quality of the reporting and discouraging issuers from adopting international best practice reporting standards such as GRI.

Printed Form of ESG Reports

2. Do you agree with our proposal to amend the Listing Rules and the Guide to clarify that issuers are not required to provide printed form of the ESG report to shareholders unless responding to specific requests, but are required to notify shareholders that the ESG report has been published on the Exchange's and the issuer's websites?

Yes

No

Please give reasons for your views.

While it should be clarified that issuers are not required to provide printed form of the ESG report to shareholders, notification to shareholders of the expected or actual publication date of the ESG report may be included in the Company's annual report (instead of requiring issuers to separately notify its shareholders that the ESG report has been published). This saves the need and avoids the environmental impact of printing and posting notification letters to large numbers of shareholders every year.

Furthermore, an issuer should be permitted to publish its ESG report by means of posting a weblink on the Exchange website (in lieu of PDF or Word documents), which links to the ESG report webpages on the issuer's website, which allows for more flexible use of animation tools for ESG information presentation.

This will require amendments to Main Board Listing Rules 2.07C(2) and 13.91(5) and paragraph 3 of Appendix 27 to the Main Board Listing Rules, under which ESG reports may only be published in either PDF or Word formats.

Introducing Mandatory Disclosure Requirements

General

3. Do you agree with our proposal to amend the Guide to introduce Mandatory Disclosure Requirements (“MDR”)?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 74 to 93 of the Consultation Paper.

Governance Structure

4. If your response to Question 3 is positive, do you agree with our proposal to introduce an MDR requiring a statement from the board containing the following elements:

(a) a disclosure of the board’s oversight of ESG issues?

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

(c) how the board reviews progress made against ESG-related goals and targets?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 74 to 93 of the Consultation Paper.

The proposed MDR will encourage greater board oversight of ESG. However, clarity is needed from the Exchange as to whether this needs to be in the form of a separate explicit "statement" from the board or whether the disclosure may be included elsewhere in the report.

5. Do you agree with our proposal to set out in a note that the board statement should include information on the issuer’s current ESG management approach, strategy, priorities and goals/targets and an explanation of how they relate to the issuer’s businesses?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 74 to 93 of the Consultation Paper.

The proposed MDR will encourage greater board oversight of ESG. However, clarity is needed from the Exchange as to whether this needs to be in the form of a separate explicit "statement" from the board or whether the content may be included elsewhere in the report.

Reporting Principles

6. Do you agree with our proposal to amend the Guide to introduce an MDR requiring disclosure of an explanation on how the issuer has applied the Reporting Principles in the preparation of the ESG report?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 74 to 93 of the Consultation Paper.

This proposal will allow investors to better understand the materiality / relevance of the ESG issues disclosed by a listed issuer, and will help listed issuers in developing relevant stakeholder engagement processes and strategies to address any material ESG issues.

While an explanation of how the materiality principle has been applied and the processes used to calculate the quantitative metrics might be straightforward, an explanation of how consistency and balance has been applied could be more difficult.

7. Do you agree with our proposal to amend the Reporting Principle on “materiality” to make it clear that materiality of ESG issues is to be determined by the board and that the issuer must disclose a description of significant stakeholders identified, the process and results of the issuer’s stakeholder engagement (if any), and the criteria for the selection of material ESG factors?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 74 to 93 of the Consultation Paper.

Clarity is needed as to whether material issues should be determined through a materiality process and then approved/validated by the board.

8. Do you agree with our proposal to amend the Reporting Principle on “quantitative” to:

(a) require disclosure of information on the standards, methodologies, assumptions and/or calculation tools used, and source of the conversion factors used for the reporting of emissions/energy consumption (where applicable); and

(b) clarify that while key performance indicators (“KPIs”) for historical data must be measurable, targets may be expressed by way of directional statements or quantitative descriptions?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 74 to 93 of the Consultation Paper.

Reporting Boundary

9. Do you agree with our proposal to amend the Guide to include an MDR requiring an explanation of the ESG report’s reporting boundary, disclosing the process used to identify the specific entities or operations that are included in the ESG report?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 74 to 93 of the Consultation Paper.

Disclosures of methodologies, assumptions and/or calculation tools and conversion factors used should be in the form of descriptions and references (rather than full texts of technical details), which are more suited to the reader.

Introducing Aspect on Climate Change and Revising the Environmental KPIs

Climate Change

10. Do you agree with our proposal to introduce a new Aspect A4 requiring:
- (a) disclosure of policies on measures to identify and mitigate the significant climate-related issues which have impacted, and those which may impact the issuer; and
 - (b) a KPI requiring a description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 94 to 106 of the Consultation Paper.

To facilitate issuers' compliance with the proposed new disclosure requirements, it would be helpful if the Exchange could provide (a) datasets of business sector specific climate-related issues and data (e.g. projected frequency and severity of flooding etc.), and (b) standards or assumptions to be used for assessing the financial / non-financial impact caused by such issues, in line with the TCFD. Otherwise, it may be difficult for investors to understand or assess the true impact on a particular issuer if different issuers measure the issues based on different datasets, standards or assumptions.

Targets

11. Do you agree with our proposal to amend the Environmental KPIs to require disclosure of a description of targets set regarding emissions, energy use and water efficiency, waste reduction, etc. and steps taken to achieve them?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 94 to 106 of the Consultation Paper.

GHG Emissions

12. Do you agree with our proposal to revise an Environmental KPI to require disclosure of Scope 1 and Scope 2 greenhouse gas (“**GHG**”) emissions?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 94 to 106 of the Consultation Paper.

Upgrading the Disclosure Obligation of the Social KPIs

13. Do you agree with our proposal to upgrade the disclosure obligation of all Social KPIs to “comply or explain”?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 107 to 112 of the Consultation Paper.

Revising the Social KPIs

Employment Types

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

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 113 to 123 of the Consultation Paper.

Rate of Fatalities

15. Do you agree with our proposal to amend the KPI on fatalities to require disclosure of the number and rate of work-related fatalities occurred in each of the past three years including the reporting year?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 113 to 123 of the Consultation Paper.

Supply Chain Management

16. Do you agree with our proposal to introduce the following new KPIs in respect of supply chain management?

(a) Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.

(b) Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 113 to 123 of the Consultation Paper, to the extent that the proposed new supply chain management KPI should only apply to those suppliers which have a significant impact on a listed issuer's business.

Anti-corruption

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

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 113 to 123 of the Consultation Paper.

Encouraging Independent Assurance

18. Do you agree with the proposal to revise the Guide's wording on independence assurance to state that the issuer may seek independent assurance to strengthen the credibility of ESG information disclosed; and where independent assurance is obtained, the issuer should describe the level, scope and processes adopted for assurance clearly in the ESG report?

Yes

No

Please give reasons for your views.

We agree with the reasons set out in paragraphs 124 to 128 of the Consultation Paper.

- End -