

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.

Having both timely financial and ESG information available is key to be able to get a complete picture of the company's economic, environmental and social impacts. GRI's Principle of Timeliness also articulates the value of aligning the schedules for sustainability reporting and other forms of reporting, in particular financial reporting to provide a complete picture.

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.

GRI supports this proposal as it reduces the use of resources by the company. However, this also means that specific attention needs to be given to making sure that the reported ESG information is easy to find online. This is in line with GRI's Principle on Clarity that states, among other things, that stakeholders should be able to find the information they want without unreasonable effort.

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.

GRI supports the introduction of mandatory reporting requirements if the HKEX has determined that the reporting environment is in a state where listed companies are ready and willing to make this next step.

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.

GRI supports the decision to ask for a statement. Leadership is essential to successfully managing an organizations economic, environmental and social impacts.

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.

These elements are also a key part of the core disclosures of the GRI Standards 102: General Disclosures and GRI 103: Management Approach. Reporting organizations are expected to provide sufficient information to report users to understand its approach to managing material topics and its impacts.

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.

It is particularly relevant to address the application of the Reporting Principles as ESG reporting can be very company specific. Due to this specific nature, an explanation of the application of principles helps report users better understand how the report content was defined, and facilitates comparability over time. As previous research by GRI implies, the application of reporting principles merits scrutiny. Therefore the requirement to report on this can motivate reporting organizations to give the principles more thought and boost the quality of disclosures. Source: <https://www.globalreporting.org/resourcelibrary/A-Closer-Look-At-Water-and-GHG-Emissions-Disclosure.pdf>

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.

As mentioned in the previous question, sustainability issues are company specific. Therefore the organization itself is best positioned to determine the material issues. It needs to be very clear however, that although the board sets the material issues, it should be based on their engagement with the company's relevant stakeholders.

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.

GRI agrees with this amendment. Disclosure of this type of information is essential to be able to meaningfully compare disclosures from a particular company over time and has the potential to increase the comparability with peers. It will also support the tracking of progress towards targets that have been set.

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.

A clear explanation of what entities and operations are covered by the report is essential for information to be decision-useful, therefore GRI agrees with this inclusion.

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.

GRI recommends to also ask for disclosure of policies on the management of the company's impacts on the climate. This will increase the understanding of the company's interaction with the climate and help them assess their ability to create value over the long term. Focusing on only the risks for the company will not guarantee a shift to a green economy and sustainable development if the company either does not see them as material or does not understand how it is contributing to the issue itself.

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.

Yes, targets can show the commitment the organization has in managing their impacts. Targets are most meaningful when there is a clear explanation of how the organization defined the target, this can for example be done by putting the targets in the perspective of the Sustainable Development Goals or the Paris Agreement.

Specifically related to water, GRI has updated its GRI 303: 2016 Water reporting standard in 2018 to GRI 303: Water and Effluents 2018. In this update, water efficiency as well as water recycling are not included in the Standard. The reason for this is that the group reviewing experts determined that these are not essential metrics to understand whether and organization has an impact on water resources or not. E.g. an organization might be reporting high water efficiency or recycling rate, but still withdraw water from a water stressed area contributing to its depletion. Therefore GRI recommends HKEX to take note of the updated reporting standard and may consider including additional KPI's in line with the new reporting standard. The standard can be found here: <https://www.globalreporting.org/standards/gri-standards-download-center/gri-303-water-and-effluents-2018/>

The updated reporting standards GRI 303: Water and Effluents 2018 aimed to further align with internationally-agreed best practice and recent development in water stewardship and reporting as existing concepts and methodologies for measuring and managing water have evolved significantly in recent years. The revised reporting standard reflects the shift towards the adoption of context-based water targets and metrics Where possible, the new reporting standard is aligned with the CDP Water Questionnaire and the CEO Water Mandate Corporate Water Disclosure Guidelines.

Further, new content is added:

- (1) To focus on how water is managed as a shared resource and how impacts are managed at a local level.
- (2) Revision of the water discharge content for more detailed reporting on the quality of water discharges.
- (3) Inclusion of a new disclosure on water consumption
- (4) Greater emphasis on measuring impacts in areas with water stress
- (5) Inclusion of new quantitative content to report impacts in the value chain
- (6) Inclusion of new recommendations to report facility-level information for water withdrawal and water consumption.
- (7) Expansion of guidance throughout the Standard, with the inclusion of example table for presenting the data in a consolidated way, new updated definitions to align all key concepts and terms used in the Standard, and recommended formulas for calculating the data.

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.

GRI agrees that HKEX should require disclosure of Scope 1 and Scope 2 greenhouse gas (GHG) emissions. GRI recommends to also take note of Scope 3 greenhouse gas emissions. For some organizations, GHG emissions in this scope can be much greater than their direct (Scope 1) or energy direct (Scope 2) emissions. therefore we recommend to include the consideration of Scope 3 to the environmental KPI. Although this is an emerging practice and there are many challenges, stakeholders, including investors, are increasingly interested in understanding the impacts that a company has throughout its entire value chain. Source:
<https://www.globalreporting.org/resourcelibrary/A-Closer-Look-At-Water-and-GHG-Emissions-Disclosure.pdf>

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.

If indeed the HKEX found that companies have limited disclosure on this topic when it is presented as recommended, making it comply or explain can further stimulate transparency on the social KPI's.

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.

GRI supports this change, which is in line with definition of "employment type" in the GRI Standards.

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 recommend that two separate figures be required, for fatalities as a result of work-related injuries, and fatalities as a result of ill health (or illnesses/diseases) - in line with the GRI 403: Occupational Health and Safety 2018 reporting standard. The rationale behind this is that fatalities of work-related ill health represent the large majority of fatalities at work. However, cases of work-related ill health are often not reported, as compared with work-related injuries. By separating these data, it will help bring work-related ill health to the attention of reporting organizations.

Additionally for HKEX's Social KPI requirements:

For KPI BP2.2, GRI disagrees with the inclusion of lost days due to work in injury. We propose replacing this with two metrics (1) the number and rate of high-consequence work-related injuries (excluding fatalities). (2) the number and rate of recordable work-related injuries. See GRI 403: Occupational Health and Safety 2018 reporting standard for definitions and guidance on how to calculate these data. Evidence shows that lost time injuries don't capture all injuries that have a significant impact on workers' health, and the way they are calculated hides disabling, but non-fatal, injuries. Source: <https://medium.com/@GlobalReportingInitiative/can-new-metrics-stop-safe-wash-57f51632a769>

HKEX may also consider including additional KPI's in line with GRI 403: Occupational Health and Safety 2018 reporting standards, such as the implementation of an occupational health and safety management system in line with recognized risk management and/or management system standards/guidelines, or disclosure of work-related hazards identified. The reporting standard can be found here: <https://www.globalreporting.org/standards/gri-standards-download-center/gri-403-occupational-health-and-safety-2018/>

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.

GRI supports the introduction of the KPIs but recommends additional disclosure on the actions taken if negative environmental and social impacts in the supply chain have been identified, e.g. plans for improvement, or termination of relationships. This is in line with GRI 308: Supplier Environmental Assessment 2016 and GRI 414 Supplier Assessment 2016.

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.

GRI supports the inclusion of this KPI. Communication and training about anti-corruption policies and procedures are part of the GRI 205: Anti-corruption. Training, and communication about this training, builds the internal and external awareness and the necessary capacity to combat corruption.

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.

This is in line with GRI's advice to use external assurance as a way to enhance the credibility of the report. In addition to this, an organization can have systems of internal controls in place. These internal systems are also important to the overall integrity and credibility of the report.

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