

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.

Shortening the timeframe for publication of ESG reports will make the data more relevant. Issuers should increasingly be considering ESG data as part of their risk management as opposed to a 'tick-box' exercise.

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.

Saves paper and costs. Reviewers of the report can choose to download from the corporate website directly.

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.

Increases accountability of board leadership and increases the data available and hence trust within the investment community.

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.

Improves the integration of ESG data as part of an issuer's decision making process and increases accountability of the board, increases the data available and hence trust within the investment community.

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.

Strengthens the role of ESG integration with financial reporting as part of the decision-making process for a company, and increases the data available and hence trust within the investment community. We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

Strengthens the role of an ESG report beyond the 'tick-box' approach, which was found in many issuers in 2016/2017, i.e. high compliance, but lacking in quality. We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

Currently there is a a high rate of compliance, but potentially irrelevant information are being disclosed without data to support statements. Materiality assessments help companies strategise and think about their ESG approach.

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.

For Part (a), increase comparability of data. Where a methodology has changed, it is easier for an issuer to track, disclose and justify any incorrect information or variances in their data, e.g. on an annual basis.

For Part (b), yes - target settings, regardless of qualitative or quantitative will give the issuer a sense of purpose and direction and make them accountable to their stakeholders.

We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

Transparency will enable easier comparisons, or justifications where processes may have changed over time. We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

Yes, especially because an issue like 'climate change' risk is often long-term, some companies may not be mature yet in their thinking of how this will affect them. Therefore, a new Aspect A4 disclosure will also be beneficial to companies in their long-term risk management. For investors, they will be able to leverage ESG data for valuation, e.g. on assets and their vulnerability to long-term climate change (e.g. typhoons and insurance coverage).

We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting in regards to Aspect A4 alongside the other KPIs noted in Appendix 27 for ESG reporting.

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, target settings in these areas and approaches to achieving them will facilitate the strategy and decision-making of an issuer. We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

Disclosure of GHG Scope 1 and 2 emissions will make ESG data more comparable - in the long-term, create industry benchmarks for easier comparison on performance.

However, in line with this, updates or methodology disclosure of Appendix 2 (Environmental KPI) calculations by the HKEx may also help issuers better understand how to calculate their GHG emissions or which emission factors to select.

We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

Data should be more easily accessible. Social data has an impact on a company's productivity levels, and impacts investors' willingness to invest.

However, with the recent regulations on GDPR in the UK, and HK's PDPO, the HKEx may wish to provide guidance on this information and how that impacts their social KPI disclosure, especially relating to staff information.

We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

Standardisation on definitions will make for easier comparison.

We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

Yes. Historical data (over 3 years) will help track the performance and risk mitigation over time. Management should be able to use this information to strategise and improve EHS in the workplace. Increases accountability of contractors as well.

We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

The Supply Chain risk is also a company's risk. The justification is that over the years, there has been whistleblowing on poor supply chain risk management, which impacts the main company's performance and profitability especially among consumers.

We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

Provides a practicable action for a sensitive topic such as anti-corruption, which companies may otherwise be less willing to disclose (or unsure how to due to potential differences in how 'anticorruption' is defined).

We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

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.

The assurer can provide improvement opportunities for an issuer.

We feel that this note should also include what Technology they are using to digitalise the data, automate the process and increase internal and external reporting.

This can help with data gap that is needed when issuing green bonds to get pricing.

- End -