

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.

As investors we believe it’s important for listed companies to provide timely information consistent with the timing of the audited annual report..

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.

Carbon footprint is important. Electronic distribution is also more transparent, fast, and equitable

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.

It's inline with global trends and will keep Hong Kong credible as a market for sustainable investing

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.

These ESG Disclosure need to be material to the business, ideally to global standard and relevant to our interests as long term investors.

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.

It is very important to monitor the progress over several years

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 are happy to see this proposal. An ESG Mandatory Disclosure requirement can help listed company manage the expectations of stakeholders, including investors, customers, employees and the wider community. With respect to its ESG performance, it can communicate strengths and weaknesses of current efforts.

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.

Materiality is very important. It identifies and evaluates the sustainability issues that matters most to all businesses and the stakeholders. There are substantial resources available concerning materiality and it's important for us as investors to understand how the board assesses different issues.

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.

It is important to disclose quantitatively. This allows us to monitor the trends over several years. However it is also important that the measures are material to the business. The disclosure of standards, methodologies, and assumptions are useful because it allows external parties to assess the quality of the figures being disclosed.

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.

Investors would expect the company to identify and disclose any entities included in the company’s consolidated financial statements that are not covered by the ESG report.

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.

Climate change is a high priority ESG issue facing investors. Smart climate change policies can help investors protect portfolios from climate-related risks and increase awareness of investment opportunities in the shift to a low-carbon and greener economy.

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.

It is essential for investors to observe the progress of the companies on a regular basis in regards to environmental KPI's. We suggest HKEx can take a reference from the Sustainable Development Goals and associated targets adopted by the General Assembly of the United Nations in September 2015

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.

Most of the largest companies in the world now account and report on the emissions from their direct operations (scopes 1 and 2). It’s a reasonable target for disclosure. We should realistically also expect to have Scope 3 globally at some point in the future.

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.

It makes sense to implement comply or explain. Social KPI is still developing and there is no one size fit all standards yet.

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.

To give a full picture, it makes sense to include full time and part-time staff.

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.

The reporting on Occupational health and safety has always been a concern. It makes sense to amend the KPI on fatalities including employees and contractors who are working at a place under the company’s control.

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.

Yes. Sustainable supply chain management requires companies to regularly evaluate their contractual relationships with their suppliers to ensure that suppliers are meeting ESG targets and disclosing ESG data. As supply chains can be highly complex and often span many countries, it exposes them to risks.

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.

Hong Kong is a leading international financial centre. Any corruption erodes the level-playing field. It would undermine the core value of fairness and impede the efficient operation of the market. At the listed-company level, board members and senior management should recognise the cost of corruption is not limited to the financial loss but could also result in reputational risk, business risk and business failure. Setting a KPI in regards to corruption can develop proper risk mitigation strategies for companies across the board. .

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.

Traditionally only financial information was subjected to independent assurance but we think independent assurance in ESG information can provide greater confidence to stakeholders about the quality of an organization's reporting, independent credibility to key performance data and other information disclosed in sustainability reports. It can increase the integrity of key information and enhance data collection and reporting processes and act as a tool for mitigating against the risk of the release of potentially misleading or inaccurate information..

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