

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.

We believe that the proposed change would enable the report readers to access the ESG information in a more timely manner; but at this stage, we see ensuring meaningful reporting and the quality of reports as a more pressing issue than the reporting timeline. As we understand, a large number of issuers are still at an early stage of developing and managing ESG issues and ESG reporting. Resources allocated for ESG/ESG reporting are usually insufficient. We are concerned that shortening the time required to publish an ESG report might make it more tempting for issuers to make reporting a box ticking practice and will make it more challenging to prepare the report without compromising the quality. We would welcome an adjustment of the reporting timeline in future once the majority of issuers have established robust reporting systems and good practices.

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.

We strongly agree with the proposed new practice as it serves the same purpose and is much more environmentally friendly.

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 welcome the introduction of MDR as we see it as a useful tool to ensure that critical matters are disclosed.

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 believe this would enhance the accountability of the board on ESG.

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 believe that the proposed change would encourage:
a) Boards of directors to take a more proactive role and be more involved in ESG related matters;
b) Companies to move towards meaningful reporting and away from box-ticking exercises.

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 believe the proposed change would enable issuers to move away from box-ticking and towards meaningful 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.

We believe the proposed change would enhance accountability.

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 (a) but disagree with (b).

We believe the proposed change on (a) would enhance credibility and comparability.

For the proposed change on (b), we believe both KPIs for historical data and targets should be measurable. We understand that sometimes ESG targets could not all be quantified, but if the targets are not measurable, it's difficult to track progress and hold the issuers accountable on taking effective actions towards real improvements. We concern that if issuers are allowed to describe ESG targets only in directional statements, those statements might turn out to be only be empty words that lead to no change in practices or performance.

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 strongly agree.

We believe the proposed change would enable investors and other report readers to put the report contents and data into context, and prepare us for better comparable disclosures in the next stage.

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 believe the proposed change would enable investors and other report readers to better understand the company's exposure to climate related risks and opportunities and how the company is managing them.

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 that requiring disclosure of targets on Environmental KPIs would be beneficial, but we believe that it would be much more meaningful for these targets to be quantitative, instead of descriptive.

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 believe the proposed change would be beneficial for investors and other report readers and it should not be too challenging for issuers to achieve.

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 believe that the majority of Social KPIs are already in the issuers' operational, management metric, and the proposed change would encourage them to have a fuller view on how the material social factors are impacting the business and where improvements are needed.

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 believe the proposed change would encourage issuers to review their human resources practices and performance from a more holistic perspective.

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 believe this social matter is material and should be reported by issuers; and we welcome the disclosure of data in each of the past three years to ensure comparability.

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 believe the ESG risks along supply chain could have significant impact on the issuers but only a small number of issuers have extensive understanding on these impact and managing them proactively. We believe the proposed change would encourage more issuers to evaluate ESG risks and opportunities throughout their whole value chain.

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 believe the proposed change would help investors and other report readers to understand how well the issuers are managing risk around corruption. Meanwhile, we would welcome the introduction of other KPIs that measure the effectiveness of anti-corruption policies and practices.

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 believe the proposed change would enhance the quality and credibility of reports.

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