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Hong Kong Exchanges and Clearing Limited  
8th Floor, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong  
Email: [response@hkex.com.hk](mailto:response@hkex.com.hk)

**Submission on the Consultation Paper on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules**

**Question 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?

We agree that ESG report should be published at the same time, and we have seen more and more issuers have moved the ESG publishing timeline towards their Annual Report.

**Question 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. There is no point of printing hard copies of ESG report if we are urging issuers to conserve resources consumption.

Also, it is critical for HKEX to clarify if an issuer can simply post a link on the Exchange website or a statement with a link to the ESG webpages on the issuer's website, showing all required disclosures, as well as interactive features to enhance readability of the report.

**Question 3:** Do you agree with our proposal to amend the Guide to introduce Mandatory Disclosure Requirements (MDR)?

We agree the introduction of MDRs. Also, we hope HKEX should consider the impact happening along the supply chain. Currently, HKEX has shied away from mentioning this anywhere in the ESG reporting guide. Issuers can conveniently ignore the impact created along their supply chain if they are not adopting GRI Standards.

**Question 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 disclosure of the board’s oversight of ESG issues?
- the process used to identify, evaluate and manage material ESG-related issues (including risks to the issuer’s businesses); and
- how the board reviews progress made against ESG-related goals and targets?

Yes, although more guidance from HKEX should be provided on bullet point #3 for especially issuers with limited impact on E, S and G.

We also suggested that the issuers should appoint an INED with knowledge of ESG to form an ESG committee. The ESG report needs to be signed off by the committee before publishing. The committee has overall responsibility for the authentication of all contents in the ESG report on behalf of the board.

No one cares about point 8 and point 9 of Appendix 27 now.

**Question 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. ESG is not something external to an issuer’s operation. ESG issues emerge on a daily basis. It is, therefore, critical for the issuers to dig deep into identifying what impacts they are creating on E, S and G, and then to explain that correlation.

We believe this provide a good intersection with the Integrated Reporting Framework where issuers are asked to explain the “input-outcome” relationship.

**Question 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. While 'Materiality', 'Consistency' and 'Quantitative' are relatively easy to explain how the issuer has applied, we might need further clarification from HKEX on how to explain the application of the 'Balance' principle.

**Question 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?

HKEX should make it clear that materiality is to be determined by the board only after thorough and ongoing engagement with stakeholders. HKEX should consider making reference to AA1000 stakeholder engagement standard here i.e. materiality, responsiveness and inclusivity.

**Question 8:** Do you agree with our proposal to amend the Reporting Principle on "quantitative" to:

- 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
- 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?

We agree with 8a and believe that the disclosure should be allowed in a format of footnote.

For 8b, we believe by setting target, it is important that those targets are measurable. If targets are presented in a directional statement, albeit its flexibility, we are concerned that the information may present little or no value for institutional investors.

**Question 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?

In addition to disclosing the process, MDR should require issuers to explain why certain entities or operations are excluded, especially if those that pose significant risks on E, S or G.

**Question 10:** Do you agree with our proposal to introduce a new Aspect A4 requiring:

- 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
- 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?

We are supportive of the introduction of A4 Climate Change. However, currently A1 GD requires disclosure on polices relating to GHG emissions which seems a bit of overlapping with A4. Going forward, HKEX should consider moving A1.2 and carbon reduction target setting to A4, and then renaming A1 to “Air Emissions, Effluent & Wastes”.

**Question 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?

We support requiring disclosure of targets and steps taken to achieve targets. HKEX should make reference to UK’s Streamlined Energy & Carbon Reporting Framework (SECR) here. Under SECR, companies consuming less than 40,000 kWh are exempt from disclosing.

**Question 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, we agree with the revision.

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

Yes. Social KPIs should not be viewed as less important.

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

Yes. We are supportive of the clarification. Also, HKEX should clarify if staff from labour outsourcing service providers should be included. If yes, corresponding impact on B2, B3 and B4 should be reflected in issuer’s report.

**Question 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. For issuers who have work-related fatalities as material aspects, HKEX should require issuers to disclose this KPI not only within the issuer’s operations but also along its supply chain.

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

- Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.
- Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.

We are supportive of strengthening the efforts on identifying supply chain risks. Requiring issuers to describe practice used, however, has little value offered to stakeholders including NGOs and institutional investors. HKEX should consider requiring issuers to disclose number of supplier audit conducted and the results achieved.

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

Yes.

**Question 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. But we believe it is too late too little, and therefore has little impact on making ESG data of issuers more ready for institutional investors as it is only a change in the Guide’s wording. HKEX should start developing an assurance standard for ESG reports and target to implement it within 3 years.