

## 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.

The Company currently publishes its ESG report along with the annual report.

However, in general, ESG reporting is a complex subject which requires considerable amount of time, labour and other resources to gather the relevant information. We would therefore encourage the Exchange to be flexible in formulating the ESG reporting timeframe so as to allow the issuers to make quality ESG reports.

### 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.

## 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.

The proposal ignores (i) the situation that the issuers in Hong Kong generally are not well placed to comply with the proposed mandatory disclosure requirements ("MDR") at this stage and (ii) the dissenting views of the general stakeholders. A recent survey of the Company's independent shareholders revealed that many individual shareholders view such reporting as wasting Company resources. There are also voices from the market clarifying that not all of the issuers in Hong Kong would benefit from the alleged consideration of attracting "green" capital from institutional investors.

ESG reporting is relatively new to Hong Kong. Issuers in Hong Kong have only started publishing their separate ESG reports since year 2016, and reporting on Environmental KPIs since year 2017. Whilst most of the issuers are struggling to find out how to produce compliant ESG reports in the most effective way (in terms of time, costs and otherwise) and to set up and fine tune their processes based on the limited experience accumulated during the past few years, the more fundamental issue relating to ESG reporting seems to be that the issuers in Hong Kong generally do not fully appreciate the policy objective of ESG reporting and doubt why ESG reporting is considered beneficial and justifying the work.

While the Company's management views ESG reporting as having certain value, implementation of the MDR prematurely when the issuers in general are not ready will not only fail to promote meaningful and concise ESG reporting but will also be seen as ignoring certain stakeholders' concerns.

With a view to improve ESG reporting in Hong Kong in a healthy way in alignment with the global trend, it appears that the focus/priority for now should be placed on achieving "buy-in" from the issuers and individual shareholders through education and training on "why ESG is considered beneficial to the issuers, the stakeholders, and the market" and "how to generate quality and meaningful ESG reports in the most effective way having regard to the various corporate strategy, business nature and scale of the issuers".

We would therefore encourage the Exchange to be open and flexible in formulating the ESG reporting framework and timeline in Hong Kong.

### 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.

For nearly a decade, the Company has a Board member overseeing ESG issues on the Company's ESG committee.

However, focusing on the healthy development of the ESG reporting framework and timeline in Hong Kong, the Company in principle disagrees with the MDR for the reasons stated in our responses to Question 3.

Taking the MDR in relation to ESG related risks as an example, ESG related risks are potentially some of the many risks of the issuers which may or may not be material to the issuers' business. We would like to stress that issuers should be given the flexibility and discretion to identify and prioritise risks having regard to their corporate strategy and business nature. Highlighting ESG related risks which may not be material to the business of issuers would mislead shareholders as to the risk priorities of the issuers.

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.

In principle, the Company disagrees with the MDR for the reasons stated in our responses to Question 3.

### 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.

In principle, the Company disagrees with the MDR for the reasons stated in our responses to Question 3. Individual issuer will make the necessary disclosures if it sees value for its shareholders or potential investors.

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.

There is no necessity to amend the definition of "materiality" as that could be determined as ESG reporting and its impact on the issuers evolves. Issuer will disclose the necessary criteria if it sees value for its shareholders or potential investors.

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.

Please see our responses to Question 3.

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.

In principle, the Company disagrees with the MDR for the reasons stated in our responses to Question 3. Individual issuer will make the necessary disclosures if it sees value for its shareholders or potential investors.

## 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.

While climate change is important, the impact and variations to climate change are debated. Mitigation measures are moving targets which may make the Board susceptible to future claims even with educated and scientific modeling.

### 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.

Please see our responses to Question 3.

## 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.

While the Company already discloses Scope 1 and Scope 2, the Company disagrees with the MDR in principle.

## **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.

The Company would like more time to discuss with its shareholders on the proposal to upgrade disclosure of social KPIs as the gathering and reporting of these information will require additional resources.

## 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.

While the Company currently reports by such employment types, this only gives a snapshot to the reader as the make-up of these staff is subject to seasonal and cyclical changes.

### 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.

As a conglomerate, these numbers do not reflect industry issues.



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.

Supply chain management are important to corporate governance and make appropriate risk management.

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.

## 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.

In the current market, there is insufficient ESG talents in the industry. It is of higher priority for issuers to attract ESG talents into the issuers themselves so as to promote ESG culture from within rather than having issuers outsource their ESG responsibilities to external consulting or independent firms.

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