

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.

<p>We believe that the alignment of timeframe requirement on the publication of annual reports and ESG reports would bring consistency on publication time of corporate documents which would be beneficial to the shareholders and investors at large. However, due to the complexity in data collection and technical nature in setting some targets, it is recommended to give more time buffer for preparing the ESG report.</p>
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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.

ESG reports are important documents to shareholders, investors and other stakeholders. We are of the view that it should be treated like other announcements, circulars or documents to be published on the websites of the Exchange and the listed issuers. From the environmental point of view, we trust that shareholders, investors and other stakeholders can be encouraged to view the ESG reports online.

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.

Environmental and social issues are gaining attention by shareholders, investors and other stakeholders in recent years. The introduction of MDR may allow them to assess different listed issuers' ESG governance and disclosures on a common ground or scope. However, consideration must be made on whether specific requirements set out in the Guide will become box-ticking exercise for listed issuers.

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 that the board is ultimately responsible for the oversight of a listed issuer in all respects, including ESG-related matters and the disclosure of the same in the ESG report would be beneficial to the shareholders, investors and other stakeholders.

In respect of the proposed introduction, we believe that it would give a better understanding of the shareholders, investors and other stakeholders on the listed issuer's management of ESG-related matters.

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.

Guidance notes on information to be included in the ESG reports given by the Exchange are always welcome by listed issuers but it may become minimal disclosures by some listed issuers.

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 that the proposed amendment will enable a better understanding on the issuers' ESG matters by shareholders, investors and other stakeholders. Such amendment will improve clarity of ESG reports and allows shareholders, investors and other stakeholders to assess various listed issuers' management of ESG-related matters on a comparable basis.

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 that Hong Kong listed issuers' ESG reports and their selection of material ESG factors in the reports should have been reviewed and approved by their boards before the publication of reports. The suggested amendment will help align the quality of Hong Kong issuers' ESG reports on areas such as stakeholder inclusiveness, sustainability context, materiality, completeness, comparability, and reliability, etc, providing more comprehensive information to the shareholders, investors and other stakeholders.

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 that the proposed amendment will facilitate better understanding of the information provided in an ESG report. We also agree that KPIs should be measurable and targets may be expressed by way of directional statements or quantitative descriptions.

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 believe that the proposed amendment will add clarity and accuracy to all ESG reports.

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.

With the increased concern and focus on climate change globally, we understand the investors' demand on the disclosure of such information. However, climate-related data are sometimes technical in nature which may impose additional burden to listed issuers especially on small-to-medium sized issuers when collecting and presenting meaningful information in the ESG report. The more important issue is to avoid the disclosure becoming a box-ticking exercise for listed issuers.

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.

With the global focus on climate change, we trust that provision of information on targets on emissions, energy use and water efficiency, waste reduction and steps taken to achieve these targets may be beneficial to drive listed issuers to understand and develop their strategies on environmental issues. However, environment-related data are sometimes technical in nature which may impose additional burden to listed issuers especially on small-to-medium sized issuers when collecting and presenting meaningful information in the ESG report. The more important issue is to avoid the disclosure becoming a box-ticking exercise for listed issuers.

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.

The disclosure of GHG emissions data provides the public with more information of a listed issuer's environmental performance. Shareholders, investors and other stakeholders may also have a more comparable basis in assessing different listed issuers. Yet, collection of GHG emissions may be technically and practically very challenging for most listed issuers especially small-to-medium sized issuers.

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.

With the increased public concern on listed issuers' good corporate citizenship and more transparent disclosures, the proposed amendment will allow the public to assess listed issuers in terms of their social responsibility and operation sustainability through ESG reports.

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.

The proposal will give clearer guideline to listed issuers when preparing the ESG reports and it may benefit the shareholders, investors and other stakeholders when making comparison on and assessment between listed issuers.

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.

Fatalities information disclosure in the ESG reports will give details of safety practice of the listed issuers to the shareholders, investors and other stakeholders. Disclosure of such information may also drive improvement in identification of hazards and assessment of risks by the listed issuers.

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 disclosure on the practices adopted to identify environmental and social risks along the supply chain may increase the awareness of the listed issuers in ESG risks on their suppliers and in its procurement practices. Yet, consideration has to be made on the additional burden placed on listed issuers, especially small-to-medium sized issuers in implementing and monitoring the same along its supply chain. The difficulty for listed issuers in collecting relevant data from suppliers should not be underestimated especially when such suppliers do not gather or have such information.

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.

Anti-corruption is an important aspect in a company's culture and ethic which accounted for a vital part in the sustainability of that company. We trust that training to directors and staff is essential for the establishment of a sound corporate culture and the data on training will allow the shareholders, investors and other stakeholders to evaluate a listed issuer's effort and approach to anti-corruption.

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.

While independent assurance can increase the credibility of ESG information disclosed, voluntary engagement by listed issuers can give flexibility to listed issuers on deciding if and when such assurance is required.

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