

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 support this in principle. Aligning the timeframe such that the sustainability report will be published close to the time of the company's annual report would allow investors and relevant stakeholders to view the company's performance in a more holistic way. However, companies with international business that fall within the reporting scope would find this particularly challenging, therefore more time should be allowed for companies to put in place the necessary resources and mechanisms in order to meet this tighter timeframe.</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.

We support that issuers are not required to provide printed form of ESG report to shareholders. In respect of the notification, it is suggested to clarify in the Listing Rules and the Guide the accepted means to notify the intended recipients (eg by sending out notification letter). For example, would a statement in the Annual Report which is sent to all shareholders suffice? It is an extensive administrative burden for companies to issue a special notice to all shareholders to notify them of the publication of the ESG report on the Exchange's and the issuer's websites.

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.

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 support MDR in principle, but suggest providing guidance on what would constitute compliance. Most companies disclose the items listed in multiple places in their Annual Report and Sustainability Reports. It would be impractical to ask for such information to be included in a “Board statement”. Such requirement needs to be clarified in the Guide. Furthermore, it should be clarified whether the board could be interpreted as a dedicated board-level committee on sustainability or corporate responsibility (whichever the nomenclature chosen by the company). Most companies task the oversight of ESG issues to such a board level committee.

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.

There may be far too much information to be included in the board statement. It should be sufficient to require ESG management approach, strategy, priorities and goals/targets and an explanation of how they relate to the issuer's businesses to be reported in the ESG report.

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 support in principle, but it is suggested to clarify in the Guide on how to demonstrate compliance, in particular to the "balance" principle.

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 agree in principle but would suggest to modify the wording "determined by the board" to "endorse" or "advise" as materiality is determined by various stakeholders and the board's role should be on oversight and final endorsement after having taken into account input from the 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.

The proposed disclosures allow readers to track the progress and compare the issuer's performance with other companies. The proposal allowing either directional statements or quantitative descriptions would give flexibility to issuer in its target setting as sometimes achievement cannot be measured quantitatively. However, please clarify whether a reference to the standards used (e.g. the Greenhouse Gas Protocol for GHG emissions) would suffice, rather than spelling out the actual formulas and methodologies.

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.

The proposal would allow stakeholders to track the change and the rationale behind in the scope of reporting of the issuer.

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.

The new Aspect would align with the international expectations. However, climate-related issues may be different for different companies and the degree of the impact on each company may be different. Hence, it is suggested to provide a definition of "significant climate-related issues".

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 suggested to clarify that the list of issues quoted in the questions are only examples. Some of these parameters may not be material to some companies.

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.

It would provide a fuller picture of GHG emissions performance to readers and the issuer itself. It will help stakeholders to understand how issuers implement suitable measures to manage their Scope 1 and Scope 2 greenhouse gas emissions.

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 agree in principle, but the mandatory reporting requirement should always be tied to materiality.

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.

It enhances transparency on the nature of staff employed by the issuers and the associated risks.

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 additional disclosure would raise issuers' safety awareness and provide transparency to readers on the issuer's performance and progress made in this area or reasons otherwise.

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.

It would prompt the issuers to identify and report the risks along their supply chain and how are they mitigating the 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.

Training on anti-corruption can raise both directors' and staff's awareness.

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.

The amendment would provide clearer information to stakeholders and to encourage issuers to seek independent assurance to strengthen the credibility of ESG information disclosed.

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