## 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.

Whilst we fully understand and support the purposes of the proposed amendments, it is considered that, according to our practical experiences in ESG reporting, some issuers may find preparing and publishing their ESG reports within the suggested timeframe very challenging to meet.

It is understand that most of these issuers are utilizing the same staff members in preparing both the annual reports and ESG reports. Under the current arrangement these issuers can thus have the flexibility to prioritise the preparation and publication of the annual reports, before they turn to the ESG reports. The introduction of the amendments would likely impact the current situation and create a resource bottleneck for those issuers with the need to prepare both reports at the same time.

According to the HKEx's review published in May 2018, 60% of the sample issuers published their ESG reports at the same time as their annual reports. This reflects that a few issuers, i.e. 40%, were publishing their ESG reports separately and at a different times as their annual reports.

It is worried that under the new requirements with less flexible timeframe, the quality of the ESG reports may be impacted as issuers may end up in adopting a "box-ticking" approach instead of publishing a well-prepared and thorough ESG Report.

It is hence suggested that, some transitional measures, such as a staggered approach with gradual reduction of time gaps (between the publication of the annual and ESG reports) may be introduced along with the amendments, to help issuers to gradually adapt to the new requirements without having significant impact to the report quality.

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 welcome this amendment with the obvious reason to minimise the use of paper.

## 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 introdution of MDR which is in line with the global trend.

To assist issuers in the application of the anticipated updates in relation to MDR, similar guidance as provided previously by HKEx (such as those contained under HKEx's "HOW TO PREPARE AN ESG REPORT? A STEP-BY-STEP GUIDE TO ESG REPORTING") would be highly appreciated.

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 welcome the introduction of this MDR which will certainly enhance the Board's involvements in ESG.

Regarding the pace of introducing of this MDR, instead of requesting its immediate implementation, it is suggested that a phased inplementation may be adopted, such that the issuers can go through a "learning by doing" process in this governance aspect in more or less the same manner as in the disclosure of information previously under Subject Areas A & B under Appendix 27 before (i.e. through the "recommended disclosure" and the "comply and explain" phases).

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.

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.

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.

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.

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| It is considered that "where applicable" in a) may be interpreted by issuers as an optional (as opposed to a mandatory) disclosure, and that some issuers may or may not have historial data for all KPIs. Guidance on whether "where applicable" is in fact, optional, and whether data comparisons and historial data must be included in issuers' ESG Reports, would be highly appreciated. |

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 current description of "Reporting Boundary" allows for a general description on which entities/operations are included in the report, and the underlying selection process. However, as this boundary may vary from Aspect to Aspect (for example, "employee headcount" covering all company entities, "air emissions" covering x and y company entities"), it may be difficult for stakeholders to interpret the scale and scope of ESG data without this contextual information.

A similar requirement (GRI 103-1) is set forth in the GRI Standards, where reporters using the framework are required to describe the boundary of material topics (where the impacts occur), and the company's involvement with the impacts. One of the GRI principles is "Sustainability Context", under which the GRI Standards states is "...important for the organization to distinguish between patterns of impacts across the range of its operations, contextualizing location by location".

To overcome this limitation, it may be worth to consider requiring issuers to provide specific descriptions on boundaries for each Aspect, and other material issues (not connected with the Aspects) that is reported on. Also, considerations on how to link up the "Materiality" reporting priniciple with this "Reporting Boundary" will be highly appreciated.

**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 welcome this much needed amendments to tackle the challenge of climate change.

According to the Paris Agreement, it is stated that "...Acknowledging that climate change is a common concern of humankind, Parties should, when taking action to address climate change, respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity,...". As such, it is considered that climate related issues may not be just related to the environment aspects, but also to social and economic aspects. The designation of climate related issues under the environmental aspect may have the danger to drive issuers to limit their reporting environmental related issues only. Moreover, the current Aspect A3 could either be covered or included in Aspect A4.

Notwithstanding the above comment, guidance to reporting on this new Aspect would be highly appreciated.

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.

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.

**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.

## 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.

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.

Please provide guidance for what parameters (i.e. hours worked, headcount, etc.) ought to be referred to when disclosing on "rate" in the KPI "Number and rate of work-related fatalities occurred in each of the past three years including the reporting year", as the calculation of fatality rates can be performed using different parameters. For example, according to the GRI Standards (GRI 403-9-e), work-related fatality rates are calculated based on 200,000 or 1,000,000 hours worked. The Occupational Safety and Health Branch of the Labour Department publishes fatality rates calculated per 1,000 employees. In the current version of Appendix 27, guidance on intensity parameters (e.g. per unit of production volume, per facility) are provided for KPI A1.4 and 1.5; hence provision of similar guidance to issuers to fulfill this disclosure requirement would be highly appreciated.

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.

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.

We fully support the proposal which will definitely help to strengthen the credibility of the ESG informatin disclosed.

It is understood that it is the intention of HKEx to keep this as a voluntary requirement for issuers as a globally-accepted assurance standard is yet to be developed.

Nevetheless, it is suggested encouragements to the use of those existing international assurance standards may be provided, such that issuers can be directed towards a higher level of assurance for the ESG reports.

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