

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.

Agree.

Our ESG Report is now published along with the Annual Report.
Also it could fulfil the investor's expectation on disclosure of both financial and non-financial information.

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.

Agree.

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.

Agree.

We believe that driving sustainable development requires a holistic approach. A board-level commitment/involvement is crucial for effective ESG management and a proper ESG governance structure could provide leadership and clear directions to enable mid- and longer-term planning for sustainable development.

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.

Agree.

It would drive the Board to scrutinise ESG/sustainability instead of treating it as a "nice-to-have".

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.

Agree.
It would drive the Board to scrutinise ESG/sustainability instead of treating it as a "nice-to-have".

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.

Agree.
These could help narrow the deviation in quality of disclosure.

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.

Agree.
It would align with the international best practice.

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.

Agree.
Since the calculation of GHG emissions involves quite a number of assumptions and uncertainties, difference in results might arise when using different standards, it is difficult to understand / assess how a company performs in terms of GHG emission reduction without knowing such information.

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.

Agree.
It could avoid the issuers, especially those who are involved in multiple businesses or markets, only selectively disclose information that is beneficial to them. Without the proposed amendment, we believe this group of issuers is only hiding their actual ESG performance from the public.

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.

Agree in PRINCIPLE.

The concept of "climate resilience" or "climate change adaption" is yet to be fully understood by most issuers. While the most significant impact of climate change is likely to emerge over the mid to longer term and their timing and magnitude are still uncertain, it is hard for most issuers to assess potential implications of climate-related risks and opportunities and to develop the climate resilience in the initiation phase. So we suggest to keep Aspect A4 as recommended disclosures.

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.

Agree.

Although we have yet not established the targets sets regarding these environmental aspects, we believe a targets set could help the issuers better evaluate their sustainability performance and monitor the progress in managing or adapting to those issues.

Also, they provide a basis upon which issuers can compare with the organizations within a sector or industry.

As recommended by the TCFD, the following items should be included in the disclosure for better alignment:

- whether the target is absolute or intensity-based;
- timeframes over which the target applies;
- base year from which progress is measured; and
- KPI(s) used to assess progress against targets.

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.

Agree.

It would align with the international best practice.

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.

Agree.

It would align HK's practice with the global development. Also it helps to break down some of the misconceptions that the regulator in HK just places emphasis on the environmental aspects and neglects the social aspects.

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.

Agree.

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.

Agree. This is a good way to push the companies to adopt the best practices to keep the number and rate of work-related fatalities low.

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.

<p>Agree with PRINCIPLE.</p> <p>We suggest to keep these new KPIs as recommended disclosures first. The reasons are as follows:</p> <p><u>Anti-</u> We understand that the sustainability risks lie in the supply chain where the impact is likely to be the worst, however, we believe most issuers are not yet prepared to engage / influence their suppliers.</p> <p>(a) and (b) involve steps / processes not only within organizations' boundaries, but across the whole supply chain network, which greatly depends on the degree of influence across the supply chain. Like many SME companies in Hong Kong, Sa Sa doesn't always have direct control over every stage in the lifecycle / value chain of our products, and this has made it hard to know what sustainability impact occurs in different segments of the supply chain.</p> <p>Also, in a recent survey by The Sustainability Consortium (TSC), a nonprofit organization dedicated to improving the sustainability of consumer products, less than one-fifth of the 1,700 respondents said they have a comprehensive view of their supply chains' sustainability performance. More than half reported being unable to determine sustainability issues in their supply chains.</p> <p>Survey: Greening global supply chains: From blind spots to hot spots to action, The Sustainability Consortium, 2016, sustainabilityconsortium.org.</p>
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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.

Agree.

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.

For sake of fairness, HKEx should consider making independent assurance compulsory instead of voluntary, at least for those quantitative KPIs involving calculation, e.g. GHG emission.

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