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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.

Yes. This proposed new rule would be beneficial as it would allow investors and other users to get synchronized access to the annual report and to the ESG report, which would fit with the growing desire of many investors to adopt a more integrated approach to assessing environmental, social and governance practices of the companies they invest in.

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.

Yes, we consider it is a good idea to adopt an environmental friendly process that still allows shareholders to be made aware of the publication.

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.

Yes, [REDACTED] is generally in favor of any initiatives improving levels of disclosure where they contribute to the quality of disclosure (comparability, materiality, relevance).

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.

a)

Yes we do as it is one of the elements that helps understanding of the board's responsibilities. Quality of board oversight of ESG issues can be viewed through the existence of an independent board committee tasked with sustainability and/or whether material sustainability-related objectives are included in the variable performance related remuneration of the executive management team of an issuer.

b) and c)

Both are useful to understand how the board works. However, the board statement risks becoming very lengthy if these explanations are extensive. It might not be necessary to disclose everything in the board statement as long as it is in the ESG report.

We would like to emphasize that ESG risk management and ESG opportunities are the two parts to the companies ESG performance. It would therefore make sense to get an overview of both these elements in the framework of the strategy in the same document (and thus at the same time), but again not necessarily in the board statement.

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.

As stipulated in our answer to question 3, quality of disclosure is a key driver and extensiveness of disclosure alone is not sufficient. "Strategy, priorities, goals/targets and an explanation of how they relate to the issuer's businesses" are all key. In this framework it might be helpful to identify what should be reported in the board statement and what should be reported in other parts of the ESG report and how.

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.

Reporting processes and principles can be useful to some extent but should be kept concise. We consider the main focus should be the reporting of the actual content on company performance.

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.

Yes, however again, this should be kept concise. We would also like to mention that the material topics already identified by initiatives such as the GRI and SASB as well as the indicators used by established ESG rating agencies can guide companies and thus lessen the burden of the materiality analysis.

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.

a) Yes, we consider this proposal to be fundamental. Emphasis is given to normalized data rather than absolute data, and consistency of methods is required for establishing intensity trends.
b) Disclosure of concrete, quantitative reduction targets including base year, target year, scopes covered and percentage reduction targeted, preferably both for the short term and the long term, is strongly expected, as a first step at least for GHG emission reduction targets.

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.

Yes, we consider this proposal to be very important. Assessments of company performance need to take into account the coverage aspect, meaning how much of the company’s operations are covered by the information provided.

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 those requirements. They address both the impact of climate change on the issuer as well as the impact of the issuer's activities on climate change. Relevant information should include the carbon footprint of the issuer including its value chain (scope 1, 2 and 3), science-based emission reduction targets and action plans in line with the Paris Agreement, climate-related risk identification and respective mitigation measures, and relevant investments and initiatives to transition to a low-carbon economy.

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.

We welcome those requirements (also see answer to questions 8 and 10).

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.

We welcome those requirements. For GHG emissions, it should be scope 1, 2 and relevant scope 3 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.

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.

Yes. We also consider a useful addition could be the ratio of permanent staff to temporary contract workers as well as the ratio of directly to indirectly employed workforce (e.g. independent contractors, temporary agency staff) as these relate to stability and security for the workforce.

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.

Yes. As mentioned previously, it is important to establish a trend. It is worth mentioning that disclosure would be improved if it was reported for both employees and contractors.

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.

a) Yes. Companies should identify social and environmental risks along the supply chain, and report on how they are implemented and monitored. These may require compliance with internationally recognised labour rights as well as environmental management systems. In line with the proposal, compliance with such standards should then be monitored and reported on.

Anti-

b) Yes. Reporting on procurement of environmentally-friendly products and materials, certified to relevant labels, is very relevant.

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.

Yes. In the area of business ethics, measures (including employee training, risk assessments, audits, non-compliance reporting channels and whistleblower protection) taken by the company should be reported.

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.

Yes. External and independent review should be encouraged. As a reference, there is (i) the EU-wide requirement for the (financial) auditor to confirm that the non-financial report has been provided (see 5. below, excerpt from Directive 2014/95/EU) and (ii) the "optional" external assurance or independent verification of the content of that non-financial statement as allowed under 6.

- Article 19a

Non-financial statement

5. Member States shall ensure that the statutory auditor or audit firm checks whether the non-financial statement referred to in paragraph 1 or the separate report referred to in paragraph 4 has been provided.

6. Member States may require that the information in the non-financial statement referred to in paragraph 1 or in the separate report referred to in paragraph 4 be verified by an independent assurance services provider.

End -