

## 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.

ESG report is meant to be an informative report that requires adequate amount of time and resources to prepare. Shortening the timeframe might mean issuers are required to plan ahead for drafting ESG report. However, having a separation of time between the annual report and ESG report may help the issuers to allocate sufficient resources. It is because it might be the same personnel to take lead of both reports.

### 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.

This practice encourages paperless operation, which contributes to promoting environmentally friendly manner. In addition, online reading materials are much more accessible as compared to distributing hard copies.

## 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.

This provides stakeholders with a prove that one company's sustainable development has outreached board level, which in turn creates values in terms of reliability and materiality.

### 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.

The ultimate goal of ESG report shall stimulate the upper management thoughts to integrate sustainability elements into business operations. The disclosure of the above serves as a guide to direct upper management and increase its engagement level in sustainability related matters. This also enables companies to further communicate its vision and management approach on sustainability and lowering associated risks, which in turn increases stakeholders such as investors confidence and interests.

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.

The board's involvement in this case will be clearly communicated to stakeholders, which increases the transparency of one company's sustainability management and shall be reflected in the 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.

The practice will provide readers with a bird's-eye view of the report to assess the report's reliability and transparency.

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.

This initiative increases the board's involvement during the materiality assessment and ESG reporting process, which navigates companies to identify material issues and form respective strategic plans. It shall also enhance the correlation between the disclosed KPIs and one company's business operation.

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.

In general, the idea of disclosing standards, methodologies and tools will enhance the data of the report. Yet, HKEX shall provide the level of detail of related disclosure for issuers as the report shall remain reader-friendly for stakeholders to take reference or understand one company's sustainable development.

#### 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.

In this case, readers or stakeholders will clearly understand the source of one company's sustainability performances. Whether the performances are compared on a yearly basis internally, or industrial basis externally, the comparability of figures shall be easier for readers or stakeholders to assess if suitable for their referencing values.

## 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.

This shall enhance the listed companies' awareness on climate change impact associated with their business operations. The implementation of this practice is expected to assist companies to formulate climate change mitigation plans, which in turn lower their related impacts and enhance their resilience on the relevant issues. TCFD is expected to be beneficial as guidelines navigating issuers to conduct disclosure and manage associated risks. Additionally, construction of buildings and infrastructures does contribute greatly to climate change. Once they are built, they will last for at least few decades generating associated environmental footprints, causing impacts on human and community health and well-being. In our opinion, HKEX may consider including the disclosure of related factors that may steer issuers to move towards greener operations.

### 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.

This initiative would steer companies to review the relevant performances and set reasonable targets and goals in line with achieving global initiatives of environmental footprints reduction. In addition, HKEX may consider including disclosure of other environmental impacts such as air quality and noise management, which are also the main environmental issues that Hong Kong encounters.

## 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 breakdown guides companies to strategically monitor and mitigate their sources of GHG 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.

This shall enhance the comprehensiveness of ESG reports to help investors assess one company's social risks.

## 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.

This shall assist the company to govern their human resources and review the management approaches by employment types.

### 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.

As work safety has become one of the major social risks of business operations, a 3-year figure disclosure allows one company to assess its performance, and encourage relevant improvement.

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.

This shall enable companies to explore the possibilities of building a value chain in their businesses, and engage suppliers to operate in a greener manner.

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.

This shall be a supporting evidence to reflect one company's ethical governance.



## 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.

HKEX shall advise if there is a list of qualified independent assurance companies for issuers to seek for support. Also, HKEX may consider if parties such as auditors, printers and investor relations practitioners who undertake reporting preparation and conduct verification at the same time might pose conflict of interest. Clear requirements and procedures might be necessary for the independent assurance task.

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