

# SLAUGHTER AND MAY

**RESPONSE FROM SLAUGHTER AND MAY**  
**REGARDING THE STOCK EXCHANGE OF HONG KONG LIMITED'S**  
**CONSULTATION PAPER ON REVIEW OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING**  
**GUIDE AND RELATED LISTING RULES**

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As a general comment, we support the Exchange's proposals to promote clear, concise and more meaningful ESG disclosures and encourage more board consideration of and involvement in ESG matters. This is because ESG matters are of concern to the world and are increasingly relevant to the investment and commercial decisions of investors and other stakeholders. We have raised some specific comments below which are primarily aimed at clarifying certain of the requirements to assist with issuers' compliance with the Listing Rules.

**Question 1: Do you agree with our proposal to amend MB Rule 13.91 and GEM Rule 17.103 to shorten the time required to publish an 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?**

We do not object to the proposed shortening of the publication timeframe to bring it in line with the deadline for the publication of the annual report, in order to allow shareholders and the market the opportunity to assess the issuer in a more holistic way. However, issuers should be given sufficient transitional period between the publication of the consultation conclusions and the new requirements coming into effect as some of the requirements may involve substantial adjustment to an issuer's ESG compliance structure and related resources or involve an issuer collecting the relevant data for the first time. In addition, we would propose a phased implementation of the new requirements as was the case for the Exchange's last round of ESG rule revisions.

**Question 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?

Please see our response to question 5.

**Question 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?**

We would like clarification on the purpose behind setting this out in a note rather than within the rule itself and whether the information in the note is intended to be a mandatory disclosure.

In relation to the disclosure of current ESG goals / targets under this note, please clarify if this is a repeat of the requirement to disclose an issuer's targets regarding emissions, waste reduction, energy use and water efficiency under the Environmental KPIs. If not, please clarify this disclosure requirement.

**Question 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?**

Please could the Exchange give some further elaboration on how an issuer should disclose its application of the “Quantitative”, “Balance” and “Consistency” reporting principles.

We note the “Quantitative” principle requires historical data to be measurable, the “Balance” principle requires the ESG report to provide an unbiased picture, and the “Consistency” principle requires consistent methodologies to allow for meaningful comparisons. For an issuer who believes it has achieved these principles, how might it explain in a meaningful way as to how these have been achieved?

**Question 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?**

We assume that if an issuer did not conduct any stakeholder engagement that fact does not need to be stated.

**Question 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?**

The consultation paper clarifies that climate-related issues include any change in policies, laws, regulations and market behavior driven by climate change concerns, as well as natural disasters caused by climate change. We propose this guidance should be included in Aspect A4 to help promote more meaningful disclosures of this new aspect.

**Question 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?**

We assume it would be up to the issuer as to whether to disclose the name of the party providing independent assurance. Separately, it would be helpful where independent assurance is obtained, that a statement is included as to the independence of the party providing the assurance.

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