

## 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.

We welcome the proposed amendment. It is our view that timely publication of an ESG report, alongside or near the publication of the annual report, is important for investors to understand the implication on ESG performance if any significant changes in business strategy. This would also help investors raise any significant or material ESG concerns to management in result presentations or Annual General Meetings.

### 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 agree with the proposed amendment and would further emphasise the importance of the condition set in it that, unless responding to investors' specific requests in relation to the ESG report, the issuer is not required to provide printed form of the report.

## 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 agree with the proposed amendment to the Guide introducing MDR. We encourage HKEX to further strengthen the Reporting Boundary guideline to include a statement on assets or operations that are knowingly NOT covered by any ESG report (please see our response to question 9). This would help understand the coverage on any minority interests, subsidiaries or joint ventures.

### 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 agree with the proposed amendment. However, we hope to emphasise that the board statement and oversight should be on ESG issues that are both short and long term. Thus, we would appreciate emphasis in the amendment to reflect this. We recommend a classification system of materiality that considers both short and long term risks or impacts (please see below our views on materiality in question 7).

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.

We emphasise that the board statement should include information on their current ESG management approach that covers both short and long term material ESG issues or risks.

### 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.

We agree with the proposed amendment.

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.

We welcome the underlying principle of this amendment but strongly encourage the Rule to explicitly states the expectation of identifying, selecting and implementing a process to manage both short- and long-term ESG risks. Although some of these risks are covered in other parts of this proposal, for example, climate change, neither do those rules nor the respective amendments state the importance of disclosing long-term ESG risks. While it is not our intention to limit flexibility for the board to define materiality, we encourage to at least clarify the importance of considering long-term risks in the overarching reporting principle. It is our view that such emphasis would also help avoid defeating the principle of "Balance".

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.

We agree with the proposed amendment 8a. However, we would appreciate a clear definition of "directional statements" in amendment 8b. It is our concern that without a clear definition of such, it may be the unintended result of this amendment that vague targets are enabled while the underlying KPIs are actually measurable. This may defeat the intent of this amendment, which is to avoid disclosures of lower and more achievable targets as a result of the sensitivity in disclosing actual numbers as targets. We recommend to remove "directional statements" in amendment 8b.

#### 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 general, we agree with the proposed reporting boundary. We encourage HKEX to further strengthen the disclosure rule to include a statement on assets or operations that are knowingly NOT covered by any ESG report, for example, subsidiaries, joint ventures, or assets in which the issuer only holds minority interests. This can be important to understand the relevance and meaningfulness of any performance targets as discussed in question 8 of this questionnaire and when there are significant transactions pending.

## 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 the intent of this amendment. We do have concern that the way amendment 10b is drafted would encourage only the identification of climate-related issues, but not description of HOW the issuer would be impacted in the future. In future amendments of the Rule, we would appreciate more rule(s) on the latter, either in qualitative or quantitative form, which would aid our judgement on the meaningfulness of any action(s) taken to manage these risks.

### 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 agree with the proposed amendment

## 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 appreciate the intent of this amendment while recognising the difficulties and lack of standardisation to quantify scope 3 greenhouse gas emissions at the moment. We would encourage future amendments to consider scope 3 emissions reporting.

## **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.

We welcome the intent of the proposed amendment and recognise that there will likely be further amendments in the future.

However, we recognise that, in parallel to the single community-related social KPI (Aspect B8: “Community Investment”) currently in the Guide, stakeholder consultation and action plan to reduce operational impacts to local communities are important preventive measures to social risks. Description on issuer’s grievance mechanism, including complaints received, categorisation of cases and examples on how the issuer is pro-actively addressing the concerns, are important in our view. Thus, we would like to see more disclosure obligations around these issues in the future.

We would also recommend the disclosure framework proposed by the Workforce Disclosure Initiative, a coalition of institutional investors with combined assets of more than USD 14 trillion led by ShareAction, as the best practice for HKEX to consider in future amendments.

## 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.

We agree with the proposed amendment.

### 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.

We agree with the proposed amendment.



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.

We agree with the proposed amendment.

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.

We agree with the proposed amendment

## 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 agree with the proposed amendment

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