

## 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.

Agreed to have the ESG report to be presented at the same time with the annual report since timely information to shareholders is important
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### 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.

Currently, no requirement for issuers to notify shareholders that the ESG report has been published on websites of Exchange and issuers. For those listed companies which have adopted e-communication, this proposal is not a problem for compliance. But this proposal will cause extra workload and costs for issuers which currently not adopt e-communication by reason of its small number of registered shareholders and non-registered shareholders.

Please consider if it is feasible for issuers disclose in the Annual Report that ESG Report has separately posted on websites of the Exchange and issuers. The said suggestion is environmental friendly as well as serving the purpose of notifying shareholders that ESG Report is available without causing extra workload and cost.

## 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.

It is only two years after the current ESG Guide was introduced. Issuers are still in the learning stage of complying the ESG Guide. The move of upgrading ESG Guide to mandatory disclosure is too rush and there is no reason to urge this move for all issuers.

Currently, most issuers cannot prepare the ESG Report by internal resources and are required to engage external consultant(s). In the long run, ESG Report shall be prepared by internal resources of issuers. But in this stage, not many candidates are available in the human resources market and professional external ESG consultants are limited in supply. As such, ESG infrastructure is not ready to support upgrading ESG Guide to mandatory disclosure now.

This proposal will cause issuers to incur additional resources (in terms of manpower and money). Also, cannot foresee any benefits to issuers of upgrading the ESG Guide to mandatory discloser requirements. The Exchange may consider to conduct a survey on shareholders whether they will support upgrading ESG reporting if additonal resources are required.

### 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.

Agreed to disclose the board's oversight of ESG issues and the process of identifying, evaluating and managing the material ESG-related issues.

But disagreed to set ESG-related goals and targets. As such, board reviews progress made against ESG-related goals and targets is not applicable.

Issuers' board is difficult to set ESG-related goals and target. Setting of ESG-related goals and target shall be prepared by the management. But management of most issuers may not have professional knowledge of setting the same.

To set a good example, the Exchange, as one of the issuers, may consider to take the initiative of complying this proposal prior to the amendment of the Listing Rules.

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.

Agreed. The board statement will enable shareholders to understand how ESG related to issuer's businesses.

### 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.

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.

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.

Currently, this proposal can only prepare by ESG professional but not current internal resources of most issuers (same as reasons set out in Q3 above).

#### 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.

Agreed. Reporting boundary is important for reading ESG Report

## 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.

Currently, this proposal can only prepare by ESG professional but not current internal resources of most issuers (same as reasons set out in Q3 above).

### 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.

Currently, this proposal can only prepare by ESG professional but not current internal resources of most issuers (same as reasons set out in Q3 above).

## 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.

Agreed, as long as this proposal is "comply" or "explain".

## **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.

Agreed. In general, social data is expected to be ready and can be prepared for reporting through internal human resources dept.

But disagreed to the disclosure of number of suppliers and jurisdiction of suppliers under the current Appendix 27. Not all issuers have centralised procurement. As such, suppliers may be duplicate amongst group companies of issuers. Also, there is no guideline whether a supplier is treated as a Hong Kong supplier or overseas supplier (for example, a personal computer is purchased with a Hong Kong supplier which is manufactured in and delivered from Taiwan)



## 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.

Agreed because issuers shall have social data for full- and part- time staff in the HR department.

### 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.

More details explanation in this proposal is required. The proposal is unclear whether fatalities disclosure is required for issuers engaged external contractors and such external contractors are separate entity (not issuers group companies) in which issuers have no management control.

## 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.

In general, price is one of the major criteria for selecting suppliers.

## 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.

## 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.

This proposed will incur additional costs. May be this proposal can be reconsidered in future when the ESG market is more mature.

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