

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.

By shortening the time required to publish an ESG report to within 4 months for Main Board issuers or 3 months for GEM issuers from the financial year-end date, it will ensure ESG data to undergo verification and the same level of scrutiny as the annual results.

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.

In order to improve environmental governance and promote sustainable practices in businesses, it is in an issuer's best interest to shift towards paperless reporting. Being required to provide printed ESG reports outlining environmental/sustainability goals, performance, may be viewed as contradictory.

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 HKEX's view that the board should be more involved in ESG reporting. We believe that this will not only allow the board to become more aware of ESG issues (and thus place a higher emphasis on ESG when making important decisions), but also will increase investor confidence when the board recognises the impact of various ESG factors.

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 MDR statement from the board containing the listed elements would demonstrate a reporting entity's commitment to and prioritisation of sustainable business practices.

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.

This board statement would not only demonstrate how we incorporate ESG strategy into our practices, but would also generate discussion and comparison about ESG management within different companies- thus increasing awareness/spreading knowledge about ESG.

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.

Doing so would increase the transparency and accountability, which in turn can assure investors of a company's sustainable practices and long term strategy.

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 would ensure board oversight of ESG issues, however, we believe that in order for the board to make the best decisions on the materiality of ESG issues, they must collaborate with a committee formed of experts on ESG issues (both current and future).

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.

This would provide context to investors, allowing them to gain a deeper understanding of the numbers behind ESG issues and to compare ESG information amongst different companies to assess their relative performance.

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.

Similar to question 8, doing so will allow our investors to understand how we come up with the numbers in our reports.

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.

One of the hallmarks of a successful business is the ability to mitigate risk. As such, we believe that this disclosure will increase investor confidence in our ability to manage climate-related risk. In terms of the KPI itself, we are unsure of the usefulness. To ensure practicality of the KPI, HKEX would need to create a standard measurement process for investors to have relevant context when assessing a company's performance. This change is in line with emerging global best practice of implementing TCFD recommendations.

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.

In general we agree with the amendment to make environmental KPIs a required disclosure. However, to ensure comparability and meaningful targets are set, reference to best practice targets would be useful. For example reference to SBTi for carbon emissions, HK2030+, or 2050 Decarbonisation plan for waste and energy.

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.

This disclosure will hold companies accountable for environmentally-friendly business practices. However, this KPI will need to account for relevant emissions (i.e. measuring based on sector/industry) in order to ensure comparable performance.

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 will ensure that companies are placing equal importance to Social KPIs and will hold companies accountable by mandating that they explain non-disclosure. Due to companies having different social issues, it may be beneficial to give responders an option to identify and report on those social issues that they deem are priorities to their own business.

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 is a vital part of the governance section, as the emerging trend for investors are transparency and diversity. "Staff types" are basic information that they would like to know.

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.

One of the most important aspects of Social governance is work safety. As such, we believe that this disclosure will not only hold companies accountable over longer time periods, but will also allow companies to demonstrate significant improvement in the instance of fatalities in previous years.

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 will promote sustainable businesses practices across the board, not just within a company.

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 believe that anti-corruption training is necessary to generate a healthy company structure.

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, this will ensure accurate reporting and strengthen credibility. However, to ensure a level playing field and comparable data it would be useful for HKEX to provide which assurance frameworks are acceptable.

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