

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.

Shortening the timeframe of issuing the ESG Report does not only help to build a holistic reporting approach, but also allows stakeholders and investors to make more informed decisions by commensurating sustainability matters with financial figures. The amendment would also be beneficial to the Company since the board and the management would be able to realize and connect the sustainability risks with financial figures so as to make better operation decisions

However, there are concerns arising from the feasibility and operational viewpoints in regard to this amendment. Shortening the timeframe of issuing the ESG report magnifies the efforts and resources made in preparing the corporate reports. This undeniably create pressure for corporate in rushing the timelines of publishing the 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.

Clarifying the requirements can minimize the uncertainties for corporates and the public.

We also agree that an electronic version of the ESG report is sufficient enough (except upon requests) so to be more cost-effective and environmentally-friendly.

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.

Introducing MDR can help to build a more solid and sound framework in ESG Reporting, so to create a more standardized reporting framework. A more standardized and solid reporting framework can help to minimize the ambiguities in the reporting approach.

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.

Involving the board in ESG issues can help to increase the credibility of the ESG report, thus creating confidence to stakeholders. By requiring a board statement containing the above 3 elements in the ESG Report, the board demonstrates its effort paid towards ESG issues.

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.

Including the note helps to clarify the information that is required to be disclosed in the board statement section. With a clearer guideline and approach, it will be easier for us (as listed companies) to prepare the section.

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.

Including the explanation can increase the credibility of the ESG report, and the content will appear to be more conceivable.

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.

Identifying materiality ESG issues served as the backbone of ESG reporting, and it is critical for readers to understand the rationale behind the selected reporting topics. Stating clearly on the "materiality" not only help to enhance the readability and understanding of the ESG report, but also help to increase the transparency of the company decision-making process.

However, there are concerns arising from the feasibility and operational viewpoints in regard to this amendment. Conducting materiality assessment is always resource and time-consuming. Under the assumption that the timeframe of publishing the ESG Report has been shortened (as stated in admendment 1), companies will undergo pressure in conducting a qualitative materiality assessment procedures.

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.

By requiring the disclosure on the said information and source, the disclosed calculations will appear to be more credible and traceable, hence improve the report content. The amendment can increase the accuracy of the data disclosed, thus creating a stronger basis for not only year-by-year comparison, but also industrial benchmarking.

Since targets are also set for financial performance annually, it will also be a proactive approach to set directional targets for companies in ESG issues, so as to assess the ESG performance regularly.

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.

Requiring an explanation of the reporting boundary can help to strengthen the structure and reliability of the ESG report. It will definitely be a good practice for corporates to identify and explain their decisions on the reporting boundary so as to increase the transparency and communication with stakeholders. On the other hand, the disclosed figures in the report can also be justified by the explanation of the reporting boundary.

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.

Introducing a new Aspect A4 does not only tie to the HKEx guideline with the global trend, but it also helps to convey the message to stakeholders that the company is aware of climate change issues, and is paying effort to adapt the changes brought by climate change.

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.

Since targets are also set for financial performance annually, it will also be a proactive approach to set directional targets for companies in ESG issues, so as to assess the ESG performance regularly.

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.

Reporting Scope 1 and Scope 2 GHG emissions are an universal approach in reporting GHG emissions. Therefore, it is reasonable to include the two scopes when reporting GHG emissions. Moreover, this amendment creates a more quantifiable approach in measuring and understanding GHG emissions.

Moreover, many existing companies have already been reporting GHG emissions by scopes (in particular Scope 1 and 2), therefore this amendment is feasible and practical.

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.

Upgrading all Social KPIs to "comply or explain" will help to establish a more standardized framework for reporting the social aspect, and it serves as a footstone for corporates in reporting the social aspect. This amendment also helps to guide and bind corporates in their reporting approach of the social part. If a particular social KPI appears to be not relevant to the corporate, the listed issuer can explain.

We also recommend that the definition of social KPIs shall also be flexible for listed issuers to define and determine. Since listed issuers would have different operations in different locations which corresponds to different laws and regulations, it would be a good practice for listed issuers to determine and report the KPIs that are relevant to their corresponding industries (e.g. reporting total delay time for mass transportation providers).

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.

Since this disclosure is also included in the international standards (i.e. GRI), it would be a good idea for HKEx to follow, so as to show consistency with the international standards.

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 listed companies, we believe that fatalities-related disclosures can already be found in previous ESG reports. Therefore, disclosing fatalities data for the past 3 years is not necessary.

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.

Supply chain management has already been put in practice for years in different industries. We agree that it is viable to include more disclosures on supply chain management (in particular relating to social and environmental risks) to show corporates' commitment towards their supply chain.

Anti- However, given that these disclosures are currently not required in the reporting guide, introducing these new KPI as "Comply or Explain" Provision may appear to be too ambitious. It is recommended that this amendment could first be categorized as "Recommended Disclosure", so to allow a buffer time for industries and companies to adapt and adopt relevant policies.

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.

Regular trainings on corruption prevention is an effective way to reduce the risk of corruption. Disclosure of this information can strengthen the confidence of investors and minimize the company's risk on corruption.

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.

Seeking independent assurance can strengthen the credibility of figures, and ensure information disclosed are reliable.

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