
QUESTIONNAIRE ON CONSULTATION PAPER ON REVIEW OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE AND RELATED LISTING RULES

We invite interested parties to respond to the Consultation Paper on Review of the Environmental, Social and Governance Reporting Guide (the “**Guide**”) and Related Listing Rules (“**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>.

This Questionnaire contains the Privacy Policy Statement; Part A: General Information of the Respondent; and Part B: Consultation Questions.

All responses should be made in writing by completing and returning to HKEX both Part A and Part B of this Questionnaire no later than **19 July 2019** by one of the following methods:

By mail or hand delivery to Hong Kong Exchanges and Clearing Limited
8th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Re: Consultation Paper on Review of the ESG Reporting Guide and Related Listing Rules

By fax to (852) 2524-0149

By e-mail to response@hkex.com.hk

Please mark in the subject line:

“Re: Consultation Paper on Review of the ESG Reporting Guide and Related Listing Rules”

Our submission enquiry number is (852) 2840-3844.

The names of persons who submit comments together with the whole or part of their submissions may be disclosed to members of the public. If you do not wish your name to be published please indicate so in Part A.

Privacy Policy Statement

Hong Kong Exchanges and Clearing Limited, and from time to time, its subsidiaries (together the "**Group**") (and each being "**HKEX**", "**we**", "**us**" or "**member of the Group**" for the purposes of this Privacy Policy Statement as appropriate) recognise their responsibilities in relation to the collection, holding, processing, use and/or transfer of personal data under the Personal Data (Privacy) Ordinance (Cap. 486) ("**PDPO**"). Personal data will be collected only for lawful and relevant purposes and all practicable steps will be taken to ensure that personal data held by us is accurate. We will use your personal data which we may from time to time collect in accordance with this Privacy Policy Statement.

We regularly review this Privacy Policy Statement and may from time to time revise it or add specific instructions, policies and terms. Where any changes to this Privacy Policy Statement are material, we will notify you using the contact details you have provided us with and, where required by the PDPO, give you the opportunity to opt out of these changes by means notified to you at that time. Otherwise, in relation to personal data supplied to us through the HKEX website or otherwise, continued use by you of the HKEX website or your continued relationship with us shall be deemed to be your acceptance of and consent to this Privacy Policy Statement, as amended from time to time.

If you have any questions about this Privacy Policy Statement or how we use your personal data, please contact us through one of the communication channels set out in the "Contact Us" section below.

We will take all practicable steps to ensure the security of the personal data and to avoid unauthorised or accidental access, erasure or other use. This includes physical, technical and procedural security methods, where appropriate, to ensure that the personal data may only be accessed by authorised personnel.

Please note that if you do not provide us with your personal data (or relevant personal data relating to persons appointed by you to act on your behalf) we may not be able to provide the information, products or services you have asked for or process your requests, applications, subscriptions or registrations, and may not be able to perform or discharge the Regulatory Functions (defined below).

Purpose

From time to time we may collect your personal data including but not limited to your name, mailing address, telephone number, email address, date of birth and login name for the following purposes:

1. to process your applications, subscriptions and registration for our products and services;
2. to perform or discharge the functions of HKEX and any company of which HKEX is the recognised exchange controller (as defined in the Securities and Futures Ordinance (Cap. 571)) ("Regulatory Functions");
3. to provide you with our products and services and administer your account in relation to such products and services;
4. to conduct research and statistical analysis;
5. to process your application for employment or engagement within HKEX to assess your suitability as a candidate for such position and to conduct reference checks with your previous employers; and
6. other purposes directly relating to any of the above.

Direct marketing

Where you have given your consent and have not subsequently opted out, we may also use your name, mailing address, telephone number and email address to send promotional materials to you and conduct direct marketing activities in relation to HKEX financial services and information services, and financial services and information services offered by other members of the Group.

If you do not wish to receive any promotional and direct marketing materials from us or do not wish to receive particular types of promotional and direct marketing materials or do not wish to receive such materials through any particular means of communication, please contact us through one of the communication channels set out in the "Contact Us" section below. To ensure that your request can be processed quickly please provide your full name, email address, log in name and details of the product and/or service you have subscribed.

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We may also collect your identity card number and process this as required under applicable law or regulation, as required by any regulator having authority over us and, subject to the PDPO, for the purpose of identifying you where it is reasonable for your identity card number to be used for this purpose.

Transfers of personal data for direct marketing purposes

Except to the extent you have already opted out we may transfer your name, mailing address, telephone number and email address to other members of the Group for the purpose of enabling those members of the Group to send promotional materials to you and conduct direct marketing activities in relation to their financial services and information services.

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For one or more of the purposes specified above, your personal data may be:

1. transferred to other members of the Group and made available to appropriate persons in the Group, in Hong Kong or elsewhere and in this regard you consent to the transfer of your data outside of Hong Kong;
2. supplied to any agent, contractor or third party who provides administrative, telecommunications, computer, payment, debt collection, data processing or other services to HKEX and/or any of other member of the Group in Hong Kong or elsewhere; and
3. other parties as notified to you at the time of collection.

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Session Cookies: temporary cookies that only remain in your browser until the time you leave the HKEX website, which are used to obtain and store configuration information and administer the HKEX website, including carrying information from one page to another as you browse the site so as to, for example, avoid you having to re-enter information on each page that you visit. Session cookies are also used to compile anonymous statistics about the use of the HKEX website.

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The cookies used in connection with the HKEX website do not contain personal data. You may refuse to accept cookies on your browser by modifying the settings in your browser or internet security software. However, if you do so you may not be able to utilise or activate certain functions available on the HKEX website.

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Corporate reorganisation

As we continue to develop our business, we may reorganise our group structure, undergo a change of control or business combination. In these circumstances it may be the case that your personal data is transferred to a third party who will continue to operate our business or a similar service under either this Privacy Policy Statement or a different privacy policy statement which will be notified to you. Such a third party may be located, and use of your personal data may be made, outside of Hong Kong in connection with such acquisition or reorganisation.

Access and correction of personal data

Under the PDPO, you have the right to ascertain whether we hold your personal data, to obtain a copy of the data, and to correct any data that is inaccurate. You may also request us to inform you of the type of personal data held by us. All data access requests shall be made using the form prescribed by the Privacy Commissioner for Personal Data ("**Privacy Commissioner**") which may be found on the official website of the Office of the Privacy Commissioner or via this link:

<https://www.pcpd.org.hk/english/publications/files/Dforme.pdf>

Requests for access and correction of personal data or for information regarding policies and practices and kinds of data held by us should be addressed in writing and sent by post to us (see the "Contact Us" section below).

A reasonable fee may be charged to offset our administrative and actual costs incurred in complying with your data access requests.

Termination or cancellation

Should your account or relationship with us be cancelled or terminated at any time, we shall cease processing your personal data as soon as reasonably practicable following such cancellation or termination, provided that we may keep copies of your data as is reasonably required for archival purposes, for use in relation to any actual or potential dispute, for the purpose of compliance with applicable laws and regulations and for the purpose of enforcing any agreement we have with you, for protecting our rights, property or safety, or the rights, property or safety of our employees, and for performing or discharging our functions, obligations and responsibilities.

General

If there is any inconsistency or conflict between the English and Chinese versions of this Privacy Policy Statement, the English version shall prevail.

Contact us

By Post:
Personal Data Privacy Officer
Hong Kong Exchanges and Clearing Limited
8/F., Two Exchange Square
8 Connaught Place
Central
Hong Kong

By Email:
DataPrivacy@HKEX.COM.HK

Part A General Information of the Respondent

(1) Please state whether your response represents your personal or your company/entity's view by checking (☑) the boxes below and filling in the information as appropriate:

Company/Entity view

Company/Entity name*:	Hong Kong Institute of CPAs		
Company/Entity type*:	<i>HKEX Participant</i> :- <input type="checkbox"/> SEHK <input type="checkbox"/> HKFE <input type="checkbox"/> HKSCC <input type="checkbox"/> SEOCH <input type="checkbox"/> HKCC <input type="checkbox"/> Listed company <input checked="" type="checkbox"/> Professional body / Industry association <input type="checkbox"/> Market practitioner (Type: _____) <input type="checkbox"/> None of the above		
Contact person*:	Mr	Chris Joy	
Title:	Executive Director		
Phone no.*:	2287 7372	Email address:	chris@hki CPA.org.hk

Personal view

Respondent's full name*:	Mr/Ms/Mrs		
Phone no.*:	_____	Email address:	_____
Among the following, please select the one best describing your position*:			
<input type="checkbox"/> Listed company staff <input type="checkbox"/> HKEX participant staff <input type="checkbox"/> Retail investor <input type="checkbox"/> Institutional investor <input type="checkbox"/> None of the above			

Important note: All fields marked with an asterisk (*) are mandatory. HKEX may use the contact information above to verify the identity of the respondent. Responses without valid contact details may be treated as invalid.

(2) Disclosure of identity

HKEX may publish the identity of the respondent together with Part B of this response to the members of public. Respondents who do not wish their identities to be published should tick the box below:

I/We do not wish to disclose my/our identity to the members of the public.

Signature (with Company/Entity Chop if the response represents company/entity view)

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.

In our view best practice would be to require publication of the ESG report at the same time as the annual report. Using the same report production process and same timeline should ensure equal rigour and scrutiny including Board approval and demonstrate to investors and other stakeholders that the reporting entity gives equal weight and importance to ESG and financial information. In addition, we believe investors will give more weight to ESG data if it is on hand at the same time as the Annual Report. Hence more attention will be paid to an issuer’s impact on sustainability. We suggest that where some ESG information, but not the full ESG report, is published in the annual report, issuers should be required to make it clear in the annual report that a separate ESG report has been or will be published.

However, we recognise the concerns of some issuers that dealing with ESG information at the same time as financial may be difficult because of lack of appropriate resources.

We therefore support the proposed change as a step towards reporting in the same timeline. We suggest a date be proposed, say, two years later, for issuers to report ESG data at the same time as the Annual Report.

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 support this proposal as being in line with general practice regarding communication of all forms of information.

We recommend the HKEX require issuers to produce a complete version of their report as a single, searchable pdf. Reasons for this:

(1) Some issuers provide the report as an interactive set of web-pages. This can be excellent but it can also be very difficult to determine the extent of the report and to search to see if it covers a point one is interested in. The HKEX has a current requirement that issuers provide a pdf but this pdf is often not searchable.

(2) Some issuers have complex issues which change little from year to year. A good practice in this case would be to put the details of ongoing issues in a separate 'Standing Document' on the issuer's website so that the annual ESG Report can focus on new or changing issues and provide a link to the 'Standing Document'.

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.

This is a natural evolution of the guide.

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.

This is an important step to show that ESG reporting is in the mainstream of corporate information and reporting and that is front and centre in the governance process of the entity.

If there is a board committee with responsibilities relating to ESG, its terms of reference, composition and work done should be disclosed. This requirement could be cross-referenced with section L of the Corporate Governance Code, the MDRs in Corporate Governance Report relating to board committees. This could help to encourage greater integration of all non-financial corporate reporting and discourage thinking and acting in silos. Issuers should also be required to disclose how such a committee dealing with ESG matters works with any other board committee having responsibilities for overall risk management to address ESG-related risks.

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.

It is important to emphasise identification and explanation of ESG factors that have an impact on the issuer's business. The review carried out by HKEx in 2018 indicated there is still too much "box-ticking" in ESG reporting so more direction and guidance on how to manage and report ESG risk is welcome. The guidance letter issued by HKEx in November 2018 should be directly referenced to stress this point. This requirement will further reinforce that ESG risks must be dealt with as part of the entities overall risk strategy.

One option is to require the Board to provide a narrative discussion of the issuer's two or three most material ESG issues, including the processes used to identify which ESG issues are most material and action being undertaken to mitigate risks arising from them.

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 believe that guidance should be developed on the level of detail that is required in meeting paragraphs 85 and 86 requirements. Currently it is not clear from revised ESG Reporting Guide (i.e., paragraph 13 of the Guide), other than the broad requirement to provide a description or explanation of the application of the relevant reporting principle, what is included within the mandatory disclosure requirements and what is intended only as guidance. The language is ambiguous. For example, the narrative under "Balance" is little more than a definition of "balance", whereas some of the other principles are written in more prescriptive terms.

In addition, we suggest that consideration be given to including an additional Reporting Principle, namely, Clarity. This would require issuers to provide relevant information in a way that is understandable and accessible to their main stakeholders. This may encourage issuers to think more carefully about how they present relevant information and discourage reporting that is deliberately opaque because, e.g., it lacks substance or is deficient in some other way.

Some contributors suggested that reference should be made to GRI where the reporting principles are almost identical, or even to align with GRI. Acknowledgement of the link between the two would give more international recognition to the HKEx guidelines.

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.

Additional guidance and clarity are needed on the criteria for identification of material ESG factors. We also suggest that it should be clarified that it may not be necessary to engage with all stakeholders every year. Contributors commented that annual engagement is not a good use of resources if the stakeholder group is not actively contributing to the engagement.

We also consider that, either here, or under the "Quantitative" principle, issuers should be required to explain why particular KPIs have been adopted and the rationale for any changes in KPIs from year to year.

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 support the idea of allowing for "directional statements" for targets as many issuers would be wary of quantifiable and prescriptive reporting of targets.

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.

We note the rationale provided in para. 93 of the consultation paper, but nevertheless believe that consideration should also be given to requiring issuers to identify and explain significant entities or operations that are not included in the ESG report. If issuers are required only to describe the process used to identify which entities or operations are included in the ESG report, this may ultimately offer investors an incomplete picture as to why entities or operations that appear to significant from an ESG perspective have not been included.

For example, there might be a requirement to disclose the identity of any excluded operations accounting for more than say, 5% of a issuer's profits, assets or turnover and to give the reasons for not including these entities.

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 support the introduction of a new Aspect that reflects TCFD recommendations. We suggest that transition risk needs to be emphasised to avoid an undue focus on the often more obvious physical risk, which may not be the most important category of risk for many issuers. Guidance to explain transition risk may be helpful. We suggest the new Aspect should refer to climate-related risks not issues.

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 suggest there would be no harm in re-emphasising disclosures should be of material KPIs to avoid box ticking reports and disclosures.

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.

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.

There is a significant number of Social KPIs that will be upgraded at one time, and several new KPIs will be introduced. It will be important, therefore, for issuers to be discerning, particularly SMEs which may be less well prepared for more extensive and meaningful ESG reporting. The need to take on board the Reporting Principles should be emphasised and, in particular, materiality, so that issuers are encouraged to give priority to those KPIs that have greater relevance to, and impact on, their business, including from the perspective of their stakeholders.

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.

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.

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.

Clarification of how far down the supply chain this requirement applies would be helpful to issuers. Reference to GRI principles could help with this.

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.

We believe this is an important change that brings assurance of ESG further within the formal governance structure and process of the entity to provide oversight and recognise the significance and importance of ESG information. Investors need an understanding of and trust in assurance on ESG information, the governance and regulation of which does not compare to the equivalents for assurance on financial information.

There is confusion in the market about what assurance means, including consistency between assurance provided by different parties with different competencies and professional obligations but ostensibly using the same framework and standard (ISAE/HKSAE 3000). We recommend that HKEx develop training for issuers and investors on what they should expect from the "limited assurance" that is provided on ESG information.

We understand that HKEx may not be in a position to require specific criteria and qualifications for assurance providers but it may be able to indicate which assurance framework would be acceptable.

The IAASB is currently consulting on "Extended External Reporting Assurance" which is fundamentally about the use of ISAE 3000 in assurance engagements on non-financial information and reporting. We have contributed to this consultation and will monitor developments as this project has direct relevance to ESG assurance in Hong Kong.

- End -