
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.

Identity Card Number

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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If you access our information or services through the HKEX website, you should be aware that cookies are used. Cookies are data files stored on your browser. The HKEX website automatically installs and uses cookies on your browser when you access it. Two kinds of cookies are used on the HKEX website:

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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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*:	PRI Association
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 _____
Title:	_____
Phone no.*:	_____
Email address:	_____

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.

Providing ESG information in a shorter timeframe, aligned with the publication of financial information, will facilitate the consideration of ESG factors in traditional financial and economic analysis. We recommend that material ESG information is published in the annual report and reported alongside financial indicators, based on the same reporting scope and with clear links between ESG issues and companies’ business models and risk factors.
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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.

We recommend that this proposal is amended to require that material ESG information is integrated within strategy, risk assessment and financial results, and as such is included in the main annual report. In this case, we agree that additional, detailed sustainability reports do not need to be provided in paper copies unless requested specifically. We do recommend that all additional publications of sustainability information (sustainability reports and websites) are clearly indicated in the annual 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 recommend that ESG disclosure is placed under oversight by the board. In addition to management of ESG reporting by dedicated staff, senior management should also be accountable for the ESG report. This is to ensure good quality control and to demonstrate the company has a sound understanding of ESG issues and how they relate to its corporate strategy (including data analysis and explanation of quantitative metrics compared to sector averages and historical performance).

The board should specify the following characteristics of ESG disclosures:

-ESG disclosures, including climate change, are a requirement of annual reporting, consistent with the other outputs of conventional accounting practice, with clear links between ESG issues and the company’s business model and risk factors.

-ESG disclosures are subject to assurance, as with other financially material reporting.

-ESG disclosures use common performance metrics to allow for comparability, in particular, by industry, portfolio and across time-series.

-ESG disclosures include additional company-specific ESG risks and opportunities.

We also recommend that the board sets targets for key ESG issues, and reviews progress against those targets. We recommend that these targets are connected to the Sustainable Development Goals as relevant. Additional information on reporting against the SDGs may be found in the report ‘Addressing Investor Needs on SDG reporting’ - <https://www.unpri.org/news-and-press/the-sdgs-in-corporate-reporting-what-matters-to-investors-ten-recommendations-to-meet-investor-needs-on-sdg-reporting/3433.article>

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.

In addition to our comment and recommendations for question 3, we recommend that the board provides a 'statement of purpose' where it articulates its reason for being, identifies the stakeholders most critical for its continued prosperity and lays out the timeframes for which senior management's decisions are evaluated and rewarded.

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 proposal is aligned with our recommendations under question 3 and 4. Such a statement will send a signal to investors and other stakeholders, including employees, that ESG issues are integrated at the core of the business strategy.

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 recommend transparency of the reporting process and therefore agree with this proposal. Investors examine not only ESG performance but also governance of management of ESG issues by executive teams.

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 recommend that the board validates the set of material ESG issues on which the company will disclose its performance, as well as the associated targets and metrics. We agree with the proposal that the issuer should be required to disclose the process for the selection of material ESG factors, including a description of the process and results of the issuer's stakeholder engagement.

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 proposal (a).

On proposal (b), we recommend that where companies report quantitative metrics, they should set dated and quantified targets. For new reported mandatory metrics, such target setting can be phased. Progress against targets should be reviewed on a regular basis and targets updated accordingly. Target setting should be aligned with business strategy, existing regulations and long-term sustainability goals including the SDGs.

Regarding quantitative metrics, we recommend disclosure requirement on primary indicators such as those listed in the report ESG data in China - <https://www.unpri.org/fiduciary-duty/esg-data-in-china-recommendations-for-primary-esg-indicators/4345.article> . In addition, we recommend industry-specific and forward looking disclosures aligned with the TCFD framework such as those described in the report.

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 agree with the proposal that the ESG report should contain an explanation of its reporting boundary, describing the process used to identify the specific entities or operations that are included in the ESG report. We recommend that this process is integrated and aligned with the financial reporting process, including on reporting scope. The scope of the report is very important as supply chain or subsidiary operations are often a key part of the company's ESG overall performance. In addition, we recommend that companies disclose which entities or operations are not included and why.

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.

In addition to our previous comments, we recommend that HKEX should encourage the use of the TCFD framework and support a pilot for companies on TCFD disclosures. HKEX may also wish to refer to the EU taxonomy and the UK Green Finance Strategy as best practice examples.

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 this proposal and recommend that associated targets are dated and quantified. Our recommendations on environmental KPIs are also detailed in the report 'ESG data in China' - <https://www.unpri.org/fiduciary-duty/esg-data-in-china-recommendations-for-primary-esg-indicators/4345.article>

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 agree with this proposal and recommend disclosure of scope 3 emissions as relevant, as specified by the GHG protocol methodology - see ghgprotocol.org

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 recommend that primary social metrics such as those listed in the ESG data in China report are mandatory. Such metrics are already widely collected internally but not necessarily disclosed. Additional social metrics can be reported on a comply or explain basis. We also recommend that HKEX includes a reference to ILO standards and the UN Guiding Principles on Business and Human Rights for minimum social safeguards.

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 this proposal. The proportion of full and part-time staff reflects the employment stability of a company, and also its contribution to local livelihoods and reducing inequality.

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 recommend that primary health and safety indicators are mandatory. Disclosure overtime of such metrics will show tendencies in the corporate performance on health and safety.

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.

Similar to the points above on the Board providing greater insights to how ESG is examined, the description of practices will provide investors with greater context and insights into the quality of management for supply chain issues. For part (b) we recommend adding socially inclusive.

Anti- Supply chain labour practices have become a risk for companies with global supply chains. As well as mitigating risk, good management of supply chain labour practices can contribute to a company's competitive advantage and strengthen its long-term financial stability. Description of supply chain practices helps investors identify and assess existing corporate practices, encourage enhanced communication and reporting, and ultimately support improvement of performance and impact by companies. Furthermore, investors expect companies to manage supply chain related risks and opportunities in alignment with relevant international standards.

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 this proposal. Corruption and bribery have been identified as one of the most commonly reported metrics and a key governance issue in our report on ESG data in China.

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.

In response to this question, as well as a concluding remark, we wanted to share a final point. Low quality of ESG information is deemed as a main barrier to ESG integration in financial analysis. The main factors, according to a study conducted by the PRI and CFA, limiting investors' ability to use ESG data are:

- • Lack of appropriate quantitative information (55%)
- Lack of comparability across firms (50%)
- Low data quality and lack of assurance (45%)

We believe the changes being proposed both in this segment on assurance, as well as throughout the Guide, will help directly address these key barriers.

End -