
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.

Other transfers of your personal data

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.

How we use cookies

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.

Persistent Cookies: cookies that remain in your browser for a longer period of time for the purpose of compiling anonymous statistics about the use of the HKEX website or to track and record user preferences.

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.

Compliance with laws and regulations

HKEX and other members of the Group may be required to retain, process and/or disclose your personal data in order to comply with applicable laws and regulations or in order to comply with a court order, subpoena or other legal process (whether in Hong Kong or elsewhere), or to comply with a request by a government authority, law enforcement agency or similar body (whether situated in Hong Kong or elsewhere) or to perform or discharge the Regulatory Functions. HKEX and other members of the Group may need to disclose your personal data in order to enforce any agreement with you, protect our rights, property or safety, or the rights, property or safety of our employees, or to perform or discharge the Regulatory Functions.

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*:	Joint submission by CDP and the Climate Disclosure Standards Board (CDSB)		
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 type="checkbox"/> Professional body / Industry association <input type="checkbox"/> Market practitioner (Type: _____) <input checked="" type="checkbox"/> None of the above		
Contact person*:	Mr	Michael Zimonyi	
Title:	Policy & External Affairs Manager, CDSB		
Phone no.*:	+49176830265 94	Email address:	michael.zimonyi@cdsb.net

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.

Shortening the time frame for publishing the ESG report will be beneficial for increasing the relevance of the data, because it can then be used in conjunction with the financial and other information in the issuer's Annual Report. The current "up to seven months" timeframe means information can be too late to be used by many current and potential users of this information. We recommend emphasizing that the ESG report should be published simultaneously with the Annual Report -- while some companies may object that issuing both reports at the same time would be more burdensome, this will greatly enhance the comparability, usefulness and relevance of the information.

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.

Printed forms should be minimized to protect/save natural resources. In addition, we see a clear trend of using digital copies of reports, because they are searchable. Last but not least, digital reports can still be printed if needed.

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.

In general, there are disclosure elements that can be considered to be universally material. The disclosure elements covered by the proposed MDR would enhance the completeness, comparability and relevance of the information. At CDP, we believe that improving corporate awareness through measurement and disclosure is essential to the effective management of environmental risk. We note that CDP is an NGO that runs the only global disclosure system for investors, companies and local governments to manage their environmental impacts and that this environmental disclosure platform plays an important role of encouraging companies to disclose as much relevant, accurate data as possible. This process of broad disclosure thereafter allows companies to determine which data is "material" for mainstream financial reporting. The CDSB Framework, which sets out an approach for reporting environmental, climate in mainstream reports, such as annual reports, can then help issuers to integrate such information into their annual reports, in line with the TCFD recommendations.

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.

Governance disclosure ensures corporate transparency and accountability to other stakeholders. Investors and other stakeholders are interested in understanding the role an organization's board plays in overseeing climate-related issues. At CDP, we have seen a positive correlation between board-level oversight and management responsibility for addressing climate risks and opportunities, and a company's commitment to action. As noted by the Exchange, governance is also a key thematic area of the TCFD recommendations. The TCFD's second status report, released in June 2019, states that of the over 3000 reports reviewed, levels of governance and risk management disclosures were the lowest. As such, including an MDR on governance is a proactive response to addressing gaps in the current state of play.

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 financially material information on ESG matters provides a clearer picture of the organisation. This is also in line with the TCFD recommendations.

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.

In financial statements, it is standard for companies to explain how they have applied requirements. Explanations on why issuers have chosen to report in a certain way will provide essential context to the information.

We would also like to note that the principles could be amended by adopting the TCFD’s reporting principles, which are based on the IASB Conceptual Framework and are also in line with the CDSB Framework. These are:

Principle 1: Disclosures should present relevant information

Principle 2: Disclosures should be specific and complete

Principle 3: Disclosures should be clear, balanced, and understandable

Principle 4: Disclosures should be consistent over time

Principle 5: Disclosures should be comparable among organizations within a sector, industry, or portfolio

Principle 7: Disclosures should be provided on a timely basis

We believe that having a more complete set of principles would support better reporting by issuers.

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.

Disclosure of the process used in determining materiality is essential for the reader to understand why certain information has not been included in the report. In light of the stakeholders who will be reading/using the reports, we recommend encouraging the use of a materiality definition that reflects a financial approach (eg IASB/TCFD/CDSB materiality definition) rather than a multi stakeholder approach.

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 commend the Exchange for recognising the need for more clarity on this very important, but often overlooked issue.

a) Requiring the disclosure of standards and methodologies used for the reporting of emissions/energy consumption provides context and enhances comparability and consistency of the data.

b) While we recognize that the Exchange has taken into consideration the sensitivity of disclosing quantitative targets in a public document, we suggest that targets should still be required to be specific and measurable, as directional statements in lieu of actual numerical figures could open up opportunities to produce unclear statements that can mislead the reader. If directional statements are allowed, at least specific guidance/standards should be provided to minimize unclear, misleading statements.

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 that the traditional “Scope 1, 2 and 3” approach used in greenhouse gas accounting is based on the “operational” boundary setting, which differs from the “financial” boundary setting. The financial boundary setting is used in annual reports to report other financial information. Some Scope 1 and all Scope 2 and 3 emissions fall beyond the financial boundary of the undertaking. If ESG information is only reported according to the operational boundary control approach, this can affect the comparability of the information with the rest of the annual report. Information beyond the financial boundary should be reported if material, but it should be disaggregated to differentiate between matters pertaining to the legal entity of a company and what is beyond. This approach to disaggregation is described in the Climate Change Reporting Framework, paragraphs 4.23 – 4.27, available at cdsb.net/climate.

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.

Climate-related issues which have had a material financial impact on the issuer would already be required to be disclosed financially – it is useful to reinforce this requirement. This will also support enhancing corporate risk management.

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.

Companies often report targets, but don't sufficiently describe how they will achieve them. Requiring specific targets and disclosure of the steps taken to achieve them will provide valuable context to investors.

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.

Requirement of Scope 1 and Scope 2 disclosure is a positive step forward. Furthermore, for the majority of sectors, the largest sources of a company’s emissions will lie upstream and/or downstream of their core operations. Therefore, we recommend adopting TCFD language that "organizations should provide their Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks."

We would like to refer to our answer to question 9, noting the need to ensure that this information is reported in a way that is also comparable with other corporate information consolidated according to the financial boundary setting.

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.

Given our areas of expertise, we do not have any comments on this matter.

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.

Given our areas of expertise, we do not have any comments on this matter.

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.

Given our areas of expertise, we do not have any comments on this matter.

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.

Anti-

CDP has found that supply chain emissions are often 5.5 times greater than a company's direct operations and on average, emissions located in the supply chain are around 4 times as high as those from direct operations. Therefore, KPIs in respect of supply chain management and addressing supply chain emissions are essential. In light of the paramount importance of transparency in the value chain, CDP operates the "CDP Supply Chain Program", which supports large purchasing organisations to drive action across their supply chains by engaging with their suppliers to disclose, measure and act on their climate change/deforestation/water-related risks, take advantage of opportunities and ensure business continuity. Large purchasing organisations are a powerful lever in the transition to a sustainable economy and the number of companies tackling emissions in the supply chain has doubled in a year, according to CDP's Global Supply Chain Report 2018. But despite a high awareness of climate-related risks, this leadership is not yet spurring widescale action down the supply chain, leading to missed opportunities for cutting emissions and costs. Therefore, as significant portions of the global supply chain network still remain untapped and we need action at every level of the supply chain to meet the goals of the Paris Agreement, we welcome these new KPIs suggested by the Exchange.

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.

Given our areas of expertise, we do not have any comments on this matter.

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.

While both CDP and CDSB encourages companies to obtain independent external assurance which can greatly improve the quality of information as well as increase the reader's trust in the data, we recognize that this can incur additional costs to the issuer. As noted by the TCFD recommendations, however, disclosures need to be reliable and verifiable in order to be decision-useful and therefore, should be subject to internal governance processes that are the same or substantially similar to those used for financial reporting. This means that companies should be reminded of the value of assurance to improve the quality and reliability of reported information, as well as that even if they do not seek independent assurance, data should be prepared with the same rigour and controls as if it were to be subject to independent assurance.

- End -