

Hong Kong Stock Exchange's Consultation on Proposed Changes to ESG Guide

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Background on ESG Reporting

The role of an Exchange is to ensure that the market is orderly, fair and informed. It is recognised that an “informed market” increasingly calls for both non-financial as well as the usual financial information.



There has been a rising tide of regulations globally that mandate the disclosure of key ESG data. In response to increasing demand for such ESG information from investors and other stakeholders, such as those from listed companies, the Hong Kong Stock Exchange (“the Exchange”) appended the Environmental, Social and Governance Reporting Guide (“ESG Guide”) to the Exchange’s Main Board Listing Rules on 1 January 2013. The Exchange asks that listed companies respond to the ESG Guide on a voluntary basis by disclosing the impacts of their activities on specific environmental, social and governance issues.

On 23 May 2014, Business Environment Council (“BEC”) published the **BEC Handbook: Understanding Materiality for Environmental, Social and Governance Reporting** (“BEC ESG Handbook”). The BEC ESG Handbook identifies reporting elements that are global best practice among leaders in ESG disclosure across different industry sectors. The Handbook is intended to help listed companies understand which elements of the ESG Guide to report based on what is “material” to their business and hence be better equipped to respond to the ESG Guide.



On 17 July 2015, the Exchange published the consultation paper - "Review of the Environmental, Social and Governance Reporting Guide" to seek views on proposed amendments to the ESG Guide by 18 September 2015.

Proposed Changes to ESG Guide



The key proposed changes to the ESG Guide are:

1. Amend the Listing Rules to require issuers to state in their annual report or ESG report whether they have complied with the “comply or explain” provisions of the ESG Guide for that financial year - essentially that listed companies are required to disclose their ESG performance and practices or disclose why they are unable to do so.
2. Build out the introductory section of the Guide to provide issuers with more advice on reporting. This includes the establishment of 4 "Reporting Principles" (Materiality, Quantitative, Balance and Consistency) in line with international standards.
3. Rearrange the Guide into two subject areas: A. Environmental and B. Social.
4. Upgrade the general disclosures for all aspects (Environmental and Social) in the Guide to “comply or explain”.
5. Change the wording of the general disclosures so they are aligned with the directors' report requirements under the Companies Ordinance (Cap 622) (which has also been incorporated in Appendix 16 to the Main Board Listing Rules).
6. Upgrade the Key Performance Indicators under the Environmental subject area to “comply or explain”.
7. Incorporate gender diversity into the wording of the recommended disclosures to bring it in line with international standards such as the GRI framework.

Implementation Timeline



The Exchange intends to implement the new Listing Rules and new ESG Guide for financial years commencing on or after 1 January 2016, so issuers will need to start collecting the necessary information and data for publishing their ESG reports under the new ESG Guide in 2017.

BEC's Submission

We are collecting comments from members of BEC ESG Advisory Group and BEC members that are listed companies and will prepare a draft BEC submission accordingly. For other members who would like to provide comments and be involved in reviewing BEC's draft submission, please contact Mr. Samuel Lee (E: samuel@bec.org.hk; T: 2784 3933).



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About Business Environment Council Limited 商界環保協會有限公司

Business Environment Council Limited 商界環保協會有限公司 (“BEC”) is an independent, charitable membership organisation, established by the business sector in Hong Kong. Since its establishment in 1992, BEC has been at the forefront of promoting environmental excellence by advocating the uptake of clean technologies and practices which reduce waste, conserve resources, prevent pollution and improve corporate environmental and social responsibility. BEC offers sustainable solutions and professional services covering advisory, research, assessment, training and award programmes for government, business and the community, thus enabling environmental protection and contributing to the transition to a low carbon economy.

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