Corporate Communications Department  
Hong Kong Exchanges and Clearing Limited  
8/F, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong  
Submitted via email to: response@hkex.com.hk

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

Dear Sir/Madam,

BlackRock\(^1\) welcomes the opportunity to respond to the “Consultation Paper on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules” (“Consultation Paper”)\(^2\), issued by the Hong Kong Exchanges and Clearing Limited (“Exchange”) on 17 May 2019.

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs. We appreciate this opportunity to comment on the issues raised by this Consultation Paper, and we will continue to contribute in the discussion on the issues that may assist in the final outcome.

Unless otherwise indicated, the terms used in this letter shall mean the same as in the Consultation Paper.

Executive summary

We welcome the Exchange’s efforts to raise the standards of reporting on environmental, social and governance (ESG) issues for companies listed in Hong Kong. We are in almost complete agreement with the proposals in the Consultation Paper, and view the enhanced focus on governance and materiality in particular should contribute to improving issuers’ ESG reporting. In the completed questionnaire we have provided detailed comments. While we are supportive of nearly all the proposals, we would like to put forward the following two suggestions relating to the proposed updates to the Reporting Guide and Listing Rules:

1. Reporting boundary

We agree that it is essential to understand the reporting boundary of the ESG report in order to make sense of the reported KPIs. However, to achieve this, we believe issuers should explain the rationale and describe the process used to exclude certain entities or operations, in addition to disclosing the process used to identify the included entities and operations, as currently proposed in the Consultation Paper. This additional

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\(^1\) BlackRock is one of the world’s leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

requirement does not necessarily entail the disclosure of a full list of entities or operations that are excluded, which as correctly pointed out by the Exchange may be lengthy and not necessarily helpful. Instead, it should require companies to report on the business significance of the excluded entities or operations in aggregate, stating revenue or profit contribution, asset representation, or other metrics deemed appropriate by the Exchange. Moreover, if any of the excluded entities or operations are considered significant on their own by these metrics, the respective entities or operations should be identified and an explanation provided as to why they are excluded from the ESG report.

2. Information on contractors

For companies in certain sectors such as property development, transportation and utilities, the health and safety practice of contractors used by the companies as well as the company’s own staff is of increasing concern. Therefore we believe there should be additional KPIs under Aspect B1 and Aspect B2 to require such companies to disclose 1) the number of contractors hired, 2) the number of workers involved in the issuer’s operations through contractors, 3) a description of services carried out by contractors, and 4) the number and rate of work-related fatalities occurred among contracted workers in each of the past three years including the reporting year.

We would also like to convey our thoughts on what leads to good ESG disclosure for investors in particular. At the moment, ESG Reports are designed to cater to a wide range of stakeholders, whose interests and ways of utilizing information provided in the reports can vary greatly. From our perspective, there are certain attributes that can contribute to more effective ESG reporting for investors that are keen to incorporate these factors into their investment processes. We discuss some of these attributes below:

1. A focus on financial materiality

As pointed out in the Consultation Paper, “the key to a meaningful and concise ESG report is materiality”. However, different stakeholders may use different criteria when determining materiality. For investors like BlackRock, materiality is mostly defined from a financial perspective and the relevance of a particular factor to a company’s ability to conduct its business operations long-term. As such, often times the issues we consider most relevant are only a small subset of what is covered while a large part of existing ESG Reports is usually not especially useful for investors.

While ultimately it is up to the board and management to determine which environmental and social (E&S) issues are financially material, there are existing guides that companies can refer to in this area. One such example is the Materiality Map and the Sustainable Industry Classification System developed by the Sustainability Accounting Standards Board (SASB) through years of collaborative work with investors and industry experts. The SASB standards are also complementary to TCFD recommendations and allow comparison among issuers in the same industry.

2. Integrating financially material E&S issues into the annual reports

Another challenge investors face when trying to incorporate ESG factors into investment processes is that disclosure is often dispersed, scattered across annual reports, ESG Reports and also the issuers’ websites. We recommend that all financially material disclosure should be made in the annual report with governance issues covered in the Corporate Governance section and material E&S issues discussed in the Risk Management section.

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3 https://www.sasb.org/

Thank you once again for the opportunity to provide our views. We welcome further discussion on any of the points raised.

Yours faithfully,

Amar Gill
APAC Head of Investment Stewardship
+852 3903 2726
amar.gill@blackrock.com

Winnie Pun
APAC Head of Public Policy
+852 3903 2500
winnie.pun@blackrock.com

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:


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

<table>
<thead>
<tr>
<th>Company/Entity name*:</th>
<th>BlackRock Asset Management North Asia Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company/Entity type*:</td>
<td>HKEX Participant: ☐ SEHK ☐ HKFE</td>
</tr>
<tr>
<td></td>
<td>☐ HKSCC ☐ SEOCH ☐ HKCC</td>
</tr>
<tr>
<td></td>
<td>☐ Listed company ☐ Professional body / Industry association</td>
</tr>
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<td></td>
<td>☑ Market practitioner (Type: _____ )</td>
</tr>
<tr>
<td></td>
<td>☐ None of the above</td>
</tr>
</tbody>
</table>

Contact person*: Mr Amar Gill

Title: Managing Director, APAC Head of Investment Stewardship

Phone no.*: 3903 2726  Email address: amar.gill@blackrock.com

☐ Personal view

<table>
<thead>
<tr>
<th>Respondent’s full name*:</th>
<th>Mr/Ms/Mrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone no.*:</td>
<td>Email address:</td>
</tr>
</tbody>
</table>

Among the following, please select the one best describing your position*:

☐ Listed company staff ☐ HKEX participant staff ☐ Retail investor

☐ Institutional investor ☐ 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:

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.

We believe ESG issues should be discussed alongside financial performance and strategic developments of an issuer. As such, we agree the publication timeframe of the ESG report should be aligned with that of 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 believe that printed form of the ESG report should not be required unless specifically required by shareholders, as a typical online pdf version generally suffices readers' needs.
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 believe the MDRs would help issuers focus on certain important principles such as governance, materiality and quantitative measures when reporting on ESG issues.

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.

We believe a statement from the board on its oversight of ESG issues, the processes used to identify, evaluate and manage material ESG-related issues, and progress on ESG-related goals and targets would naturally bring about a top-down approach to ESG issues, which is crucial for effective oversight of ESG risks. Board-level accountability would also raise the level of attention given to ESG issues and align the management of ESG risks strategically with the business purpose of the issuer.
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 for the board to be able to articulate the issuer's ESG management approach, strategy, priorities, goals/targets, and relevance to the issuer's businesses.

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.

The Principle of materiality would help companies focus on critical issues that are actually relevant to its business, and the Principle of quantitative measures would ensure more data points are available for investors to make objective assessment and comparison across time periods and across industry peers.

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.
As mentioned above, introducing board-level accountability would allow a more effective, top-down approach to managing ESG risks. Disclosure on significant stakeholders identified, process of issuer's stakeholder engagement, and criteria for selection of material ESG factors would also help investors better understand the issuer's approach to reviewing ESG related risks.
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.

Quantitative, measurable KPIs are important for comparison across time periods and across industry peers, which are in turn crucial for assessment of an issuer's performance on the relevant ESG topics.

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.

While we generally agree with the proposal to require an explanation of the ESG report's reporting boundary, and the process used to identify specific entities or operations that are included in the ESG report, we believe the reporting boundary can only be clearly defined if the excluded entities and operations are also disclosed. This does not necessarily mean disclosing a full list of the excluded entities and operations, which, as pointed out by the Exchange in the consultation paper, can be lengthy and not necessarily helpful. Instead, the disclosure can be on the business significance of the excluded entities and operations as a whole, in terms of revenue or profit contribution, asset representation, or any other metrics that the Exchange considers appropriate. Moreover, where an entity or operation that is excluded represents a significant part of the business, the issuer should identify the entity or operation, and provide an explanation on why it is excluded.
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.

This raises the standard of reporting.

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.

This raises the standard of reporting.
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.

This raises the standard of reporting and is a reasonable requirement.

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.

This raises the standard of reporting and is a reasonable requirement.
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.

Problems with contracted workers are of increasing concern, especially for issuers in industries such as property development and transportation. While we generally agree with the proposal to clarify “employment types” should include “full- and part-time” staff, we suggest the revision in Aspect B1: Employment to include separate KPIs on 1) the number of contractors hired, 2) the number of workers involved in the issuer’s operations through contractors and 3) a description of services carried out by contractors.

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 mentioned in our response to Question 14, problems with contracted workers are of increasing concern. While we generally agree with the proposal to require disclosure of number and rate of work-related fatalities occurred in each of the past three years including the reporting year, we suggest the revision in Aspect B2: Health and Safety to include separate KPIs on the number and rate of work-related fatalities occurred among contracted workers in each of the past three years including the reporting year.
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.

This raises the standard of reporting and is a reasonable requirement.

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.

This raises the standard of reporting and is a reasonable requirement.
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 agree that the Exchange should encourage, but not obligate, issuers to seek independent assurance in respect of the ESG information disclosed, and should require the level, scope and processes adopted for assurance to be clearly communicated in the ESG report where an assurance is obtained. A low-level assurance of poor quality can be more confusing than helpful to investors.