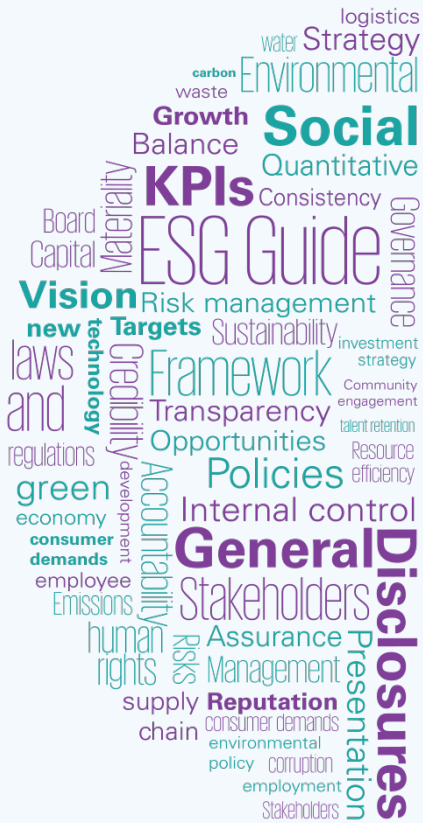




# Highlights of the Revised HKEx Environmental, Social and Governance (ESG) Reporting Guide

December 2015

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# Linkage between ESG and Business Sustainability

Many companies still see ESG as a moral issue and therefore adopt a compliance approach. Yet things are changing far more quickly than many of us imagined. Numerous important business **risks and opportunities** are easily overlooked when companies fail to see the linkage between ESG and business sustainability. Some of these risks and opportunities may include...

## RISKS



- Rising costs of raw materials
- Supply chain risks
- Reputational risk
- Global emission targets
- China environment policy
- Shifting stakeholder expectation
- Social licence to operate
- and many more.....

## OPPORTUNITIES



- Operational efficiency
- New products and services
- Lower cost of capital
- Talent attraction & retention
- Development of renewable energy
- Rapid growth of green bond market
- Sustainability indices
- and many more.....

# What is required



## **Board** accountability

- The board has overall responsibility for ESG strategy and reporting.
- In line with the Corporate Governance Code, the board is responsible for evaluating, determining and managing the issuer's ESG-related risks.

# 1

# 2

## **Robust** systems

- Appropriate and effective ESG risk management and internal control systems have to be in place.
- Management should provide confirmation to the board on the effectiveness of these systems.



## **Enhanced** transparency

The issuer should:

- Report on an annual basis and regarding the same period covered in the annual report.
- Publish the ESG information in the annual report or no later than 3 months from the publication of the annual report.

# 3

On 21 December 2015, Hong Kong Exchanges and Clearing Limited (HKEx) published its new requirements in the [Consultation Conclusions on Review of the Environmental, Social and Governance \(ESG\) Reporting Guide](#). All companies listed on the HKEx will be affected. The new requirements will apply to financial years commencing on or after 1 January 2016.



**Certain disclosures are “comply or explain”**

 <b>ENVIRONMENTAL</b>	 <b>SOCIAL</b>
<p>Emissions</p> <p>Use of resources</p> <p>The environment and natural <b>resources</b></p>	<p>Employment Labour Standards</p> <p><b>Supply Chain Management</b></p> <p>Anti-corruption</p> <p><b>Health &amp; Safety</b></p> <p>Development &amp; Training</p> <p>Product Responsibility</p> <p>Community Investment</p>

<p><b>General Disclosures*</b></p>	<p><b>“Comply or explain”</b> - Effective 1 Jan 2016</p>	<p><b>“Comply or explain”</b> - Effective 1 Jan 2016</p>
<p><b>Key Performance Indicators (KPIs)</b></p>	<p><b>Recommended</b> - Effective 1 Jan 2016 <b>“Comply or explain”</b> - Effective 1 Jan 2017</p>	<p><b>Recommended</b></p>

\* Policies, compliance with relevant laws and regulations that have a significant impact on the issuer

# What you should do

- Listed issuers need to consider these changes **immediately** and assess which ESG risks have significant impact on the business and how well those risks are managed.
- The new ESG requirements are **inter-connected** with other new requirements such as business review, risk management and internal control and new auditor's report. We recommend listed issuers to think more broadly and consider these changes in a holistic manner.

# How we can help

Below are some possible areas where we can assist you in mitigating ESG risks and seizing opportunities to drive business sustainability:

- Conduct impact and readiness assessment
- Build awareness and capability
- Develop / enhance ESG strategy, risk management and reporting system
- Benchmark reporting quality
- Provide assurance services to enhance ESG report's credibility

# Thought Leadership



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