

ESG Reporting

HKEX strengthened requirements

In December 2019, Hong Kong Stock Exchange (HKEX) announced its enhanced Environmental, Social and Governance (ESG) reporting framework, which will take effect from *financial years commencing on or after 1 July 2020*.

Key changes include:



Mandatory disclosure of

- A board statement on the board's oversight of ESG issues, and ESG management approach and strategy
- The application of reporting principles – Materiality, Quantitative and Consistency
- The reporting boundaries of the ESG report

- Establish an effective governance structure on ESG, facilitating risk management, decision making and information exchange
- Formalize ESG approach and strategy
- Develop a consistent reporting methodology for KPIs, including scope, definition, calculation and aggregation, etc.
- Perform materiality assessment which helps analyze stakeholders' key concerns

Implications and Next Steps



All Social KPIs upgraded to “comply or explain”, with several newly introduced Social KPIs

- Number and rate of work-related fatalities occurred in each of the past three years
- Practice on managing the environmental and social risks along the supply chain
- Details of anti-corruption training provided to directors and staff

- Examine the materiality of the Social KPIs, and identify the existing information gap on reporting them
- Establish a reporting mechanism for the Social KPIs with assigned information owners

Implications and Next Steps



Disclosure of target(s) set for Environmental KPIs including emissions, waste reduction, energy use and water efficiency, as well as requiring Scope 1 and Scope 2 greenhouse gas emissions to be disclosed

- Review vision on ESG and examine the “to-be” state on environmental performance
- Evaluate the forms of target(s) to be established, i.e. directional statement / qualitative target / quantitative target
- Establish mechanism to monitor progress towards achieving the target(s) set

Implications and Next Steps



Disclosure of significant climate-related issues which have impacted and may impact the business

- Re-evaluate existing risk exposure to climate-related issues, including the physical changes and so-called ‘transition’ risks caused by climate change
- Determine the policy and procedures on tackling climate-related issues

Implications and Next Steps



Encouraging independent assurance on ESG information disclosed

- Implement assurance readiness program
- Review reporting mechanism to assess whether it provides a guarantee that the information disclosed is “true and fair”

Implications and Next Steps

Deloitte Credentials



We have served over 100 Hong Kong listed companies with ESG reporting advisory and assurance services, in a wide range of sectors and company sizes. We apply this deep experience in order to provide the best solutions to suit the needs of companies, regulators and report readers.

We play leading roles in major organizations that are dedicated to promoting ESG including Global Reporting Initiative (GRI), United Nations Global Compact (UNGC) and Task Force on Climate-related Financial Disclosures (TCFD). Closer to home we are an adviser to the Hong Kong Green Finance Association.

We have strategic partnerships with key sustainability organizations and entities, and have been involved in researches, awards and seminars for ESG reporting, including Bloomberg Businessweek and the Hong Kong Institute of Certified Public Accountants.

As well as ESG reporting, we have solid experience in delivering various sustainability advisory services including sustainability strategy development, EHS (Environmental, Health and Safety) audit and responsible investment advisory.

How Deloitte could support you

- **Assist in interpretation of HKEX's requirements** by experienced ESG experts, reducing the management efforts for compliance
- **Perform gap analysis** to evaluate what listed companies should do in order to satisfy the new disclosure requirements
- **Advise on design of effective and efficient data collection mechanism**, which smooths the reporting process to reduce risk and enhance data integrity
- **Perform climate risk assessment** and develop climate action plan
- **Support the development and implementation of appropriate targets**, for emissions, energy, water, waste, etc.
- **Assist in compiling the ESG report** in accordance with the HKEX's requirements and international ESG reporting standards
- **Provide independent assurance** on ESG data contained in the ESG report

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