

## 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* Implications and Next Steps
- ✓ *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*



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* Implications and Next Steps
- ✓ *Establish a reporting mechanism for the Social KPIs with assigned information owners*



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* Implications and Next Steps
- ✓ *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*



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* Implications and Next Steps
- ✓ *Determine the policy and procedures on tackling climate-related issues*



Encouraging independent assurance on ESG information disclosed

- ✓ *Implement assurance readiness program* Implications and Next Steps
- ✓ *Review reporting mechanism to assess whether it provides a guarantee that the information disclosed is "true and fair"*

# Deloitte Credentials



## 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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