

The Stock Exchange of Hong Kong Limited (HKEX) published the “Consultation Conclusions on Review of the Environmental, Social and Governance (ESG) Reporting Guide and Related Listed Rules” in December 2019. The new requirements of the updated ESG Reporting Guide will take effect for the financial years commencing on or after 1 July 2020.

There has been a shift away from “reporting” to “management” in HKEX’s focus on ESG reporting by issuers, with an emphasis on the board’s role in the governance structure for ESG matters. The requirements for issuers regarding the following aspects include:

Are you well prepared to respond to the enhanced ESG disclosure requirements? The following questions will help you evaluate your level of preparedness. If you would like more information, please let us know and we would be happy to discuss further with you.



Contact us to learn more about the support KPMG can provide in ESG reporting: cnfmccs@kpmg.com

For more information on KPMG China’s Business Reporting and Sustainability Services, scan the QR code or visit our website: <https://home.kpmg/cn/en/home/services/audit/business-reporting-and-sustainability/sustainability-services.html>

		Yes 5 points	No/N/A/ Not sure 0 points
01	Enhanced ESG oversight responsibilities for boards		
	<ul style="list-style-type: none"> Is the Board aware of its responsibilities for the company’s ESG-related matters? Has the Board held any discussions on the appropriate governance structure for overseeing the company’s ESG-related matters (e.g. establishing a separate ESG committee)? Has the company considered the possibility of appointing an ESG specialist to sit on the Board? Does the company know how to develop an ESG oversight framework (e.g. definition of roles and responsibilities, oversight procedures, performance management)? 	<input type="radio"/>	<input type="radio"/>
02	Required to disclose significant ESG-related risks		
	<ul style="list-style-type: none"> Have any ESG-related issues (e.g. climate change) been identified as having a significant impact on the company? Does the company have sufficient knowledge of the international standards and frameworks for ESG risk management (e.g. TCFD¹, COSO²)? Does the company know how to systematically manage ESG risks (governance and culture, strategy and objective-setting, performance, review and revision, communication and reporting)? 	<input type="radio"/>	<input type="radio"/>
03	Required to disclose management targets for ESG topics and additional indicators		
	<ul style="list-style-type: none"> Does the company know what targets its peers have set? Is it necessary to set a target for each ESG topic? Is the company well positioned to meet the challenges arising from the new or existing disclosure requirements (e.g. lack of a relevant management function, unclear methodologies for calculation or collection of data)? 	<input type="radio"/>	<input type="radio"/>
04	Required to explain the application of the reporting principles and the reporting boundary		
	<ul style="list-style-type: none"> Is the company aware of the reporting principles that must be complied with? Does the company know how to demonstrate its compliance with the reporting principles? Is the company able to clearly identify the entities covered in the report and explain the coverage? 	<input type="radio"/>	<input type="radio"/>
05	Shortened publication timeframe to within five months from the year-end date		
	<ul style="list-style-type: none"> Is the company able to publish the ESG report within the shortened timeframe? Has a detailed timeline been created for the reporting project (e.g. division of work, milestones)? Has the company assigned adequate staff and resources? How successful is the cross-functional collaboration (e.g. attitude, efficiency)? 	<input type="radio"/>	<input type="radio"/>
06	Encouraged to seek independent assurance		
	<ul style="list-style-type: none"> Is the company aware of any peers that have sought independent assurance? Does the company know whether the assurance should cover the entire report or some of the key performance indicators? Does the company have any knowledge of ESG report assurance (e.g. types of assurance, assurance service providers, assurance standards, procedures)? 	<input type="radio"/>	<input type="radio"/>

80-100 points	The company is well prepared to respond to the enhanced disclosure requirements in the revised ESG Reporting Guide;
60-80 points	The company is in a position to respond to most of the disclosure requirements. It is recommended that the company focus on addressing the weaknesses;
Below 60 points	It is recommended that the company perform an evaluation of its current ESG management as soon as possible and take actions to improve accordingly, or it may face significant compliance risks.

¹ TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures
² COSO, Enterprise Risk Management – Applying enterprise risk management to environmental, social and governance-related risks released by the Committee of Sponsoring Organizations of the Treadway Commission and World Business Council for Sustainable Development



Revised ESG Reporting Guide*



Consultation conclusions*

Scan the QR code to view the revised ESG Reporting Guide and the consultation conclusions

*Source: HKEX website