

# GEM LISTING RULES

## Chapter 17

### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

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#### Environmental and Social Matters

- 17.103 (1) The Environmental, Social and Governance (“ESG”) Reporting Guide in Appendix 20 comprises two levels of disclosure obligations: (a) “comply or explain” provisions; and (b) recommended disclosures.
- (2) Issuers must state whether they have complied with the “comply or explain” provisions set out in the ESG Reporting Guide for the relevant financial year in their annual reports or in separate ESG reports.
- (3) Where the issuer deviates from the “comply or explain” provisions, it must give considered reasons in its ESG report.
- (4) Issuers are encouraged, but not required, to report on the recommended disclosures of the ESG Reporting Guide.
- (5) Issuers must publish their ESG reports are encouraged to include information set out in Appendix 20 in the annual report on an annual basis and regarding the same period covered in the their annual reports, or as a separate report.

*Notes:*

- (1) ~~Where the An ESG report may be presented as information is included in the issuer’s annual report, in a separate report, or on the issuer’s website.~~ ~~an~~ ~~Where not presented in the issuer's annual report, the issuer is free to report on any period but should consistently report on the same period so that the information can be comparable. However, the Exchange encourages an issuer to report regarding the same period as in the annual report should publish this information as close as possible to, and in any event no later than three months after, the publication of the issuer’s annual report.~~
- (2) As regards “Subject Area A. Environmental” of the ESG Reporting Guide, the upgrade of the Key Performance Indicators to “comply or explain” will come into effect for issuers’ financial years beginning on or after 1 January 2017.

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# Chapter 18

## EQUITY SECURITIES

### FINANCIAL INFORMATION

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#### Annual reports

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*Information to accompany directors' report and annual financial statements*

18.07 ...

*Notes: 1 ...*

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5 Issuers must publish ESG reports in accordance with Rule 17.103 and the ESG Reporting Guide contained in Appendix 20.

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#### Recommended additional disclosure

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18.84 ~~Issuers are encouraged to include information set out in Appendix 20 in the annual report regarding the same period covered in the annual report, or as a separate report.~~

~~*Note: Where the information is included in a separate report, an issuer is free to report on any period but should consistently report on the same period so that the information can be comparable. However, the Exchange encourages an issuer to report regarding the same period as in the annual report.*~~  
[Repealed 1 January 2016]

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## Appendix 20

### Environmental, Social and Governance Reporting Guide

New Guide	Previous Guide
<b>The Guide</b>	<b>Introduction</b>
1. This Guide comprises two levels of disclosure obligations: (a) “comply or explain” provisions; and (b) recommended disclosures.	
2. An issuer must report on the “comply or explain” provisions of this Guide. If the issuer does not report on one or more of these provisions, it must provide reasons in its ESG report. The issuer is encouraged, but not required, to report on the recommended disclosures of this Guide. For guidance on the “comply or explain” approach, issuers may refer to the “ <i>What is “comply or explain”?</i> ” section of the Corporate Governance Code and Corporate Governance Report (“Corporate Governance Code”) in Appendix 15 of the GEM Listing Rules.	
3. An issuer must disclose ESG information on an annual basis and regarding the same period covered in its annual report. An ESG report may be presented as information in the issuer’s annual report, in a separate report, or on the issuer’s website. Regardless of the format adopted, the ESG report should be published on the Exchange’s website and the issuer’s website. Where not presented in the issuer’s annual report, the issuer should publish this information as close as possible to, and in any event no later than three months after, the publication of the issuer’s annual report.	4. An issuer may disclose the ESG information in its annual report regarding the same period covered in the annual report, or in a separate report, in print or on its website. Where the information is included in a separate report, an issuer is free to report on any period. However, the Exchange encourages an issuer to report regarding the same period as in the annual report.
<b>Overall Approach</b>	
4. This Guide is organised into two ESG subject areas (“Subject Areas”): Environmental (Subject Area A) and Social (Subject Area B). Corporate governance is addressed separately in the Corporate Governance Code.	7. There are four ESG subject areas: Workplace Quality, Environmental Protection, Operating Practices and Community Involvement. Corporate Governance is not

New Guide	Previous Guide
	<p>included as it is dealt with separately in Appendix 15 of the GEM Listing Rules.</p>
<p>5. Each Subject Area has various aspects (“Aspects”). Each Aspect sets out general disclosures (“General Disclosures”) and key performance indicators (“KPIs”) for issuers to report on in order to demonstrate how they have performed.</p>	<p>1. This guide sets out Environmental, Social and Governance (“ESG”) subject areas, aspects, general disclosure and key performance indicators (“KPIs”).</p> <p>8. Each subject area has various aspects. For each relevant aspect, an issuer could report on the general disclosure and KPIs that indicate its performance.</p>
<p>6. In addition to the “comply or explain” matters set out in this Guide, the Exchange encourages an issuer to identify and disclose additional ESG issues and KPIs, including recommended disclosures, that reflect the issuer’s significant environmental and social impacts; or substantially influence the assessments and decisions of stakeholders. In assessing these matters, the issuer should engage stakeholders on an ongoing basis in order to understand their views and better meet their expectations.</p>	<p>12. It is important to engage stakeholders periodically to identify material aspects and KPIs and understand their views. Stakeholders are parties that have interests in or are affected by the decisions and activities of an issuer. They may include shareholders (including independent shareholders), business partners, employees, suppliers, sub-contractors, consumers, regulators and the public.</p> <p>13. The ESG report could disclose the issuer’s stakeholders and the basis for their identification. It may also disclose the activities the issuer has arranged to engage stakeholders, the objectives and how it has responded to stakeholders’ views. Stakeholder engagement may be conducted through meetings (e.g. personal or annual general meetings), conferences, workshops, advisory committees, round-table</p>

New Guide	Previous Guide
	<p>discussions, focus groups, questionnaires, web-based forums and written consultations.</p> <p>14. The ESG report may also disclose a mechanism for stakeholders to provide feedback.</p>
<p>7. This Guide is not comprehensive and the issuer may refer to existing international ESG reporting guidance for its relevant industry or sector. The issuer may adopt international ESG reporting guidance so long as it includes comparable disclosure provisions to the “comply or explain” provisions set out in this Guide. The issuer may also consider obtaining assurance on its ESG report.</p>	<p>2. This guide is not comprehensive. The Exchange encourages an issuer to identify and disclose additional ESG issues and KPIs that are relevant to its business. It may also refer to existing international ESG reporting guidance for its relevant industry or sector.</p> <p>3. An issuer may adopt a higher level of ESG reporting based on international guidance and standards.</p> <p>6. Issuers may consider offering assurance on the ESG report.</p>
<p><i>ESG strategy and reporting</i></p>	
<p>8. The board has overall responsibility for an issuer’s ESG strategy and reporting.</p>	<p>5. It is important to involve the board of directors in preparing the ESG report. The board of directors is responsible for ESG reporting but it may delegate the task of compiling the ESG report to its employees or a committee that reports to the board.</p>
<p>9. In line with the Corporate Governance Code, the board is responsible for evaluating and determining the issuer’s ESG-related risks, and ensuring that appropriate and effective ESG risk</p>	<p>18. An ESG report could also discuss ESG opportunities, risks, challenges and how they are addressed. For example, a</p>

New Guide	Previous Guide
<p>management and internal control systems are in place. Management should provide a confirmation to the board on the effectiveness of these systems.</p>	<p>telecommunication company may see an opportunity to promote teleconferencing as an alternative to travel due to climate change concerns. An information and technology company may see the damage to its reputation from a breach in consumer privacy as an ESG risk.</p>
<p>10. The ESG report should state the issuer’s ESG management approach, strategy, priorities and objectives and explain how they relate to its business. It would be useful to discuss the issuer’s management, measurement and monitoring system employed to implement its ESG strategy. An ESG report should also state which entities in the issuer’s group and/or which operations have been included in the report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	<p>17. An ESG report could state the issuer’s ESG management approach, strategies, priorities, objectives and explain how they relate to its business. It could discuss the issuer’s management, measurement and monitoring system to implement its ESG strategies.</p> <p>15. An issuer is encouraged to state in its ESG report which entities in the group and/or which operations have been included for the report. If there is change in the scope, the issuer is encouraged to explain the difference and reason for change.</p>
<p><b>Reporting Principles</b></p>	
<p>11. The following Reporting Principles underpin the preparation of an ESG report, informing the content of the report and how information is presented:</p> <p>(1) <b>Materiality</b> is the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported.</p> <p>(2) <b>Quantitative:</b> KPIs need to be measurable. Targets can be set to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its</p>	<p><b>On “Materiality”</b></p> <p>9. Not all ESG subject areas, aspects and KPIs in this Guide may be relevant to an issuer’s business. Also, some may be more important to an issuer’s business than others. For example, product responsibility, an ESG aspect, may be important to a retailer.</p>

New Guide	Previous Guide
<p>purpose, impacts, and giving comparative data where appropriate.</p> <p>(3) <b>Balance:</b> The ESG report should provide an unbiased picture of the issuer’s performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.</p> <p>(4) <b>Consistency:</b> The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time. The issuer should disclose in the ESG report any changes to the methods used or any other relevant factors affecting a meaningful comparison.</p>	<p>10. An issuer is encouraged to prioritise ESG subject areas, aspects and KPIs that are material in the context of its corporate strategy, which could be given prominence in the report.</p> <p>11. It is unnecessary to report on all subject areas, aspects and KPIs. An issuer is encouraged to identify and report on relevant ESG subject areas, aspects and KPIs that have material environmental and social impacts. Materiality can be addressed in strategic, operational and financial terms.</p> <p><i>Also see paragraph 12 above.</i></p> <p><b>On “Quantitative”</b></p> <p>19. The Guide does not provide a definition for each KPI. An issuer is encouraged to explain how the KPIs are calculated and include information that is necessary for interpreting the KPIs. It may use the same definition and calculation method each period for comparison over time. If there is a change to the definition or calculation method, the issuer could explain the difference and reason for the change.</p> <p>20. Over time, an issuer may present time series of data for comparison over a period already reported on. The time period used may be consistent for every report.</p>

New Guide	Previous Guide
	<p>21. An issuer may report line items with objective and representative industry benchmarks.</p> <p>22. Quantitative information could be presented in a table format.</p> <p><b>On “Consistency”</b></p> <p>16. Once an issuer starts reporting, it is encouraged to continue to do so regularly. The aspects and KPIs reported could be consistent for each period or there could be an explanation of the changes. An issuer may also explain why some aspects and KPIs are not reported.</p> <p><i>Also see paragraph 15 above.</i></p>
<p><b>Complementing ESG discussions in the Business Review Section of the Directors’ Report</b></p>	
<p>12. Pursuant to rule 18.07A(2)(d), an issuer’s directors’ report for a financial year must contain a business review in accordance with Schedule 5 to the Companies Ordinance. The business review must include, to the extent necessary for an understanding of the development, performance or position of the issuer’s business:</p> <ul style="list-style-type: none"> <li>(i) a discussion of the issuer’s environmental policies and performance;</li> <li>(ii) a discussion of the issuer’s compliance with the relevant laws and regulations that have a significant impact on the issuer; and</li> </ul>	



New Guide	Previous Guide
<p>(iii) an account of the issuer’s key relationships with its employees, customers and suppliers and others that have a significant impact on the issuer and on which the issuer’s success depends.</p> <p>This Guide should complement the content requirements of the directors’ report, as it calls for issuers to disclose information in respect of specific ESG areas.</p>	
<p><i>Note: As regards “Subject Area A. Environmental”, the upgrade of the KPIs to “comply or explain” will come into effect for issuers’ financial years beginning on or after 1 January 2017.</i></p>	

New Guide			Previous Guide	
	“Comply or explain” Provisions	Recommended Disclosures	All Recommended Disclosures	
<b>A. Environmental</b>			<b>B. Environmental protection</b>	
<b>Aspect A1 : Emissions</b>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note: Air emissions include NO<sub>x</sub>, SO<sub>x</sub>, and other pollutants regulated under national laws and regulations.</i></p> <p><i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i></p> <p><i>Hazardous wastes are those defined by national regulations.</i></p>		<b>Aspect B1</b>	<b>Emissions</b>
	KPI A1.1	The types of emissions and respective emissions data.	KPI B1.1	[Same wording adopted in proposed KPI A1.1]
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	KPI B1.2	[Same wording adopted in proposed KPI A1.2]

New Guide			Previous Guide		
	“Comply or explain” Provisions		Recommended Disclosures	All Recommended Disclosures	
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		KPI B1.3	[Same wording adopted in proposed KPI A1.3]
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		KPI B1.4	[Same wording adopted in proposed KPI A1.4].
	KPI A1.5	Description of measures to mitigate emissions and results achieved.		KPI B1.5	[Same wording adopted in proposed KPI A1.5].
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.		KPI B1.6	[Same wording adopted in proposed KPI A1.6].
<b>Aspect A2: Use of Resources</b>	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p><i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i></p>			<b>Aspect B2</b>	<b>Use of resources</b>
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ‘000s) and intensity (e.g. per unit of production volume, per facility).		General Disclosure	<p>Policies on efficient use of resources including energy, water and other raw materials.</p> <p>Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>
				KPI B2.1	[Same wording adopted in proposed KPI A2.1]

New Guide			Previous Guide		
	“Comply or explain” Provisions		Recommended Disclosures	All Recommended Disclosures	
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).		KPI B2.2	[Same wording adopted in proposed KPI A2.2]
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.		KPI B2.3	[Same wording adopted in proposed KPI A2.3]
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.		KPI B2.4	[Same wording adopted in proposed KPI A2.4]
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		KPI B2.5	[Same wording adopted in proposed KPI A2.5]
<b>Aspect A3: The Environment and Natural Resources</b>	General Disclosure Policies on minimising the issuer’s significant impact on the environment and natural resources.			<b>Aspect B3</b> General Disclosure	<b>The environment and natural resources</b> Policies on minimising the operation’s significant impact on the environment and natural resources.
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		KPI B3.1	[Same wording adopted in proposed KPI A3.1]

New Guide			Previous Guide			
	“Comply or explain” Provisions	Recommended Disclosures	All Recommended Disclosures			
<b>B. Social</b>						
<b>Employment and Labour Practices</b>			<b>A. Workplace quality</b>			
<b>Aspect B1: Employment</b>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>			<b>Aspect A1</b>	<b>Working conditions</b>	
				General disclosure		Information on:
						(a) the policies; and
				(b) compliance and material non-compliance with relevant standards, rules and regulations		
				on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and other benefits and welfare.		
		KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	KPI A1.1	Total workforce by employment type, age group and geographical region.	
		KPI B1.2	Employee turnover rate by gender, age group and geographical region.	KPI A1.2	Employee turnover rate by age group and geographical region.	
<b>Aspect B2: Health and Safety</b>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>			<b>Aspect A2</b>	<b>Health and safety</b>	
				General disclosure		Information on:
				(a) the policies; and		
				(b) compliance and material non-compliance with relevant standards, rules and regulations		
				on providing a safe working environment and protecting employees from occupational hazards.		
		KPI B2.1	Number and rate of work-related fatalities.	KPI A2.1	[Same wording adopted in proposed KPI B2.1]	

New Guide			Previous Guide		
	“Comply or explain” Provisions	Recommended Disclosures		All Recommended Disclosures	
		KPI B2.2	Lost days due to work injury.	KPI A2.2	[Same wording adopted in proposed KPI B2.2]
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	KPI A2.3	[Same wording adopted in proposed KPI B2.3]
<b>Aspect B3: Development and Training</b>	<p>General Disclosure</p> <p>Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i></p>			<b>Aspect A3</b>	<b>Development and training</b>
				General disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.
				Training refers to vocational training. It may include internal and external courses paid by the employer.	
		KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	KPI A3.1	The percentage of employees trained by employee category (e.g. senior management, middle management, etc.).
		KPI B3.2	The average training hours completed per employee by gender and employee category.	KPI A3.2	The average training hours completed per employee by employee category.
<b>Aspect B4: Labour Standards</b>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to preventing child and forced labour.</p>			<b>Aspect A4</b>	<b>Labour standards</b>
				General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance and material non-compliance with relevant standards, rules and regulations</p> <p>on preventing child or forced labour.</p>

New Guide				Previous Guide	
	“Comply or explain” Provisions	Recommended Disclosures		All Recommended Disclosures	
		KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	KPI A4.1	[Same wording adopted in proposed KPI B4.1]
		KPI B4.2	Description of steps taken to eliminate such practices when discovered.	KPI A4.2	[Same wording adopted in proposed KPI B4.2]
<b>Operating Practices</b>				<i>C. Operating practices</i>	
<b>Aspect B5: Supply Chain Management</b>	General Disclosure Policies on managing environmental and social risks of the supply chain.			<b>Aspect C1</b> General disclosure	<b>Supply chain management</b> Policies on managing environmental and social risks of supply chain.
		KPI B5.1	Number of suppliers by geographical region.	KPI C1.1	[Same wording adopted in proposed KPI B5.1]
		KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	KPI C1.2	[Same wording adopted in proposed KPI B5.2]
<b>Aspect B6: Product Responsibility</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.			<b>Aspect C2</b> General disclosure	<b>Product responsibility</b> Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations  on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

New Guide			Previous Guide		
	“Comply or explain” Provisions	Recommended Disclosures		All Recommended Disclosures	
		KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	KPI C2.1	[Same wording adopted in proposed KPI B6.1]
		KPI B6.2	Number of products and service related complaints received and how they are dealt with.	KPI C2.2	[Same wording adopted in proposed KPI B6.2]
		KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	KPI C2.3	[Same wording adopted in proposed KPI B6.3]
		KPI B6.4	Description of quality assurance process and recall procedures.	KPI C2.4	[Same wording adopted in proposed KPI B6.4]
		KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	KPI C2.5	[Same wording adopted in proposed KPI B6.5]
<b>Aspect B7: Anti-corruption</b>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>			<b>Aspect C3</b>	<b>Anti-corruption</b>
		KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	KPI C3.1	[Same wording adopted in proposed KPI B7.1]



New Guide				Previous Guide	
	“Comply or explain” Provisions	Recommended Disclosures		All Recommended Disclosures	
		KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	KPI C3.2	[Same wording adopted in proposed KPI B7.2]
<b>Community</b>				<i>D. Community involvement</i>	
<b>Aspect B8: Community Investment</b>	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.			<b>Aspect D1</b> General disclosure	<b>Community investment</b> Policies on community engagement to understand the community’s needs where it operates and to ensure its activities take into consideration communities’ interests.
		KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	KPI D1.1	[Same wording adopted in proposed KPI B8.1]
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	KPI D1.2	[Same wording adopted in proposed KPI B8.2]