

## FAQs – GEM Listing Rules – Appendix 20

### Question:

Can an issuer adopt other guidelines instead of the ESG Reporting Guide (“ESG Guide” or “Guide”)? Where an issuer adopts alternative reporting guidance or international standards with comparable provisions to the Guide, is it required to give any explanation/reconciliation in relation to the Guide?

### Answer:

The Guide sets out minimum parameters for reporting with a view to facilitating issuers’ disclosure and communication with investors and other stakeholders. Issuers may adopt international standards or guidelines, such as the Global Reporting Initiative’s G4 Sustainability Reporting Guidelines, CDP’s Climate Change Information Request and Water Information Request, the International Organization for Standardization’s Guidance on Social Responsibility, and the Corporate Sustainability Assessment for inclusion in the Dow Jones Sustainability Indices.

To avoid duplication, adopting international reporting standards or guidelines that contain comparable provisions to the ESG Guide should be sufficient compliance with the Guide without the need for further explanation. However, issuers that report on international standards or guidelines should make clear which “comply or explain” provisions and recommended disclosures of the Guide they are reporting on.

*FAQ Series 18, FAQ No. 2*

*LR reference: Main Board Rules 13.91, Appendix 27 / GEM Rules 17.103, Appendix 20*

*Released on 31/8/2012 (Updated on 21/12/2015)*

### Question:

What is the implementation date of the amendments to the Rules and the Guide adopted in the “Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide” published in December 2015?

### Answer:

The amendments to Main Board Rule 13.91 and Main Board Rules Appendix 16 Paragraphs 6 and 53 (GEM Rules 17.103, 18.07 and 18.84), the upgrade of the General Disclosures under each Aspect of the Guide from recommended to “comply or explain”, and the amendments to the recommended disclosures will be effective for issuers’ financial years commencing on or after 1 January 2016. An ESG report, if not presented in the issuer’s annual report, should be published no later than three months after the publication of the issuer’s annual report; and the issuer’s annual report must be published no more than four months (in the case of a Main Board issuer) and three months (in the case of a GEM issuer) after the end of the financial year.

So, for an issuer with a financial year starting from 1 January, its 2016 ESG report must contain the information required under the General Disclosures of each Aspect of the Guide, or else it must give considered reasons. At the latest, a Main Board issuer with a financial year starting from 1 January must publish its 2016 annual report by 30 April 2017, and should publish its 2016 ESG report by 31 July 2017. However, if the issuer publishes its 2016 annual report earlier, say on 31 March 2017, then it should publish its 2016 ESG report by 30 June 2017.

The upgrade of the KPIs in the "Environmental" Subject Area from recommended to "comply or explain" will be effective for issuers' financial years commencing on or after 1 January 2017. So, for an issuer with a financial year starting from 1 January, its 2017 ESG report must contain the information required under the "Environmental" KPIs (in addition to the information required under the General Disclosures of each Aspect of the Guide), or else it must give considered reasons. Similar to the example given above, a Main Board issuer with a financial year starting from 1 January must, at the latest, publish its 2017 annual report by 30 April 2018, and should publish its 2017 ESG report by 31 July 2018. However, if the issuer publishes its 2017 annual report earlier, say on 31 March 2018, then it should publish its 2017 ESG report by 30 June 2018.

*FAQ Series 18, FAQ No. 3*

*LR reference: Main Board Rules 13.91, Appendix 16 Paragraphs 6 and 53, Appendix 27 / GEM Rules 17.103, 18.07, 18.84, Appendix 20*

*Released on 31/8/2012 (Updated on 21/12/2015)*

**Question:**

The new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) ("New Companies Ordinance") requires all Hong Kong incorporated companies (unless exempted) to include in the business review section of their annual directors' reports a discussion of certain ESG matters (New Companies Ordinance Schedule 5, sections 2(b)(i), 2(b)(ii) and 2(c)). Does this requirement also apply to issuers incorporated outside Hong Kong?

**Answer:**

The New Companies Ordinance requirement in this regard will be incorporated under Main Board Rules Appendix 16 Paragraph 28(2)(d) (GEM Rule 18.07A(2)(d)) and will apply to all issuers listed on the Exchange, regardless of their place of incorporation, for financial years ending on or after 31 December 2015.

Following a public consultation carried out between August and October 2014, this new requirement was adopted in the "Consultation Conclusions on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments" published in February 2015

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201408cc.pdf>).

*FAQ Series 18, FAQ No. 8*

*LR reference: Main Board Rules Appendix 16 Paragraph 28(2)(d), Appendix 27 / GEM Rules 18.07A(2)(d), Appendix 20*

*Released on 21/12/2015*

**Question:**

Does an issuer fulfil its obligation to discuss certain ESG matters in the business review section of its annual directors' report, as required by Main Board Rules Appendix 16 Paragraph 28(2)(d) (GEM Rule 18.07A(2)(d)), by cross-referencing its ESG report?

**Answer:**

An issuer does not fulfil its obligation to discuss certain ESG matters in the business review section of its annual directors' report, as required by Main Board Rules Appendix 16 Paragraph 28(2)(d) (GEM Rule 18.07A(2)(d)), by cross-referencing its ESG report.

The requirement under Main Board Rules Appendix 16 (GEM Rules Chapter 18) is separate and distinct from the information called for under the ESG Guide. The requirement under Main Board Rules Appendix 16 (GEM Rules Chapter 18) requires a discussion of certain ESG matters (as set out in sections 2(b)(i), 2(b)(ii) and 2(c) of Schedule 5 of the New Companies Ordinance), whilst the Guide calls for greater details including data in relation to the environmental and social performance of the issuer. The disclosure under the ESG Guide should complement, rather than be a substitute for, the information disclosed in the business review section of the annual directors' report.

*FAQ Series 18, FAQ No.9*

*LR reference: Main Board Rules Appendix 16 Paragraph 28(2)(d), Appendix 27 / GEM Rules 18.07A(2)(d), Appendix 20*

*Released on 21/12/2015*

**Question:**

Under Main Board Rules Appendix 16 Paragraph 28(2)(d) (GEM Rule 18.07A(2)(d)), an issuer must include a discussion of its compliance with the relevant laws and regulations that have a significant impact on it (as set out in section 2(b)(ii) of Schedule 5 of the New Companies Ordinance), along with a discussion of other ESG matters (as set out in sections 2(b)(i) and 2(c) of Schedule 5 of the New Companies Ordinance). What should the issuer include in the discussion of its compliance with relevant laws and regulations?

**Answer:**

In determining what to cover in the discussion of its compliance with relevant laws and regulations, an issuer should assess which laws and regulations have a significant impact on it in the context of its own specific circumstances, bearing in mind recent legislative and/or regulatory changes. For example, an issuer with operations in Hong Kong should consider the potential impact of the Competition Ordinance (Cap 619 of the Laws of Hong Kong), which came into effect on 14 December 2015.

*FAQ Series 18, FAQ No.11*

*LR reference: Main Board Rules Appendix 16 Paragraph 28(2)(d), Appendix 27 / GEM Rules 18.07A(2)(d), Appendix 20*

*Released on 21/12/2015*

**Question:**

An issuer may have many operations/subsidiaries. Does it need to report on all its operations/subsidiaries?

**Answer:**

The Guide does not prescribe which entities in an issuer's group and/or which operations should be included in the ESG report. An issuer should decide on the operational boundaries of its ESG report in view of its individual circumstances. An issuer should disclose the operational boundaries of its ESG report and, if there is any change, explain the difference and reason for the change.

In relation to determining operational boundaries for reporting on greenhouse gas ("GHG") emissions, issuers may refer to the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong", published by the HKSAR Environmental Protection Department ("EPD") and Electrical and Mechanical Services Department ([http://www.epd.gov.hk/epd/english/climate\\_change/files/Guidelines\\_English\\_2010.pdf](http://www.epd.gov.hk/epd/english/climate_change/files/Guidelines_English_2010.pdf)).

*FAQ Series 18, FAQ No. 4*

*LR reference: Main Board Rules Appendix 27 / GEM Rules Appendix 20*

*Released on 31/8/2012 (Updated on 21/12/2015)*

**Question:**

How does an issuer determine materiality? Are there resources that issuers may refer to in this regard?

**Answer:**

"Materiality" is defined in the Guide as "the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported".

Whether a particular ESG issue is material is a matter of judgment that depends on the facts involved and the circumstances of the specific issuer. Issuers should bear in mind that materiality can have different meanings for different stakeholder groups. It is up to the issuer to identify its material ESG issues, with reference to the views of its key stakeholders.

Issuers may also refer to the following resources on how to determine materiality:

- The GRI and RobecoSAM's "Defining Materiality: What Matters to Reporters and Investors" (<https://www.globalreporting.org/resource/library/Defining-Materiality-What-Matters-to-Reporters-and-Investors.pdf>); and
- The Business Environment Council's "BEC Handbook: Understanding Materiality for Environmental, Social and Governance Reporting" ([http://bec.org.hk/files/images/BEC\\_advisorygroups/BEC\\_ESG\\_Handbook\\_web.pdf](http://bec.org.hk/files/images/BEC_advisorygroups/BEC_ESG_Handbook_web.pdf)).

*FAQ Series 18, FAQ No. 5*

*LR reference: Main Board Rules Appendix 27 / GEM Rules Appendix 20*

*Released on 31/8/2012 (Updated on 21/12/2015)*

**Question:**

The Guide does not set out calculation/measurement methods for KPIs. Issuers may need more resources and guidance to help them with the reporting process. Where may issuers find resources in this regard?

**Answer:**

The HKEx website provides various resources for issuers:

<http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/index.htm>.

We set out in the table below the provisions of a number of international standards and guidelines that broadly correspond to the provisions of the ESG Guide, as well as other references and resources that an issuer may find useful in preparing its ESG report. The provisions of the international standards and guidelines included in the table may not be strictly equivalent to the corresponding provisions of the ESG Guide, but relate to the same ESG issue. Please note that the references and resources listed below are not exhaustive and are for reference only.

ESG Reporting Guide		Guidelines/Reference/Resources
	"Comply or explain" Provisions	Recommended Disclosures
<i>(Please note that these references/resources are not exhaustive and are for reference only.)</i>		
<b>A. Environmental</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>	<p>GRI: G4-EN29</p> <p>DJSI: 2.2.1</p>
	<p>KPI A1.1</p> <p>The types of emissions and respective emissions</p>	<p>GRI: G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN21</p> <p>CDP: CC8.2, CC8.3a, CC12.2, CC12.3,</p>

		data.		CC14.1 ISO: 6.5.3.2, 6.5.5.2.1 DJSI: 2.3.2, 2.3.3 References/Resources:
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		<ul style="list-style-type: none"> <li>The Clean Air Charter – A Business Handbook , published by The Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment (<a href="http://www.cleanair.hk/eng/guidebook/guidebook_eng_r.pdf">http://www.cleanair.hk/eng/guidebook/guidebook_eng_r.pdf</a>)</li> <li>Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, EPD and Electrical and Mechanical Services Department (<a href="http://www.epd.gov.hk/epd/english/climate_change/files/Guidelines_English_2010.pdf">http://www.epd.gov.hk/epd/english/climate_change/files/Guidelines_English_2010.pdf</a>)</li> <li>Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong, published by The University of Hong Kong and City University of Hong Kong (<a href="http://www6.cityu.edu.hk/aerc/sme/images/sme_eng.pdf">http://www6.cityu.edu.hk/aerc/sme/images/sme_eng.pdf</a>)</li> <li>EMFAC-HK Vehicle Emission Calculation Tool by EPD(<a href="http://www.epd.gov.hk/epd/english/environmentinhk/air/guide_ref/emfac-hk.html">http://www.epd.gov.hk/epd/english/environmentinhk/air/guide_ref/emfac-hk.html</a>)</li> <li>Greenhouse Gas Protocol – Calculation Tools (<a href="http://www.ghgprotocol.org/calculation-tools/all-tools">http://www.ghgprotocol.org/calculation-tools/all-tools</a>)</li> <li>MOBILE6.1 Particulate Emission Factor Model Technical Description – Final Report, published by United States Environmental Protection Agency (<a href="http://www3.epa.gov/otaq/models/mobile6/r03001.pdf">http://www3.epa.gov/otaq/models/mobile6/r03001.pdf</a>)</li> <li>Other carbon footprint tools suggested by the EPD (<a href="http://www.epd.gov.hk/epd/english/climate_change/individ_actions_carboncalculator.html">http://www.epd.gov.hk/epd/english/climate_change/individ_actions_carboncalculator.html</a>)</li> </ul>
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate,		GRI: G4-EN23, G4-EN25 ISO: 6.5.3.2 DJSI: 2.3.6 References/Resources: <ul style="list-style-type: none"> <li>Waste guidelines &amp; references,</li> </ul>

		intensity (e.g. per unit of production volume, per facility).		published by EPD ( <a href="http://www.epd.gov.hk/epd/english/environmentinhk/waste/guide_ref/waste_guidelines.html">http://www.epd.gov.hk/epd/english/environmentinhk/waste/guide_ref/waste_guidelines.html</a> )
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		GRI: G4-EN23 ISO: 6.5.3.2 DJSI: 2.3.6
	KPI A1.5	Description of measures to mitigate emissions and results achieved.		GRI: G4-EN19 CDP: CC3.1, CC3.1a, CC3.1b, CC3.1c, CC3.1e, CC3.3, CC3.3a, CC3.3b, CC12.1, CC14.3 ISO: 6.5.3.2, 6.5.5.2.1
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.		GRI: G4-EN23, G4-EN25 ISO: 6.5.3.2  References/Resources: • Hong Kong Waste Reduction Website of EPD ( <a href="https://www.wastereduction.gov.hk/en/quickaccess/resource_centre_index.htm">https://www.wastereduction.gov.hk/en/quickaccess/resource_centre_index.htm</a> )
<b>Aspect A2: Use of Resources</b>	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>			CDP: W6.3, W6.3a DJSI: 2.2.1
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in		GRI: G4-EN3, G4-EN4, G4-EN5 CDP: CC11.2, CC11.3, CC11.5 ISO: 6.5.4.2 DJSI: 2.3.4

		'000s) and intensity (e.g. per unit of production volume, per facility).		
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).		GRI: G4-EN8 CDP: W1.2a, W1.2c ISO: 6.5.4.2 DJSI: 2.3.5
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.		GRI: G4-EN6 CDP: CC3.1, CC3.1d, CC3.1e ISO: 6.5.4.2, 6.5.5.2.1
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.		GRI: G4-EN9, G4-EN10 CDP: W3.2c, W8.1, W8.1a, W8.1b ISO: 6.5.4.2
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		GRI: G4-EN1 ISO: 6.7.5.2
<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.			DJSI: 2.2.1
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to		GRI: G4-EN12, G4-EN27, G4-EN30 CDP: CC2.1, CC2.1a, CC5.1, CC6.1 ISO: 6.5.3.2, 6.5.4.2, 6.5.5.2.1, 6.5.5.2.2, 6.5.6.2

		manage them.		
<b>B. Social</b>				
<b>Employment and Labour Practices</b>				
<b>Aspect B1: Employment</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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.			GRI: G4-LA2 ISO: 6.3.10.3, 6.4.3.2, 6.4.4.2 DJSI: 3.6.2, 3.6.3
		KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	GRI: G4-10 DJSI: 3.2.1
		KPI B1.2	Employee turnover rate by gender, age group and geographical region.	GRI: G4-LA1 DJSI: 3.4.3
<b>Aspect B2: Health and Safety</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and			ISO: 6.4.6.2 DJSI: 3.6.2, 3.6.3

	<p>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>			
		KPI B2.1	Number and rate of work-related fatalities.	GRI: G4-LA6
		KPI B2.2	Lost days due to work injury.	GRI: G4-LA6 DJSI: 3.6.1
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	GRI: G4-LA5 ISO: 6.4.6.2 DJSI: 3.6.2
<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>			ISO: 6.4.7.1 DJSI: 3.3.3
		KPI B3.1	The percentage of employees trained by gender and employee	GRI: G4-LA9, G4-LA10 ISO: 6.4.7.2 DJSI: 3.3.2, 3.3.3

			category (e.g. senior management, middle management).	
		KPI B3.2	The average training hours completed per employee by gender and employee category.	
<b>Aspect B4: Labour Standards</b>	<p>General Disclosure 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>			ISO: 6.3.10.3 DJSI: 1.6.3
		KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	GRI: G4-HR5, G4-HR6 ISO: 6.3.10.3 DJSI: 1.6.3
		KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
<b>Operating Practices</b>				
<b>Aspect B5: Supply Chain Management</b>	<p>General Disclosure Policies on managing environmental and social risks of the supply chain.</p>			DJSI: 1.6.2, 2.2.1
		KPI B5.1	Number of suppliers by	GRI: G4-12

			geographical region.	DJSI: 1.6.1
		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.	GRI: G4-HR10, G4-HR11, G4-EN32, G4-EN33, G4-LA14, G4-LA15, G4-SO9, G4-SO10 DJSI: 1.6.1, 1.6.3 ISO: 6.4.3.2
<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.			GRI: G4-PR2, G4-PR3, G4-PR4, G4-PR7, G4-PR9  ISO: 6.6.7.2, 6.7.4.2, 6.7.9.2 DJSI: 2.2.1
		KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	ISO: 6.7.4.2
		KPI B6.2	Number of products and service related complaints received and how they are dealt with.	GRI: G4-PR5, G4-PR6, G4-PR8 ISO: 6.7.6.2 DJSI: 1.4.1, 1.4.2, 1.4.3
		KPI B6.3	Description of practices relating to observing	ISO: 6.6.7.2

			and protecting intellectual property rights.	
		KPI B6.4	Description of quality assurance process and recall procedures.	ISO: 6.7.4.2
		KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	GRI: G4-PR8 ISO: 6.7.7.2 DJSI: 1.4.5
<b>Aspect B7: Anti-corruption</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 bribery, extortion, fraud and money laundering.			GRI: G4-SO4, G4-SO5 ISO: 6.6.3.2 DJSI: 1.3.3, 1.3.5
		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.	GRI: G4-SO5
		KPI B7.2	Description of preventive measures and whistle-blowing procedures,	GRI: G4-58 ISO: 6.6.3.2 DJSI: 1.3.3, 1.3.5

			how they are implemented and monitored.	
<b>Community</b>				
<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.			GRI: G4-SO1, G4-SO2 ISO: 6.8.3.2, 6.8.4.2, 6.8.5.2, 6.8.6.2, 6.8.7.2, 6.8.8.2, 6.8.9.2 DJSI: 3.5.2, 3.5.3
		KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

**Key:**

1. GRI – Global Reporting Initiative’s G4 Sustainability Reporting Guidelines (<https://www.globalreporting.org/Pages/default.aspx>)
2. CDP – CDP’s Climate Change Information Request and Water Information Request (<https://www.cdp.net/en-US/Pages/HomePage.aspx>)
3. ISO – International Organization for Standardization’s Guidance on Social Responsibility (ISO 26000:2010) (<http://www.iso.org/iso/home/standards/iso26000.htm>)
4. DJSI – Corporate Sustainability Assessment for inclusion in the Dow Jones Sustainability Indices (<http://www.sustainability-indices.com/sustainability-assessment/recognition.jsp>)

FAQ Series 18, FAQ No. 6

LR reference: Main Board Rules Appendix 27 / GEM Rules Appendix 20

Released on 31/8/2012 (Updated on 21/12/2015)

**Question:**

Both Aspect A2 and Aspect A3 concern “resources”. What is the difference between the information called for under each of these Aspects?

**Answer:**

The main distinction between the two is that: (a) Aspect A2 relates to the use of resources – i.e. it is concerned with the quantity (e.g. how much an issuer is consuming); whilst (b) Aspect A3 is concerned with the impact of an issuer’s activities on natural resources and the environment (e.g. the effect that an issuer’s activities have on water supply or biodiversity).

*FAQ Series 18, FAQ No. 7*

*LR reference: Main Board Rules Appendix 27 / GEM Rules Appendix 20*

*Released on 21/12/2015*

**Question:**

What is the difference between direct and indirect GHG emissions? For the purposes of reporting on KPI A1.2, is an issuer expected to report on both direct and indirect GHG emissions?

**Answer:**

The difference between direct and indirect GHG emissions is that: (a) direct GHG emissions are emissions from sources that are owned or controlled by the reporting issuer; and (b) indirect GHG emissions are emissions that are a consequence of the activities of the reporting issuer, but occur at sources owned or controlled by another entity.

Globally, direct and indirect GHG emissions are further categorised into three broad scopes:

- “Scope 1” covers direct emissions from operations that are owned or controlled by the company;
- “Scope 2” covers “energy indirect” emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the company; and
- “Scope 3” covers all other indirect emissions that occur outside the company, including both upstream and downstream emissions. It captures emissions from a wide range of activities (e.g. employee business travel, transporting fuel and the use of a company’s products).

Scopes of emissions are defined in accordance with the international reporting framework published by the World Resources Institute / World Business Council for Sustainable Development, as reported in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard*. Also see the Hong Kong Government’s “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for

Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong”  
([http://www.epd.gov.hk/epd/english/climate\\_change/files/Guidelines\\_English\\_2010.pdf](http://www.epd.gov.hk/epd/english/climate_change/files/Guidelines_English_2010.pdf)).

Issuers are encouraged to report in accordance with the scope classifications.

*FAQ Series 18, FAQ No. 10*

*LR reference: Main Board Rules Appendix 27 / GEM Rules Appendix 20*

*Released on 21/12/2015*