



NORGES BANK  
INVESTMENT MANAGEMENT

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## HKEX Review of the ESG Reporting Guide and Related Listing Rules

We refer to the Hong Kong Exchanges and Clearing Limited (HKEX)'s *Consultation Paper on the Review of the ESG Reporting Guide and Related Listing Rules*, launched on 17 May 2019, and we welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with USD 7.9 billion invested in equities and USD 366 million in fixed income in Hong Kong.<sup>1</sup>

As a long-term, global investor, we consider our returns over time to be dependent on sustainable development in economic, environmental and social terms, as well as well-functioning, legitimate and efficient markets.

When it comes to sustainability, it is important for investors that company boards address and report on material issues that could affect companies' future performance. The way companies manage sustainability risks and capitalise on opportunities can drive their long-term returns. In addition, boards should fulfil their objective of value creation and fair distribution of benefits to shareholders within principles for responsible business conduct.<sup>2</sup> They should understand the broader social and environmental consequences of business operations and value chains, set their own priorities to address these and account for associated outcomes.

As an investor, we are interested in HKEX's work to improve companies' ESG disclosures. We welcome the emphasis on the board's responsibilities concerning ESG and the new requirements concerning the governance structure for ESG matters. We also welcome the approach chosen by HKEX whereby the reporting is driven by financial materiality; it allows companies to focus on sustainability challenges specific to their sector or business model. We agree that the selection criteria and relevant assumptions supporting materiality assessments should be disclosed by companies.

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<sup>1</sup> At the end of 2018

<sup>2</sup> Such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights



Furthermore, we welcome the additional requirements concerning climate-related disclosure. As an investor, NBIM seeks to understand how a company's business model might be affected by climate change. We encourage companies, where relevant to conduct scenario analyses to assess the long-term sensitivity and resilience of their business strategy to relevant physical and transition climate scenarios. We also expect companies to incorporate potential climate risks and opportunities in their governance structure, strategy, risk management and reporting, in line with the recommendations from the Task Force on Climate-related Financial Disclosures.<sup>3</sup>

Finally, corruption exposes companies to legal and financial risk through penalties and blacklisting. In addition, corruption exposes companies, their investors and business partners to significant reputational risk.<sup>4</sup> In our view, companies should provide and document appropriate and regular training on anticorruption for all relevant employees and, where appropriate, business partners. Therefore, we welcome the proposed new requirement for the disclosure of anti-corruption training provided to directors and staff.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Carine Smith Ihenacho'.

Carine Smith Ihenacho  
Chief Corporate Governance Officer

A handwritten signature in blue ink, appearing to read 'Séverine Neervoort'.

Séverine Neervoort  
Senior analyst, Policy Development

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<sup>3</sup> Norges Bank Investment Management, [Climate change strategy, expectations towards companies](#)

<sup>4</sup> NBIM, [Expectations towards companies on anti-corruption](#)