

Appendix 1

Nov/Dec 25 regulatory update

Top story: HKEX review of issuers' annual, CG and ESG reports

-some noteworthy findings [Note: page reference to HKEX report]

AREAS WITH LOWER COMPLIANCE

- E.g. share schemes (P.3)
- E.g. significant investments (P.3)

THEMATIC REVIEW

Improvement areas

- E.g. MD+A: quality of disclosure (P.6)
 - **Breadth and depth: boilerplate language** still observed
 - E.g. not properly explaining the year-on-year changes in the presented performance indicators or industry-specific metrics, or not presenting such indicators at all
 - **Connectivity:** disclosure not sufficiently coherent or integrated across different reports
 - E.g. an online game developer highlighted in its ESG report a recent tightened industry regulation; but did not (*in MD&A*) discuss the impact of such regulation on its financial performance
 - **Consistency:** year-on-year in terms of information coverage and details
 - **Balance:** disclosure over-emphasised on positive aspects; downplaying challenges/risks
- E.g. securities investment: disclosure often limited and generic (P.8)
 - Lacking sufficient details on **investment portfolio, investment policy and objectives, risk management and control mechanisms** (*see P.8, for detailed recommendations under each theme*)
 - For better transparency and accountability: how **shareholders' funds** have been utilised

CG ASPECTS

Some useful listed issuer data

- E.g. gender diversity (P.10)
 - (Nov 25) women on listed boards: 21.3% (*improved from 16.1% since 2022*)

- Tenure of INEDs (P.11)
 - (Nov 25) issuers with 9-year INEDs: 17%; 16 issuers have only 9-year INEDs

ESG ASPECTS

Assessing readiness for new climate requirements

- Background
 - **LargeCap issuers** to report on the new requirements on a **mandatory basis** for years from 1 Jan 26
- Analysed LargeCap issuers: GHG emissions disclosure (P.15)
 - **Scope 1 and 2: 100%**
 - **Scope 3: 69%** (*highest rate: telecommunications, financials industry, conglomerates*)
 - Among those disclosed Scope 3
 - Breakdown of **scope 3 categories** disclosed: 92%
 - **Specific emission data by category** disclosed: 75%