

香港聯合交易所有限公司
(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

Our Ref: CRO20180518-017

18 May 2018

To: Main Board Listed Issuers (Attn: Authorised Representatives)
GEM Listed Issuers (Attn: Authorised Representatives)

Dear Sirs,

Re: Publication of Analysis of Environment, Social and Governance Practice Disclosure in 2016/2017

We have today published the findings of our review of listed issuers' Environmental, Social and Governance (ESG) reports. The review involved analysing the disclosures made by 400 randomly selected issuers with financial year-end dates of 31 December 2016, 31 March 2017 and 30 June 2017 (Sample Issuers).

Overall the level of compliance with the ESG Reporting Guide was high although the quality of reporting varied. At one end of the spectrum there was some excellent reporting, both in terms of detail and clarity, while at the other end, there were some ESG reports that appeared to show that a "box-ticking" approach had been adopted.

Findings of the review included the following:

- All Sample Issuers published their ESG reports within three months of publication of their annual reports;
- Over 80 percent of Sample Issuers complied with the disclosure requirements in nine of the 11 Aspects, covered by the ESG Reporting Guide and 94 percent complied with seven Aspects; and
- **Use of Resources** had the highest compliance rate, at 98 percent, whilst **Product Responsibility** had the lowest, at 73 percent.

To further improve the quality of their ESG reports, and for issuers to benefit from the process of ESG reporting, issuers would do well to include the following key information:

- the issuer or the board's commitment to ESG, management's approach to ESG and how they relate to the issuer's business;
- the board's evaluation and determination of ESG risks and how it ensures that appropriate and effective ESG risk management and internal control systems are in place; and

- the process for stakeholder engagement, which is central to materiality assessment and enables the company and its directors to communicate with their stakeholders.

We found some issuers did not give considered reasons for non-disclosure in relation to some Aspects. In particular, we found some of the disclosures for the laws and regulations that have an impact on the issuer were inadequate or the requirements not met. It is important to note that it is a Listing Rule requirement to report on the “Comply or Explain” provisions under the Aspects and non-compliance without giving considered reasons amounts to a breach of the Listing Rule. We urge issuers to take a closer look at their ESG reports and rectify any possible omissions in their next reports. We will continue to monitor issuers’ compliance in this connection.

Issuers are reminded that the “Comply or Explain” requirement for the ESG Reporting Guide’s Environmental Key Performance Indicators applies to financial years commencing on or after 1 January 2017.

The report, entitled "[Analysis of Environmental, Social and Governance Practice Disclosure in 2016/2017](#)", is available on the HKEX website.

If you have any questions, please contact your case officers.

Yours faithfully
For and on behalf of
The Stock Exchange of Hong Kong Limited

[Signed]

David Graham
Chief Regulatory Officer and Head of Listing