

Corporate Communication Department  
Hong Kong Exchange and Clearing Limited  
12<sup>th</sup> Floor  
One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

30 March 2012

Dear Sir

**Consultation Paper on Environmental, Social and Governance Reporting Guide  
(ESG Reporting Guide)**

On behalf of ACCA Hong Kong, we would like to submit our comments regarding the captioned consultation paper, and enclose a copy of the duly completed questionnaire.

ACCA Hong Kong is supportive of the introduction of the ESG Reporting Guide (the Guide). However, we feel that certain areas of the Guide will require further revision before it is finalised and published.

In particular, we consider the current Area D regarding Community Involvement has too narrow a scope and insufficient indicators addressing the social impacts of an issuer's activities. In the current drafting of the Guide, the only aspect under this area refers to community investment which appears to only refer to the issuer's charity activities. We recommend that this area should be expanded to cover an issuer's social performance such as labour practices, human rights and so on.

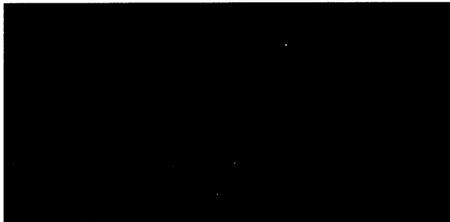
In addition, whilst we understand that the Guide will be introduced as a recommended best practice for issuers, we recommend that the tone of the Guide needs to be stronger to indicate what an issuer "should" do instead of what an issuer "could" do especially when it is raised to the level of obligation to "comply or explain" in future.

As set out in the consultation paper, the Global Reporting Initiatives (GRI) is a widely used international reporting framework that sets out principles and performance indicators for companies to report on ESG performance. The Guide aims to bring ESG disclosure of Hong Kong issuers closer to international practices. In this regard, it is unclear in the consultation paper why the

international standard is not referred to or adopted in the drafting of the Guide. In view of Hong Kong's status as an international financial centre, ACCA Hong Kong indeed recommends that the adoption of the GRI, an internationally recognised framework, will undoubtedly make Hong Kong issuers' reports more comparable across the international markets.

Should you wish to further discuss any issues, please do not hesitate to contact us.

Yours faithfully

A large black rectangular redaction box covering the signature area.

Chairman

Enclosures

## Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed changes discussed in the Consultation Paper downloadable from the HKEEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201112.pdf>.

Where there is insufficient space provided for your comments, please attach additional pages.

1. Should the ESG Guide be a recommended best practice appended to the Listing Rules?

Yes

No

If your answer is "No", please give reasons and alternative views.

2. Do you agree with the proposed Main Board Listing Rule 13.91 and paragraph 53 of Appendix 16/ GEM Listing Rules 17.103 and 18.84 in Appendix I of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons and alternative views.

*Our comments in Question 3 refer. We do not agree to the proposal that an issuer is free to report on any period as this could lead to issuers reporting on long passed activities and it also creates confusion.*

## Content of the proposed Environmental, Social and Governance Reporting Guide

### Introduction

3. Do you agree with the Introduction section?

The proposed Introduction section states:

1. This guide sets out Environmental, Social and Governance (“ESG”) subject areas, aspects, general disclosure and key performance indicators (“KPIs”).
2. This guide is not comprehensive. We encourage 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.
3. An issuer may adopt a higher level of ESG reporting based on international guidance and standards.
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.
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.

Yes

No

If your answer is “No”, please give reasons and alternative views.

*The introduction paragraph reads well. However, we do not agree to allow issuers to freely report on any period, the last sentence of paragraph 4 above refers, as it could lead to issuers reporting on long passed activities. It will also create confusion to the users of the reports.*

## General Approach

4. Do you agree with the guidance under the General Approach section?

The proposed General Approach section states:

### *Identify subject areas, aspects and indicators that are relevant*

8. 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.
9. The ESG report could 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.
10. It is unnecessary to report on all subject areas, aspects and KPIs. An issuer could 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.

### *Engage stakeholders*

11. It is important to engage stakeholders 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.
12. 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 discussions, focus groups, questionnaires, web-based forums and written consultations.
13. The ESG report may also disclose a mechanism for stakeholders to provide feedback.

Yes

No

If your answer is "No", please give reasons and alternative views.

Reporting guidance

5. Do you agree with the guidance under the Reporting Guidance section?

The proposed Reporting Guidance section states:

*Scope of reporting*

- 14. The ESG report could state which entities in the group and/or which operations have been included for the report. If there is change in the scope, the issuer could explain the difference and reason for change.

*Approaches to reporting*

- 15. Once an issuer starts reporting, it could 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.
- 16. 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.
- 17. An ESG report could also discuss ESG opportunities, risks, challenges and how they are addressed. For example, a 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.

*Reporting on line items*

- 18. The Guide does not provide a definition for each KPI. An issuer could 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.
- 19. 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.
- 20. An issuer may report line items with objective and representative industry benchmarks.
- 21. Quantitative information could be presented in a table format.

Yes

No

If your answer is "No", please give reasons and alternative views.

Key ESG Subject Areas

6. Do you agree with the proposed ESG areas, namely: Workplace Quality, Environmental Protection, Operating Practices and Community Involvement?

Yes

No

If your answer is “No”, please give reasons and alternative views.

*ACCA Hong Kong is of the view that some of the above terms used could be revised to truly reflect what the issuer should report. In particular, it appears that the term “Community Involvement” currently refers only to community investment which sounds more like charity than sustainability. We recommend that this particular area should refer to “social, stakeholder and human rights”, which covers a wider scope than the current definition.*

Aspects for each ESG Area

7. Do you agree with the following proposed aspects?

Areas and aspects	
<b>A. Workplace quality</b>	
Aspect A1	Working Conditions
Aspect A2	Health and safety
Aspect A3	Development and training
Aspect A4	Labour standards
<b>B. Environmental protection</b>	
Aspect B1	Emissions
Aspect B2	Use of resources
Aspect B3	The environment and natural resources
<b>C. Operating practices</b>	
Aspect C1	Supply chain management
Aspect C2	Product responsibility
Aspect C3	Anti-corruption
<b>D. Community involvement</b>	
Aspect D1	Community investment

Yes

No

If your answer is “No”, please give reasons and alternative views.

*There could be overlaps of aspects under Area B Environmental Protection and Area C Operating Practices, especially where emissions, uses of resources, etc currently categorised under Area B could also be aspects covered under Aspect C1 Supply Chain Management in Area C.*

*We recommend that the standard clearly specifies that direct impacts of the issuers should be reported under Area B Environmental protection whilst the indirect impacts arising from the supply chain need to be reported under Aspect C1 Supply Chain Management.*

*In addition, the Area D Community Involvement has too narrow a scope which only covers community investment, under which the KPI appears to focus on the issuer's charity instead of sustainability activities. Our comments in Question 6 refer.*

**A. Workplace quality**

Aspect A1 Working conditions

8. Do you agree with the following general disclosure for Aspect A1: Working conditions?

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, diversity and other benefits and welfare.

Yes

No

If your answer is "No", please give reasons and alternative views.

9. Do you agree to include KPI A1.1: "Total workforce by employment type, age group and geographical region"?

Yes

No

If your answer is "No", please give reasons and alternative views.

10. Do you agree to include KPI A1.2: “Employee turnover rate by age group and geographical region”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

11. Do you have any additional KPIs for Aspect A1?

Yes

No

Please give reasons for your proposals.

Aspect A2    Health and safety

12. Do you agree with the following general disclosure for Aspect A2: Health and safety?

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.

Yes

No

If your answer is “No”, please give reasons and alternative views.

13. Do you agree to include KPI A2.1: "Fatality number and rate"?

Yes

No

If your answer is "No", please give reasons and alternative views.

14. Do you agree to include KPI A2.2: "Lost days due to work injury"?

Yes

No

If your answer is "No", please give reasons and alternative views.

15. Do you agree to include KPI A2.3: "Description of occupational health and safety measures adopted, how they are implemented and monitored"?

Yes

No

If you answer is "No", please give reasons and alternate views.

16. Do you have any additional KPIs for Aspect A2?

Yes

No

Please give reasons for your proposals.

*KPI A2.1 only requires fatality number and rate be disclosed. We recommend that the incidence causing the fatality and significant injuries be disclosed.*

*In addition, we recommend that KPIs such as rate of injuries, occupational diseases and so on should also be included.*

Aspect A3    Development and training

17. Do you agree with the following general disclosure for Aspect A3: Development and training?

Policies on improving employees' knowledge and skills for discharging duties at work.

Training refers to vocational training. It may include internal and external courses paid by the employer.

Yes

No

If your answer is "No", please give reasons and alternative views.

18. Do you agree to include KPI A3.1: "Description of training activities provided and if relevant, the percentage of employees trained by employee category (e.g. senior management, middle management, etc.)"?

Yes

No

If your answer is "No", please give reasons and alternative views.

19. Do you agree to include KPI A3.2: "The average training hours completed per employee by employee category"?

Yes

No

If your answer is “No”, please give reasons and alternative views.

20. Do you have any additional KPIs for Aspect A3?

Yes

No

Please give reasons for your proposals.

Aspect A4    Labour standards

21. Do you agree with the following general disclosure for Aspect A4: Labour standards?

Information on:

(a) the policies; and

(b) compliance and material non-compliance with relevant standards, rules and regulations

on preventing child or forced labour.

Yes

No

If your answer is “No”, please give reasons and alternative views.

*The policies included in this Aspect are only limited to child or forced labour which are insufficient. We recommend that references should be taken to the International Labour Organisation or the Sustainability Reporting Guidelines of the Global Reporting Initiatives for other issues to be considered under labour standards such as human rights, diversity, equality of opportunities, equal remuneration for women and men, maternity protection and so on.*

22. Do you agree to include KPI A4.1: “Description of measures to review employment practices to avoid child and forced labour”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

23. Do you agree to include KPI A4.2: “Description of steps taken to eliminate such practices when discovered”?

Yes

No

If your answer is “No”, please give reasons and alternate views.

24. Do you have any additional KPIs for Aspect A4?

Yes

No

Please give reasons for your proposals.

*Our comments in Question 21 refer.*

**B. Environmental protection**

Aspect B1    Emissions

25. Do you agree with the following general disclosure for Aspect B1: Emissions?

Information on:

(a) the policies; and

(b) compliance and material non-compliance with relevant standards, rules and regulations

on air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.

Air emissions include NO<sub>x</sub>, SO<sub>x</sub>, and other pollutants regulated under national laws and regulations.

Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Hazardous wastes are those defined by national regulations.

Yes

No

If your answer is "No", please give reasons and alternative views.

26. Do you agree to include KPI B1.1: "The types of emissions and respective emissions data"?

Yes

No

If your answer is "No", please give reasons and alternative views.

27. Do you agree to include KPI B1.2: "Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)?"

Yes

No

If your answer is "No", please give reasons and alternative views.

28. Do you agree to include KPI B1.3: "Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)?"

Yes

No

If your answer is "No", please give reasons and alternative views.

29. Do you agree to include KPI B1.4: "Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)"?

Yes

No

If your answer is "No", please give reasons and alternative views.

30. Do you agree to include KPI B1.5: "Description of measures to mitigate emissions and results achieved"?

Yes

No

If your answer is "No", please give reasons and alternative views.

31. Do you agree to include KPI B1.6: "Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved"?

Yes

No

If your answer is "No", please give reasons and alternative views.

32. Do you have any additional KPIs for Aspect B1?

Yes

No

Please give reasons for your proposals.

Aspect B2    Use of resources

33. Do you agree with the following general disclosure for Aspect B2: Use of resources?

Policies on efficient use of resources including energy, water and other raw materials.

Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.

Yes

No

If your answer is "No", please give reasons and alternate views.

34. Do you agree to include KPI B2.1: "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)"?

Yes

No

If your answer is "No", please give reasons and alternate views.

35. Do you agree to include KPI B2.2: "Water consumption in total and intensity (e.g. per unit of production volume, per facility)"?

Yes

No

If your answer is "No", please give reasons and alternate views.

36. Do you agree to include KPI B2.3: "Description of energy use efficiency initiatives and results achieved"?

Yes

No

If your answer is "No", please give reasons and alternative views.

37. Do you agree to include KPI B2.4: "Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved"?

Yes

No

If your answer is "No", please give reasons and alternative views.

38. Do you agree to include KPI B2.5: "Total packaging material used (in tonnes), and if applicable, with reference to per unit produced"?

Yes

No

If your answer is "No", please give reasons and alternative views.

39. Do you have any additional KPIs for Aspect B2?

Yes

No

Please give reasons for your proposals.

Aspect B3    The environment and natural resources

40. Do you agree with the following general disclosure for Aspect B3: The environment and natural resources?

Policies on minimizing the operation's significant impact on the environment and natural resources.

Yes

No

If your answer is "No", please give reasons and alternative views.

41. Do you agree to include KPI B3.1: "Total paper used"?

Yes

No

If your answer is "No", please give reasons and alternative views.

*In fact, uses of natural resources should not be limited to use of paper, which although could be relevant to certain businesses. We recommend that the KPI B3.3 "Description of the significant impact of activities on the environment and natural resources and the actions taken to manage them" should be prioritised amongst the three KPIs under Aspect B3. An issuer should review its environmental impacts and develop a set of KPIs that appropriately address the company's material impacts.*

42. Do you agree to include KPI B3.2: “Paper use efficiency initiatives and results achieved”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

*Please refer to our comments under Question 41.*

43. Do you agree to include KPI B3.3: “Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

*This should be the first KPI under Aspect B3.*

44. Do you have any additional KPIs for Aspect B3?

Yes

No

Please give reasons for your proposals.

*Our comments in Question 41 refer. In addition, we recommend that the KPIs in the Sustainability Reporting Guidelines under the Global Reporting Initiative should be referred to.*

### C. Operating practices

Aspect C1    Supply chain management

45. Do you agree with the following general disclosure for Aspect C1: Supply chain management?

Policies on risk management of supply chain.

Yes

No

If your answer is “No”, please give reasons and alternative views.

*The requirement is too vague for the issuer to understand what is required to be reported, namely environmental, social or governance issues associated with the supply chain. Reference should also be made to how far back in the supply chain is going – whether be direct suppliers only or further still.*

46. Do you agree to include KPI C1.1: “Number of suppliers by geographical region”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

47. Do you agree to include KPI C1.2: “Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

*Although we agree to the KPI, we consider that clarity needs to be made over what the companies are engaging suppliers on. Examples could relate to any aspect of CSR, such as requiring suppliers to sign labour codes of conduct, adhering to environmental standards or ensuring that all supplies are certified sustainable, and so on.*

48. Do you have any additional KPIs for Aspect C1?

Yes

No

Please give reasons for your proposals

*We suggest that reference should be taken to the supply chain supporting notes of Global Reporting Initiatives for relevant KPIs regarding supply chain management.*

Aspect C2    Product responsibility

49. Do you agree with the following general disclosure for Aspect C2: Product responsibility?

Information on:

- (a) the policies; and
- (b) compliance and material non-compliance with relevant standards, rules and regulations

on health and safety, advertising, labelling, privacy and methods of redress.

Yes

No

If your answer is “No”, please give reasons and alternative views.

*Apart from product safety, we recommend that reference should be made to the product lifecycle as well. This definition will include product design (whether they are designed in a manner that they are recyclable), as well as product disposals (whether the companies introduce any schemes to take back the products at the end of their useful lives so that they can be disposed of in a responsible manner).*

50. Do you agree to include KPI C2.1: “Percentage of total products sold or shipped subject to recalls for safety and health reasons”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

51. Do you agree to include KPI C2.2: “Number of products and service related complaints received and how they are dealt with”?

Yes

No

If your answer is "No", please give reasons and alternative views.

52. Do you agree to include KPI C2.3: "Description of practices relating to observing and protecting intellectual property rights"?

Yes

No

If your answer is "No", please give reasons and alternative views.

*This KPI is more relevant under the operating practice section.*

53. Do you agree to include KPI C2.4: "Description of quality assurance process and recall procedures"?

Yes

No

If your answer is "No", please give reasons and alternative views.

54. Do you agree to include KPI C2.5: "Description of consumer data protection and privacy policies, how they are implemented and monitored"?

Yes

No

If your answer is "No", please give reasons and alternative views.

*This KPI is more relevant under the operating practices section.*

55. Do you have additional KPIs for Aspect C2?

Yes

No

Please give reasons for your proposals.

*Additional KPIs should be considered for product recyclability and product disposal scheme. Our comments in Question 49 refer.*

Aspect C3    Anti-corruption

56. Do you agree with the following general disclosure for Aspect C3: Anti-corruption?

Information on:

(a) the policies; and

(b) compliance and material non-compliance with relevant standards, rules and regulations

on bribery, extortion, fraud and money laundering.

Yes

No

If your answer is "No", please give reasons and alternative views.

57. Do you agree to include KPI C3.1: "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"?

Yes

No

If your answer is "No", please give reasons and alternative views.

*We recommend that only concluded cases where the judgement is against the issuer or its employees are required to be reported. We further recommend that the description rather than just the number of the cases be included.*

58. Do you agree to include KPI C3.2: “Description of preventive measures and whistleblowing procedures, how they are implemented and monitored”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

59. Do you have any additional KPIs for Aspect C3?

Yes

No

Please give reasons for your proposals.

**D. Community involvement**

Aspect D1    Community investment

60. Do you agree with the following general disclosure for Aspect D1: Community investment?

Policies on understanding the community’s needs in where it operates and ensuring its activities takes into consideration of communities’ interests.

Yes

No

If your answer is “No”, please give reasons and alternative views.

*We believe that this aspect should refer to the social dimension of sustainability, i.e. the impacts an organisation has on the social systems within which it operates, which surrounds labour practices, human rights, society and product responsibility.*

61. Do you agree to include KPI D1.1: “Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

*Our comments in Questions 6, 7 and 60 refer.*

62. Do you agree to include KPI D1.2: “Resources contributed (e.g. money or time) to the focus area”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

*As above.*

63. Do you have any additional KPIs for Aspect D1?

Yes

No

Please give reasons for your proposals.

*We consider that revision is required for Area D Community Involvement. The KPIs stipulated in the Sustainability Reporting Guidelines of Global Reporting Initiatives should be referred to.*

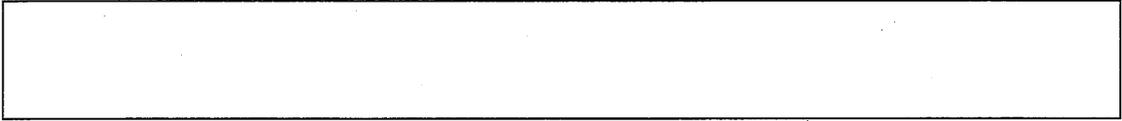
## Assurance

64. Do you agree that we should not recommend that issuers to seek external assurance for issuers that report on ESG performance?

Yes

No

If your answer is “No”, please give reasons and alternative views.



- End -