

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201507.pdf>

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

1. Do you agree with our proposal to amend Rule 13.91 to require issuers to disclose in their annual reports or ESG reports whether they have complied with the “comply or explain” provisions in the ESG Guide and if they have not, they must give considered reasons in the ESG reports?

Yes

No

Please give reasons for your views.

We agree because such a requirement minimizes the ability of companies to side-step disclosure requirements while placing helpful pressure on them to be more transparent. Moreover, the requirement itself is minimally burdensome.

2. Do you agree with our proposal to amend Rule 13.91 to require the issuer to report on ESG annually and regarding the same period covered in its annual report?

Yes

No

Please give reasons for your views.

Consistent periodicity is absolutely essential in maintaining comparability. In fact, we are supportive of all reasonable requirements to maintain consistency across data to maximize comparability.

3. Do you agree with our proposal to include a Note under Rule 13.91 to clarify that:
- (i) an ESG report may be presented as information in its annual report, in a separate report, or on the issuer’s website; and
 - (ii) the issuer should publish the ESG report as close as possible to, and in any event no later than three months after, the publication of the issuer’s annual report?

Yes

No

Please give reasons for your views.

We are generally supportive, though with the clarification that the ESG information reported on the website be in the form of the annual report or ESG report, or in a format that is easily consumable. We support closer timing of the ESG report and the annual report.

4. Do you agree with our proposal to revise the introductory section of the Guide into four areas (i.e. “The Guide”, “Overall Approach”, “Reporting Principles” and “Complementing ESG Discussions in the Business Review Section of the Directors’ Report”), and with the wording set out in Appendix II to the Consultation Paper?

Yes

No

Please give reasons for your views.

Yes, this makes sense to us.

5. Do you agree with the proposed wording of the Reporting Principles (i.e. “Materiality”, “Quantitative”, “Balance” and “Consistency”) in the introductory section of the Guide, as set out in Appendix II to the Consultation Paper?

Yes

No

Please give reasons for your views.

On "materiality," if the investor stakeholder is central, we recommend consulting the Sustainability Accounting Standards Board (SASB) at sasb.org for potentially helpful guidance on sector-specific material factors that impact the bottomline. We also might suggest the inclusion of "Accuracy" as a tenet in the introductory section, considering it is crucial aspect of the reported information's usefulness.

6. Do you agree with the proposed wording in the Guide linking it to Appendix 16 to the Main Board Listing Rules (in relation to the requirement for ESG discussions in the business review section of the directors’ report), as set out in Appendix II to the Consultation Paper?

Yes

No

Please give reasons for your views.

We agree that as environmental and social data becomes increasingly fundamental to company reporting, the listing rules should accordingly reflect that trend.

7. Do you agree with the proposal to re-arrange the Guide into two Subject Areas (A. Environmental and B. Social) and re-categorise “Workplace Quality”, “Operating Practices” and “Community Involvement” under Subject Area B?

Yes

No

Please give reasons for your views.

Yes - such a grouping is more consistent with other recognized categorizations (including Bloomberg's and GRI), and makes it potentially more familiar/accessible to existing users.

8. Do you agree with the proposal to change the heading “Workplace Quality” to “Employment and Labour Standards”?

Yes

No

Please give reasons for your views.

We agree that the revision is an improvement, particularly because the new category includes information like total workforce by employment type.

9. Do you agree with our proposal to upgrade the General Disclosures for each Aspect of the ESG Guide to “comply or explain”?

Yes

No

Please give reasons for your views.

Yes - as noted earlier, requiring explanation of a decision to "comply or explain" places helpful pressure on companies to be more transparent.

10. Do you agree with our proposal to amend the wording of paragraph (b) under current Aspects A1, A2, A4, B1, C2 and C3, re-numbered Aspects A1, B1, B2, B4, B6 and B7, to “compliance with relevant laws and regulations that have a significant impact on the issuer...” in order to align it with the language of the relevant provisions of the Companies Ordinance?

Yes

No

Please give reasons for your views.

Yes, this revision makes sense, especially as it enhances both the company's obligation to abide by existing rules and regulations while making known where non-compliance masks substantial underlying risks.

11. Do you agree with our proposal to revise proposed Aspect A1 (“Emissions”) by upgrading to “comply or explain” the current KPIs B1.1, B1.2, B1.4 and B1.5, re-numbered KPIs A1.1, A1.2, A1.4 and A1.5, concerning disclosure of emissions and non-hazardous waste?

Yes

No

Please give reasons for your views.

Yes - an upgrade to "comply or explain" enhances transparency by eliminating the option to go silent on non-disclosure. In this case, carbon and non-hazardous waste are increasingly crucial data points for multiple stakeholders. (Of course, if there were a need, in light of other upgrades of this nature, one could always prioritize certain of these categories over others.)

12. Do you agree with our proposal to upgrade to “comply or explain” the current KPIs B1.3 and B1.6, re-numbered KPIs A1.3 and A1.6, concerning disclosure of hazardous waste?

Yes

No

Please give reasons for your views.

As in the prior example, yes, an upgrade to "comply or explain" enhances transparency by eliminating the option to go silent on non-disclosure. Here, it is arguably even more important that hazardous waste be disclosed than non-hazardous wastes.

13. Do you agree with our proposal to upgrade to “comply or explain” the KPIs under the current Aspect B2, re-numbered Aspect A2, “Use of Resources”?

Yes

No

Please give reasons for your views.

We offer the same rationale in support as in the previous two examples. Resource usage is increasingly important in assessing company performance, and can provide a strong indicator of trends (i.e., if the company is improving efficiency, or increasing the mix of sustainable resource use).

14. Do you agree with our proposal to upgrade to “comply or explain” the current KPI B3.1, re-numbered KPI A3.1, concerning disclosure of the significant impacts of activities on the environment and natural resources?

Yes

No

Please give reasons for your views.

We offer the same rationale in support as in the previous examples. Indeed, this requirement would be in line with the overall consultation as it is increasingly necessary to understand company impacts on the environment and natural resources.

15. Do you agree with our proposal to incorporate gender disclosure in proposed Subject Area B. Social, under the sub-heading “Employment and Labour Standards”?

Yes

No

Please give reasons for your views.

Yes - we find that investors are increasingly treating women in management and the workforce as a key diversity indicator.

- End -