

## 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.

*Hong Kong is probably the only good size Stock Exchange in the world without putting out a stronger message to listed companies to re-inforce ESG compliance and reporting.*

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.

*Totally agree. ESG disclosure may or may not related to financial information. If it does, it is natural that the numbers disclosed should be made reference to the same financial cut-off period. Whether there is a grace period of 3 months or not is only a matter of timing.*

*In fact, there are a number of reputable MNCs, spending a lot of money and effort in issuing ESG reports. The level of non-financial business focus, progress, direction and innovation achieved make those MNCs at least one level above other corporations.*

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.

*It depends on the focus & effort of a listed company in connection with its ESG reporting. A large MNC in Europe or US generates its annual ESG report no less than 100 pages. A mandatory requirement for the ESG report to be included in its annual financial report may not make sense as it may distract reader’s attention to the listed company annual report.*

*Nonetheless, a combination of an ESG report and website disclosure makes a lot of sense. A good ESG report shows the strength and the vision of the top management in terms of business strategy, leadership and innovation. It is both a Corporate Governance responsibility as well as a strong corporate marketing tool.*

*An extra time(3-month) to prepare an ESG report seems reasonable as a good corporation pays attention to its ESG governance throughout the year and it is not meant to be an ad hoc project in order to cater for HKSE listing rule requirements.*

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 and No

No

Please give reasons for your views.

*Again, for a large Corporation, the Board and C-level executives may want to issue a separate ESG report with prevailing ESG effort and achievements to be shown in its website which is understandable. Other corporations may only want to show their ESG reports in the Directors' Report due to their limited effort in the ESG fronts.*

*Regardless, ESG report may be included in the Directors' Report ("DR" with full text) or just an "Executive Summary" of an extended ESG report. In both cases the readers will have a better understanding of the effort and progress initiated by the listed company on its ESG compliance.*

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.

*Definitely agree. The four words basically give a listed company good high level guidelines in dealing with ESG matters. Materiality & Quantitative are key to setting out a direction on the focus and the level of detail work.*

*Balance and Consistency are important when working on the detail level of ESG compliance work and findings.*

*We all know that C-level executives give direction and middle tier managers are the working groups dealing with the ESG work scope, data gathering, findings and reporting matters.*

*For a good organization, the communication channel is always dynamic and never static. Data gathering may trigger important findings and that may change C-level executives’ focus and magnitude of the field work. The important point is to change the work culture of certain organizations on “if it is not broken, why fix it”.*

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.

*Agree. The reason is similar to question #3 answer. However, Appendix 16 has a long list of reportable action items. When HKSE wants to link Sustainability wordings to Appendix 16, it is important that the listed company executives should know the appropriate reportable action items. In addition, if there is a self-initiated ESG project which may run for more than one year, the appropriate recognition of liability and expense chargeable to P&L and Balance Sheet should be clearly identified.*

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.

*Agree. It makes sense to classify the categories into two subject areas.*

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.

*Agree. Having said that it makes sense to give listed companies more flexibility in commenting on the employment and labour standards as there is no international standard which can be conclusively used to stick to its compliance. Moreover, try to stay away from controversial topic like human right as there are just too many different views and positioning on this topic.*

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.

*Definitely agree. As said, Hong Kong Stock Exchange needs to speed up enforcement of the ESG compliance guidelines. With a lot of outsourcing work being done in China, a listed trading group which may be based in the States or Europe, may need to report its overall GHG emission on a consolidated basis.*

*In that case, say the outsourced Hong Kong listed manufacturing company will need to work on the ESG numbers. In some cases, the foreign buyers had already asked for those GHG data in the past. The follow on requirements from foreign buyers to Hong Kong listed company could be: the ESG work flow, data gathering, data integrity, compliance and direction being set.*

*One example: Apple Inc reported GHG emission of 34.2 million metric tons in 2014. It appears that this number would include all of their outsourcing work being done in China, in particular Foxconn. With high degree of manufacturing reliance on Foxconn, it is fair to say that the data integrity of Foxconn should be in line with Apple Inc’s sustainability standards.*

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.

*Agree and it is a natural process to align all regulatory and reporting organizations in terms of the wordings in connection with the rules and regulations.*

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.

*Agree. The emission and non-hazardous waste reporting is being practised in most of the listed companies under different stock exchanges anyway.*

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.

*This is a respectable requirement given the size of Hong Kong. Moreover, hazardous waste treatment is not rocket science. Listed companies operate in a particular industry should know how to deal with the waste treatment. In addition, outsourcing other service provider to handle hazardous waste is not difficult.*

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.

*Use of resources if managed correctly will improve the listed company productivity as well as its financial performance. Moreover, a periodic review on use of resources may trigger new idea or innovative approach during manufacturing process.*

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.

*Agree. All environment and natural resources should be wisely used in order to strike a balance of natural resources in a territory. Innovative approach to deal with this matter yields better productivity and performance.*

*Moreover, different countries or jurisdictions may impose new environment laws periodically and call for penalty payments in connection with environment damages. The amount could be significant. Example – in early 2015, British Petroleum was set to pay US\$18.7 billion fine for their Gulf oil spill.*

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.

*It is recommended that gender disclosure should be voluntary disclosure made by a listed company against the backdrop of current Hong Kong social tension on sensitive matters.*

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