

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.

The sharp uptake in ESG reporting since the first ESG Guide in 2011 – as well as international experience – suggests that the Stock Exchange of Hong Kong has significant leverage to influence the reporting of listed companies. Moreover, by increasing transparency around companies’ ESG policies and performance, we believe that a further increase in reporting would lead to increased implementation and quality of sustainable business practices. The proposed amendment to Rule 13.91 would, therefore, have a positive impact.

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.

We agree that requiring an ESG report to be published annually, and to cover the same period as the annual report, will present investors and other stakeholders with a more holistic and comprehensive view. Reporting regularly will allow stakeholders to compare performance year-on-year, and hold companies to account with regards to any commitments made on their ESG goals and strategies. Furthermore, requiring that the two reports are developed concurrently may help to elevate sustainability to a more strategic level and encourage a more joined-up approach to corporate strategy and sustainability development.

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 support the proposal to clarify that an ESG report may be issued in one of a variety of formats. Presenting data in a format or formats that are most relevant to key stakeholder groups will help to ensure a wider reach, and thus greater accountability, whilst also contributing to greater efficiency in the production of reports. We also support limiting the time lag between annual and ESG reporting in order to ensure data remains meaningful and current.

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.

We believe that the proposed structure of the introductory section of the Guide will provide greater clarity. In particular, clarifying the role of the board and linking the ESG report to relevant discussions in the Directors’ Report should further help to raise sustainability development to a senior and strategic level within the business.

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.

We are happy with the proposed wording of the Reporting Principles. Alongside those that have already been suggested – Materiality, Quantitative, Balance and Consistency – we would like to add a fifth: Long-termism.

By definition, sustainability requires taking a long-term view of the social and environmental consequences of business practice. Yet many reports focus exclusively on current ESG challenges and stakeholder expectations, with little or no reference to long-term trends (demographic, economic, technological, etc.) or their long-term strategies to address them. We hope that adding a principle on long-termism would encourage more companies to adopt a long-term, strategic approach.

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.

As noted in points 4 and 5 above, we support moves to elevate the discussion of ESG issues to the board level. Linking the Guide to Appendix 16 would help drive that.

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.

Rearranging the Guide into two main sections – Environmental and Social – would raise the profile of environmental issues relative to workplace practices, operating practices and community involvement. We believe this is a positive step in helping to reinforce the message that environmental quality is critical in underpinning social justice and economic stability.

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 aligning the language used in the Guide with international guidance will increase user-friendliness and reduce the burden on issuers.

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.

We support the proposal to upgrade the General Disclosures to “comply or explain”. This will not only promote better corporate governance, but will also help companies discharge their duties under the new Companies Ordinance.

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.

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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.

We strongly support the proposal to upgrade the Aspects listed above to “comply or explain”. Climate change and waste are two particularly difficult challenges for Hong Kong; failure to find solutions will create much greater economic, social and environmental costs further down the line. Requiring issuers to report on emissions and waste would encourage more companies to act.

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.

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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.

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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.

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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.

We support the proposal to incorporate gender disclosure under Subject Area B. We note the low level of female representation on the boards of Hong Kong companies and welcome this initiative to encourage greater diversity. We believe this will help to facilitate greater diversity of thought on boards, leading to more inclusive business practices and business models.

In addition, we note the significant challenges faced by people with disabilities in securing sustainable employment. We welcome Labour Department initiatives to promote employment of people with disabilities, and ask companies to do more to support them into and in the workplace.

Therefore, we suggest the incorporation of further disclosures in Subject Area B under the sub-heading “Employment and Labour Standards” related to the employment of people with disabilities. These might include (i) information on the employment policy related to people with disabilities, and (ii) a KPI on the percentage of employees being people with disabilities.

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