

**From:**  
**Sent:** Thursday, April 05, 2012 5:06 PM  
**To:** response  
**Cc:**  
**Subject:** Re: Consultation Paper on ESG Reporting Guide

Dear Madam/Sir

Responsible Research is pleased to present its response to the Consultation Paper on Environmental, Social and Governance Reporting Guide (ESG Guide). Overarching comments on the Consultation Paper are included in this email and suggestions on specific aspects of the questionnaire are included in the attached document.

We support the extensive consultations, dialogues, trainings and other efforts that HKEx has made particularly over the past one year with an aim to improve ESG disclosure levels by issuers listed on the exchange. We consider that this effort is aligned with HKEx's role as a frontline market regulator and will serve to enhance protection of long-term investor interests.

We support the continued facilitation of the dialogue by HKEx and its issuers (and possibly other stakeholders) on ESG disclosure. HKEx's efforts to develop a simple and easy to use tool-kit and other material for issuers to use are also commendable.

We recognise that the HKEx ESG Guide is primarily aimed at issuers that have not taken any steps or have only taken initial steps on ESG reporting. We have been mindful of this while responding to the Questionnaire.

In addition to the constructive comments provided in the Questionnaire response, we list here a few overarching thoughts that may merit HKEx's consideration.

1. Introductory notes to the ESG Guide suggest that HKEx is open to considering a move to a *comply or explain* regime on ESG reporting. This is an affirmative statement that we strongly endorse. We believe that this could be strengthened with an indicative time-frame. This would provide a further incentive to issuers to initiate ESG disclosure plans.

2. The ESG Guide discusses reporting time periods and timeliness of disclosure. We strongly contend that ESG disclosures cover the same time periods as annual reports to allow for comparability with metrics provided in annual reports. Further, we suggest that HKEx encourage timely production of ESG reports/disclosure - either along with annual report releases or soon after. The gap between the release of an annual report and ESG report can indicate that ESG aspects are considered less important by the issuer.

3. The introductory notes to the ESG Guide suggest that it may take several years (3 years or so) for a company to be able to undertake ESG reporting. This was attributed to the need for additional resources, establishment of systems to monitor and track information. We, however, believe that most of the KPIs in the Guide are reasonably standard for businesses to be monitoring, anyway. Information on workforce profiles, energy consumption and several other metrics are likely to be and should be monitored by well-run companies. Therefore, reservations raised by companies on not having necessary systems seem doubtful and to an investor audience, may be a cause of concern. Further, the effort needed to put together a report and aggregate data is commonly proportional to a business' complexity, number of business segments and geographic diversity among other factors. These characteristics tend to be related to business size, and so to the business's ability to resource reporting activities. Simpler and smaller businesses require commensurately less onerous, and therefore significantly cheaper, reporting procedures.

Should the HKEx's efforts be met with excessive market resistance, it may consider issuing guidance on staggered disclosure. This could be in the form of indicative guidance on when companies of certain market capitalisations should look to commence reporting as per the minimal standards set out in the Guide.

4. If the ESG Guide is to be used, we suggest that it be more forward looking. In its current form, it is heavily focused on past performance (we note that this is a weakness of other international ESG reporting standards, too). Investors are concerned with past performance and metrics. However, investors' primary interest is in how future business plans may affect that performance, what new environmental and social risks will be faced and what opportunities might exist. Therefore, the ESG Guide needs to incorporate a more forward-looking tone. For a start, issuers should be encouraged to report on E&S targets/roadmaps and how the strategies aimed at achieving those targets are integrated with the company's business strategy.

5. In our experience sustainability is a multi-year journey for companies through which sustainability becomes embedded more deeply into their operations, supply chain and value chains. Due to the current stage of typical HK listed companies on this journey, this set of guidelines focuses primarily on a company's internal operations and provides an indicated threshold for good reporting. However, HKEx should make it clear to issuers that standards are expected to evolve over time and that this will mean that the Guide will itself require updating in subsequent years as the market's reporting standards improve.

6. Finally, we would also suggest that HKEx consider instituting mechanisms to allow for investor feedback on ESG disclosures made by issuers. This is outside the scope of the ESG Guide. However, we consider that the establishment of mechanisms (such as allowing for non-binding votes on ESG strategies) can organically enhance accountability of issuers on their disclosures.

We will continue to support the HKEx in its highly creditable efforts on improving ESG disclosure by issuers on its market. Should the HKEx require any clarification on our response, please do write to

██████████, ██████████ at ██████████

Finally, allow us to note that we have received endorsements of our response to the consultation by the following investors:

- First State Investments/Colonial First State Global Asset Management, which wishes to endorse our response alongside their own submission, and
- Fidelity Worldwide Investment, which will be submitting a separate letter endorsing our submission to HKEx.

Best regards,

## 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 HKEx 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.

We strongly support HKEx's initiative to facilitate ESG disclosure by its issuers. Since this guideline is primarily aimed at issuers that have not or have only just taken initial steps to make ESG disclosures and is therefore focused only on basic metrics, the ESG Guide should be put forth as "recommended/expected/good practice" but not "best practice." Nevertheless, we support the idea of appending an ESG guide to the Listing Rules.

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.

We do not agree with the Note that follows the aforementioned paragraph. Where companies prepare a separate report on ESG issues, the Note should encourage issuers to prepare such a report for the same time period as the annual report and also to publish them at a similar time. While this may not be possible for some companies just beginning to prepare ESG disclosures, this practice can be instituted within 2-3 reporting cycles for most companies.

These are particularly important conditions for an investor audience.

Data related to ESG metrics are often analysed in the context of metrics/line items disclosed in annual reports. If the time periods of the two disclosures differ, such comparisons would be difficult to make as the numbers can not always be reconciled.

While it is understood that issuers in their first or second reporting cycles may not be able to release ESG reports at the same time as their annual reports, the gap between the release on an annual report can be significantly reduced or eliminated within subsequent reporting cycles. The time elapsed between the release of an annual report and an ESG report is often a strong indicator of the importance attributed to ESG issues at that company. The collation and dissemination of information on the same (or increasingly similar) timelines, sends a strong signal to the organisation that the issues are considered to be important.

HKEx should envisage a future where the norm would be to either report on this information in a single integrated report or in separate reports at the same time.

## 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.

We agree with the spirit of the Introduction, but offer some constructive suggestions here.

The ESG Guide indicates that issuers "may also refer to existing international ESG reporting guidance for its relevant industry or sector." We suggest that the ESG Guide should encourage issuers to do this and adopt a more tone because it only sets out basic ESG KPIs in its current form.

Issuers should also be "encouraged" to adopt higher levels of ESG reporting based on international guidance and standards.

We disagree with point 4 in the Introduction. We strongly suggest that HKEx should encourage the issuers to prepare ESG reports (even if they are standalone) for the same time period as their annual reports. For reasons identified earlier, an investor audience relies on ESG information that is comparable with line items included in the annual report.

We support the mention of the board of directors as being responsible for ESG reporting. HKEx may also further point out that the board of directors should be responsible for setting ESG strategy, which in turn should inform an issuer's ESG disclosure.

## 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.

Comments on paragraph 9. We suggest that the ESG Guideline "encourage" issuers to prioritise ESG subject areas, aspects, etc in their ESG reports and not merely indicate that the ESG reports "could" do so.

Comment on paragraph 10. This could also point out that there can be issues that are particularly material to some stakeholder groups, but not necessarily material to a company's operations. Companies should also consider these when prioritising their disclosure.

Comments on paragraph 11 and 12. We support the ESG Guide's endorsement of the centrality of stakeholder engagement as part of the reporting process. The ESG Guide may additionally indicate that stakeholder engagement should be carried out periodically to gauge perceptions and expectations of the company on ESG aspects. Stakeholder views are known to change and issuers should be encouraged to develop a mechanism to track this.

## 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.

Comments on paragraph 14. We suggest a stronger tone in this paragraph. The provision of ESG data without clarity on which entities/operations they pertain to has little value to ESG analysts. It is therefore recommended that the ESG Guide strongly encourage issuers to clearly indicate the entities/operations to which the ESG data pertain. Where there is a change in scope between two reports, this change should be explicitly indicated and explained.

Further, issuers should also be recommended to explain their rationale/processes used to identify organisational boundaries for report coverage. (There are several variations of this: companies may include only certain business lines or facilities in their disclosures OR may have applied certain methodologies related to operational and/or financial control on joint-ventures OR may include only in-house operations data or include external contractor related data.)

The absence of the above explanations would severely limit the ability of investors to interpret the ESG data presented and integrate it into their investment decision-making.

Comments on paragraph 17. We endorse the suggestions made here in the ESG Guide. Addressing opportunities, risks and challenges in relation to ESG is a primary purpose of ESG reporting.

Comments on paragraph 18. An issuer should be encouraged to explain how KPIs presented in the report are calculated or indicate what standards are being referred to. Issuers should be encouraged to report as per international standards/industry metrics wherever possible, so as to allow for comparability.

Comments on paragraph 19 and 20. We support these suggestions.

#### 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.

Given that the ESG Guide is meant as a basic support document for issuers that are new to ESG reporting, the four broad categories are acceptable. We suggest some changes to the terms used.

We propose that "Environmental Protection" be replaced by "Environment." "Environmental Protection" is limiting and can narrow the issuers' focus to its impacts on the environment. These are important, as are factors such as environmental changes that, in turn, can materially impact the issuer in the future, as in the situation of a company's operations in a location that may become increasingly prone to flooding. Furthermore, some relevant concepts such as energy efficiency do not fit well under the term "environmental protection."

We propose that "Community Involvement" be replaced with "Community Engagement." "Community Involvement" is a passive term.

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.

Comments on any of these are provided in the responses to each section. We also re-emphasise the comments included in our cover letter that there is a general absence of targets accompanying indicators under these aspects. The aspects also relate almost exclusively to in-house (apart from product responsibility and community engagement) and to impacts/risks as opposed to opportunities.

**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.

We are in overall agreement with the points suggested.

We suggest that Aspect A1 be retitled as "Workforce profile and working conditions" to more accurately reflect its coverage.

We also suggest that the ESG Guide indicate that these disclosures should relate to both workers/staff/management on a company's rolls as well as part-time/contracted workers on limited duration terms.

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.

We suggest that in addition to the categories mentioned here, a breakdown can also be provided in terms of Gender.

We also suggest that a breakdown is provided in terms of staff categories (e.g. Senior Management, Junior Management, Officers, etc). This provides valuable information on the demographic structure of a company and also point to some of its human resource strengths and weaknesses.

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.

We also suggest that the element of Gender be included. Further, turnover rate should also be provided for staff categories.

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.

We additionally suggest that brief explanations be provided for the causes and responses to fatality cases.

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.

We also suggest that the issuer explain how it calculates lost days. This can vary by company and regulatory regime and also across different business segments within the same company. In the absence of this explanation, comparisons across and between companies may not be possible.

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.

We stress that the information provided as per KPIs A2.1 and A2.2 are broken down between workforce on the rolls and temporary/contract workforce. It is often observed that fatality and injury rates are higher among temporary/contract workforce than workforce members who are on a company's rolls. This may be due to several reasons, including the nature of work carried out by temporary/contract workforce, limitations in training, etc.

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.

We agree with the general disclosure for Aspect A3. We also suggest that the ESG Guide refer to mechanisms for engagement with the workforce, including canvassing their opinions as well as periodic reviews and feedback.

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.

We agree with the criteria laid out in KPI A3.2. We additionally propose that it should include a reference to training budget allocations.



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.

We agree with the provisions presented but additionally propose that the ESG Guide propose disclosures on policies and practices related to sexual harassment.

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 you 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.

**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.

We also suggest that air emissions that are known to have more pronounced local/regional impacts be reported by major facility rather than, or in addition to, a cumulative overall figure.

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.

We agree with the provisions in KPI B1.3. We additionally suggest that the hazardous wastes are split by major types. (Please note that units may not always be in tonnes.)

We also suggest that liquid hazardous wastes be reported distinctly from solid hazardous wastes.

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.

Issuers should also be asked for disclosure on roadmaps and targets set with respect to the various environmental KPIs in Aspect B1. The absence of an emphasis on ESG target disclosure is observed throughout the ESG Guide.

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.

We also suggest that the issuer make disclosures on energy consumption related to transportation activities, and indicate where these may pertain to third party consumption, where possible.

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.

We also suggest that water consumption related data be reported by major facility/location for water intensive facilities because water consumption has local implications. For example, intensive water use by a facility that is located in a region where water availability is not a concern can be less significant than a less water intensive facility located in a region with existing/projected water scarcity concerns.

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.

We also suggest that the results achieved be translated to monetary values, where possible.

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.

This is an important criteria. Issuers may be prompted to make these disclosures for major facilities.

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.

We also suggest that initiatives and results with respect to packaging be reported.

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

Yes

No

Please give reasons for your proposals.

We suggest that the KPIs mentioned in Aspect B3 (considering the recommendations made on them) be included under Aspect B2. We do not see a valid reason for segregation.

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.

We find that this criteria is too specific. For example, it would be immaterial for an oil and gas company, a steel maker, or an automobile manufacturer to make disclosures on paper use. Instead, issuers may be encouraged to make disclosures on the major resources they use (aside from energy, water, packaging related) for their production purposes, and report on the major categories as aggregate totals and on a per product/unit of service basis. Our suggestion is to align these criteria closer to indicators EN1 and EN2 of the GRI G3 Guidelines.

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.

We suggest that this be modified in line with our suggestions made in our response to 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.

The aim of this criteria would be better served by suggesting that issuers disclose targets set with respect to improving material efficiency and reducing environmental pollutants.

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

Yes

No

Please give reasons for your proposals.

Please see our response to paragraph 43.

### 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.

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.

We agree with the KPI. However, it would be useful to mention the tier of suppliers to which this KPI pertains.

We also suggest that the issuer provide a brief description of its bargaining power with respect to its most significant suppliers. For example a local auto component manufacturer may have limited bargaining power vis-à-vis a global automaker customer.

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.

We also suggest that the extent of the issuer's total suppliers (possibly tier 1 and progressively beyond) to which these practices apply be clearly indicated.

The KPI may also suggest disclosure on whether these practices and policies are integrated into contractual documents or conveyed through other forms (including training, knowledge sharing, etc.)

The KPI may also suggest disclosure on whether these practices include corrective mechanisms for suppliers and discontinuing contracts, if necessary.

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

Yes

No

Please give reasons for your proposals

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.

We agree with the criteria laid out above. We suggest that the issuer discuss customer feedback, engagement related policies, existing and planned mechanisms.

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.

Restricting this information to health and safety reasons is too limiting. Overall recalls should be reported with a separate subset for recalls on health and safety concerns. (They can be segregated as per industry-specific categories, if any exist.)

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.

We suggest that this information be segregated by major product/service categories.  
We also suggest that the issuer indicate the percentage of complaints received that were resolved to customers' satisfaction by major product/service category.

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.

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.

We also suggest that the ESG Guide recommend that instances of consumer data loss/breaches are reported for the reporting period.

55. Do you have additional KPIs for Aspect C2?

Yes

No

Please give reasons for your proposals.

We suggest that Aspect C2 also include:

- A discussion on whether the issuer has been engaged by or has engaged with its customers on environmental and social issues related to its major products/services.
- Procedures related to considering environmental aspects when designing/conceiving a product/service.
- Proportion of products/services that have superior environmental credentials.

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.

58. Do you agree to include KPI C3.2: “Description of preventive measures and whistle-blowing 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

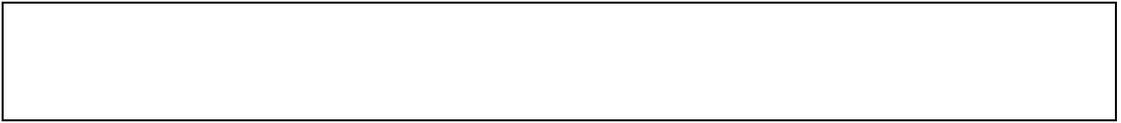
60. Do you agree with the following general disclosure for Aspect D1: Community investment?

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.



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.

We disagree with the tone of this KPI. It suggests a philanthropic approach adopted to community engagement. We would like the ESG Guide to focus on disclosures on how community engagement is carried out, how communities are selected for engagement, how community programmes are designed to factor and align with business interests and how the impact of the community engagement is measured.

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.

This is a criteria that may be included, but it should be emphasised that the success of community engagement is determined by its impact and its synergies with long-term business interests and cannot be measured solely by expenditure of time and money.

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

Yes

No

Please give reasons for your proposals.

Please refer to our responses to KPI D1.1 and D1.2

### 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.

HKEx has presented its views on why it has chosen not to recommend external assurance of ESG reports. However, we believe that instead of not mentioning assurance in its ESG Guide, the HKEx could mention that issuers may consider such assurance.

Assurance statements can provide added confidence regarding the disclosures made in the report that are also covered within the assurance scope. It is considered a best practice. Therefore, it would be a missed opportunity for the HKEx not to mention ESG report assurance in the voluntary ESG Guide.

- End -