

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.

See no issues with recommending as best practice OR if higher standards are being used (eg. GRI, UNGC, ISO Guidance on Social Responsibility, OECD Guidelines for Multinational Enterprises or Carbon Disclosure Project), issuers may choose to adopt a higher standard than the ESG Guide.

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.

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.

So as to be very clear that issuers don't put the horse before the cart in reporting on ESG and treating this as a public relations exercise, the following changes to the wording of point 1 are suggested. The idea is to encourage issuers to have a credible ESG/Sustainability/CSR programme in place, not just start reporting using this guide. The downfall of reporting on ESG matters is that sometimes what looks like a robust programme on paper is nothing more than a report which is not backed up by a programme and engagement within organisations at all levels. Often, employees of reporting organisations are unaware of the fact that such reports exist.

Changes re underlined in blue:

1. This guide sets out Environmental, Social and Governance (“ESG”) subject areas, aspects, general disclosure and key performance indicators (“KPIs”) for the purposes of reporting. It is not intended to be used as a framework or programme (such as ISO 26000) for the implementation of ESG practices within issuer organisations. Such frameworks and programmes are encouraged with an effective foundation of engagement to ensure understanding and inclusion by all stakeholders.

- **Additionally, there is a need to clarify the extent of ‘involvement’ of point #5 since it may impose commitments/duty on directors**
- **The potential pitfall with a set of KPI based reporting requirements is that information will be provided in silos. The usefulness of including ESG information in company's reports can only be truly manifested through explanations on the connectivities of the issues. We would recommend the reporting guide to include some guidance in this respect**

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.

A5: Agree with all the above. In fact, the entire process of stakeholder identification, determination of materiality is intrinsic to any type of ESG reporting due its inherent nature of being diverse and constantly changing. The materiality determination process should be a core part of this approach rather than being optional since it is quite important.

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.

Aspects for each ESG Area

- 7. Do you agree with the following proposed aspects?

Areas and aspects	
A. Workplace quality	
Aspect A1	Working Conditions
Aspect A2	Health and safety
Aspect A3	Developmen and training

Aspect A4	Labour standards
B. Environmental protection	
Aspect B1	Emissions
Aspect B2	Use of resources
Aspect B3	The environment and natural resources
C. Operating practices	
Aspect C1	Supply chain management
Aspect C2	Product responsibility
Aspect C3	Anti-corruption
D. Community involvement	
Aspect D1	Community investment

Yes

No

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

Not sure what B3 covers since B1 and B2 covers emissions & resources. For Governance reporting, not sure whether the existing areas are adequate (seems only C3 : Anti-Corruption exists which doesn't seem to cover the entire spectrum of Governance issues). These areas & aspects seem to be okay as a guideline but companies should be allowed flexibility to expand and go beyond these 4 areas as needed for their own context.

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.

Can't see a problem with this, except there may be some inhibition on disclosure in this possibly sensitive area.

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.

Most companies will say they adhere to all relevant statutory laws and regulations on these areas. A good report should disclose more on how to comply and how to ensure they comply.

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.

Agree, but need to provide a lot more guidance on how the rate is calculated so that the numbers are comparable.

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.

Agree, but need to provide a lot more guidance on how the rate is calculated so that the numbers are comparable.

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.

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.

Companies who report already tend to report this as an aggregate number and not by employee category. This may cause some sensitivity issues.

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.

Companies who report already tend to report this as an aggregate number and not by employee category. Again, there may be some sensitivity issues.

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.

As above.

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.

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.

Agree, but disclosure needs to be very site specific.

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.

Disclosure needs to be very site specific.

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_x, SO_x, 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.

Need to make sure the scope can be user-defined since each company may have their own special operational conditions.

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.

Need to make sure the scope can be user-defined since each company may have their own special operational conditions.

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.

Need to make sure the scope can be user-defined since each company may have their own special operational conditions.

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.

Need to make sure the scope can be user-defined since each company may have their own special operational conditions.

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.

Need to make sure the scope can be user-defined since each company may have their own special operational conditions.

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.

Can go into descriptions on how the waste is handled and the reduction initiatives, but may be more challenging to give an accurate representation of exactly the results achieved.

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.

Definition of “water use” should be clear (eg. water withdrawal vs water discharge, cooling recirculation, etc)

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.

Perhaps should reference “Water Disclosure Project”.

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.

Agree, but may not be relevant to all sectors.

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.

Agree, but perhaps irrelevant for some sectors. Need to define this a lot more.

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.

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.

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

Yes

No

Please give reasons for your proposals.

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.

Needs clearer guideline on “suppliers”. Is a consultant a supplier? Certain companies may find this commercially sensitive.

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.

As above.

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.

Proposed guidelines should allow provisions for businesses to explain why certain aspects are not applicable to their own situation.

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.

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.

Proposed guidelines should allow provisions for businesses to explain why certain aspects are not applicable to their own situation.

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.

55. Do you have additional KPIs for Aspect C2?

Yes

No

Please give reasons for your proposals.

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.

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.

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

Yes

No

Please give reasons for your proposals.

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.

Agree since we do not want to set the bar that high initially, and at the moment, even under GRI, external assurance is not a mandatory requirement. This aspect can be reviewed going forward depending on the ability of issuers to respond to these ESG reporting requirements.

- End -