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Hong Kong Exchanges and Clearing Limited  
12<sup>th</sup> Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

18 September 2015

Dear Sir \ Madam

**Consultation Paper on Review of the Environmental, Social, and Governance Reporting Guide (“the Consultation”)**

On behalf of ACCA Hong Kong, we would like to submit our comments regarding the captioned consultation paper, and enclose a copy of the duly completed questionnaire.

ACCA Hong Kong is supportive of the proposal 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 Reporting Guide (the Guide). However, we feel that certain areas of the Guide will require further revision before it is finalized and published.

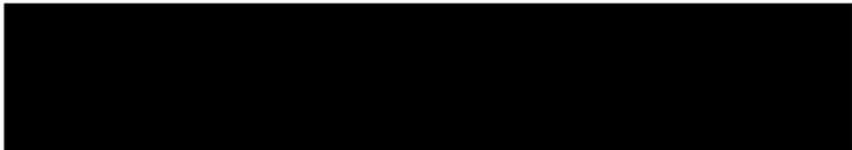
**Alignment with international standard as stipulated in “Global Reporting Initiatives” (GRI)**

We endorse HKEx’s approach of gradually raising ESG obligation that allows market issuers to adapt to the changes, as well as to build up capacity, knowledge and experience. However with the aim of bringing Hong Kong issuers closer to international practices, we consider that the internationally recognised framework, the Global Reporting Initiatives (GRI) should be taken as a reference in the Guide.

The four Reporting Principles that underpin the preparation of an ESG report, namely “Materiality”, “Quantitative”, “Balance” and “Consistency”, are only partial compliance with the GRI. Where these four principles may be regarded as relatively more important, we recommend the full adoption of the all GRI principles for defining report content. This enables future positive steps to further align HKEx reporting requirements with its global peers.

**A more integrated approach to total ESG Reporting**

We acknowledge that HKEx’s purpose to simplify the Guide to facilitate market’s adoption and implementation and thus the proposal to re-arrange the Guide into two Subject Areas (A. Environmental and B. Social). However, by simply re-classifying all non-environmental aspects under the



Subject Area of Social make the context of "Social" too broad and would also underplay the importance of those aspects which could have implications on environment issues, such as supply chain management. ESG reporting would benefit from more explicit integration of environment, social and governance, such as the "Supply Chain Management" and "Product responsibility" would have significant implication to all three areas.

Market practitioners and stakeholders should be aware that governance should not be just limited to complying with Corporate Governance Codes, but also be practised in wider context in managing risks, implementing strategies, addressing environmental and social concerns.

#### **Further evolvement of ESG Reporting**

HKEx should adopt a long term approach and outline the next steps to shape the evolvement in ESG reporting. HKEx can consider putting up a broad timeframe that outline the roadmap to move from "comply or explain" to future possible "mandatory reporting", which would allow Hong Kong issuers better planning and preparation.

We appreciate HKEx's aims and effort to bring ESG reporting of Hong Kong issuers closer to international practices. In this regard, it is important the international standard shall be referred to and adopted. In view of Hong Kong's status as an international financial centre, ACCA Hong Kong recommends that the adoption of the GRI, an internationally recognized framework will undoubtedly make Hong Kong issuer's reports more comparable across the international markets.

Should there be any questions, please do not hesitate to contact the undersigned at [REDACTED].

Yours faithfully

[REDACTED]  
Fergus Wong  
Chairman

## 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.

*Well managed companies who are responsible corporate citizens and seek to engage different stakeholders through transparent reporting should prepare themselves for ESG reporting. On the other hand, the “comply or explain” approach could give smaller issuers certain flexibility where they can explain if they do not comply with the Guide.*

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.

*Reporting ESG annually that covers the same period of the annual report is important to allow users to assess the ESG performance with reference to the financial performance of the same period. The proposed wording of rule 13.91(5) appears to also require mandatory disclosure of all the ESG information as set out in the ESG Reporting Guide. We wonder whether it contradicts the nature of the proposed Guide (i.e. comply or explain, or recommended disclosure).*

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.

***The ESG report should cover the same period of the annual report. To cater for some flexibility, the issuer should be allowed to publish the ESG report no later than three months after the publication of 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.

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.

***While we appreciate that a simple framework facilitates an easier adoption of ESG reporting, we consider that a more comprehensive Guide helps pave the way forward to bring HK issuers comparable to international practices. According to the Global Reporting Initiative, a widely used international reporting framework on ESG performance, the principles defining the content of a sustainability report include more than the four Reporting Principles in the ESG such as “stakeholder inclusiveness”, which is a fundamental principle. In addition, the “Quantitative” principle does not appear to be sufficient as KPIs should also have the qualitative perspective. We recommend that those principles and KPIs under the GRI be considered and be added as references in the Guide as recommended practices.***

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.

***The proposed wording of paragraph 6.4 in Appendix 16 appears to require mandatory disclosure of all the ESG information as set out in the ESG Reporting Guide. We wonder whether it contradicts the nature of the proposed Guide (i.e. comply or explain, or recommended disclosure).***

***We agree with the intent set out in Paragraph 98 of the Consultation Paper, and suggest that a note 28.3 be included in Appendix 16 to cross-reference the ESG disclosure requirement in the Business Review Section of the Directors’ Report to the proposed introductory paragraph 12 of the Guide.***

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.

***The proposed arrangement is to group all non-environment issues under Subject Area B. Social, which becomes too broad. Topics under operating practices, such as supply chain management, product responsibility have significant implications on both environmental and social performance. Community involvement should be standing alone as a separate area. We consider the previous categorisation more appropriate than the re-arranged one.***

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 agreed to the change from “Workplace Quality” to “Employment and Labour Standards”. However, we consider that the term “Labour Standards” is much broader than “child and forced labour”. As such, we recommend this be changed to “Working Age and Voluntary Labour” under Aspect B4.***

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 appreciate HKx’s effort to upgrade the General disclosures for each Aspect of the EST Guide to “comply or explain” basis. In the near future we would like to see the “recommended disclosure” to be moved to “comply or explain” with a realistic time table.***

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.

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.



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.

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.

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.

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 note that only the policies and compliance with relevant laws and regulations are upgraded to “comply or explain” whereas all other measures are at “recommended disclosures” provision. This would give the issuers more time to build up capacity, knowledge and experience in reporting these KPIs.*

*We would like to see the timeline of moving these “recommended disclosures” to “comply or explain” basis.*

- End -