

## 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 global trend of sustainable governance is on the rise, and Hong Kong as one of the major metropolitan cities needs to be a forward-thinking entity and implement ESG disclosure.

Agree that the implementation of ESG reports should be gradual, and that the “comply or explain” approach is a positive first step in getting issuers to ease into the process.

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 is akin to financial information published to investors and other stakeholders, which would raise awareness and accountability between the issuer and investors and other stakeholders.

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.

- (i) Along the gradual development of ESG reporting in Hong Kong, flexibility of ESG presentation would encourage issuers to grasp the “spirit”, and to further develop reporting competency and practice
- (ii) A 3-month window after the publication of issuer’s annual report should be adequate time for preparation. The time-frame should encourage issuers to plan ahead and to develop the reporting system.

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.

The revised introductory section should be able to provide more clarity to issuers regarding the reporting.

However, it is suggested that the introductory section should also list out and reference international ESG reporting guidance, such as the GRI, and any other prominent reporting guidelines. This in turn would give better guidance to issuers to publish ESG more comprehensively with reference to international standards.

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.

The wording in “Materiality” could be referenced to the GRI G4 reporting principle. Recopy of the proposed wording for Materiality- “Materiality is the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported”. In addition to considering investors and stakeholder’s perspectives, the focus should also rest on the relevant issues for the issuing organization and the various environmental and social impacts it would encounter in the course of its business.

“Quantitative”, “Balance”, and “Consistency” principles all take reference from G4 reporting principles and are considered adequate and clear.

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 that the proposed wording will be reinforced in the Main Board Listing Rules.

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 that dividing into the two Subject Areas (A. Environmental and B. Social) is a good revision as it aligns with the acronym of ESG. It is an improvement in the re-naming of the current Subject Areas.

In light of the acronym of ESG, the “G” as in governance should be developed into a separate Subject Area in the future.

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.

The change of heading name will align with international terminology, further tying in Hong Kong’s reporting to international guidelines.

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.

Likewise to answer (1), the “comply or explain” approach is a positive step for issuers towards incorporating ESG practices into their business operations.

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.

Consistency across regulation and guideline is encouraged.

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.

Air emissions and waste are two critical environmental concerns in Hong Kong. Recent new air pollution standards and the waste management crisis are definitely relevant issues in society today. By upgrading to “comply or explain” for emissions and waste, it would help organizations realize the pertinent issues that exist in Hong Kong.

Additional disclosure for consideration: Noise emission.

References to relevant EPD documents should be provided for issuers’ easy reference.

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.

Hazardous waste is typically a concern to health and it is definitely encouraged for organizations to comply or explain relevant issues.

However, the definition of hazardous waste should be provided for clarity

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.

The “comply or explain” approach will raise awareness for organizations in reporting water, energy, and material usage. The items listed under Aspect A2 are specific enough for organizations to quantitatively monitor their resource usage

**RECOMMENDATION:** Incorporate a section for green buildings. Most of the international green building standards, including Hong Kong’s own green building certification, BEAM Plus, have items relating to the use of water, energy, and materials, closely associated with the key performance indicators in Aspect A2. Since the Hong Kong government has provided incentive for the pursuance of green building certification, organizations should be provided an opportunity to report on any achievements with green building certification.

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.

While this item may or may not be relevant to sectors in Hong Kong, it is deemed necessary for any applicable organizations to be accountable in their activities that would have an impact on the environment and natural resources.

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.

Agree that gender disclosure is incorporated in order to be accountable for any anti-discriminatory laws. This is also in line with international reporting guidelines.

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