

## 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.

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.

**In addition to the text above, item #3 should also mention the Global Reporting Initiative as a credible, widely used international guideline.**

## 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.

***Under item 10, the sentence "materiality can be addressed in strategic, operational, and financial terms" is not clear and does not appear to add further value to rest of the text. The sentence could be deleted.***

## 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.

*Under Item 14, the issuer “should” disclose the boundaries of its report. Failure to disclose boundary information could lead to stakeholders making inappropriate comparisons between reports. Further, disclosure of the reporting boundaries does not add any significant time, cost, or complexity to the issuer since it must have already defined boundaries in order to be able to collect information to prepare the report.*

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	
<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.

**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.

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.

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.

***The phrasing of the indicator is not consistent with typical industry definitions.  
Should be rephrased as:***

***“Number of fatalities”***

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.

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.

***Recommend stating "policies and practices." Many companies will have approaches to building employee capacities which may or may not be documented as a "policy".***

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.

***Delete "if relevant". The pre-amble to the ESG Guidelines is sufficiently clear that issuers are invited to make their own assessment as to whether indicators are relevant and applicable. Therefore it is unnecessary to say "if relevant" here and inconsistent with the phrasing used in the majority of the indicators.***

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.

***Recommend re-stating as "average number of hours of training per employee by per employee category."***

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.

***Propose simpler phrasing of “Description of measures to avoid child or forced labor.” Under the conventions of the International Labor Organization, there are no situations under which child labor or forced labor are considered acceptable. The conventions recognize employment of young workers, but not a “child” as defined under the conventions.***

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.

***Is there a reason why the guide only addresses 2 of the ILO’s core conventions?  
See GRI Guidelines or ISO 26000 for further information on possible indicators  
on the other core conventions.***

**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.

*The indicator should be phrased to include wastewater discharge or an additional indicator should be added for wastewater discharges. Water pollution and diminishing water resources are critical issues for Hong Kong, China, and many other parts of the world. Therefore, it is appropriate to include an indicator.*

*Wording based on the indicators used in the GRI Guidelines could be:*

*B1.1 Total air emissions by type*

*B1.x Total water discharges broken down by type*

*For environmental indicators, it would be useful to indicate desired units for emissions data. For purposes of comparability, it would be desirable for issuers to use a consistent unit of measure.*

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.

***Delete “where appropriate”. The Guideline is voluntary and therefore it is not necessary to add further qualifying language into the indicators. If issuers want to report both an absolute number and the issuer’s preferred measure of intensity, then this should also be encouraged. At minimum, however, issuers should report total volumes. Report readers can calculate intensity based on their preferred unit of measure for analysis.***

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.

***Delete “where appropriate”. The Guideline is voluntary and therefore it is not necessary to add further qualifying language into the indicators. If issuers want to report both an absolute number and the issuer’s preferred measure of intensity, then this should also be encouraged. However, at minimum, issuers should report total volumes. Report readers can calculate intensity based on their preferred unit of measure for analysis.***

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.

*Is “mitigate” intended to be the same as “reduce”? Or is it intended to refer to a wider range of activities or strategies beyond “reducing” emissions?*

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.

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.

*“in buildings, electronic equipment” seems inconsistent with the words preceding which refer to stages in the production process. Recommend replacing with “products” or some other term that is consistent with the series.*

*Many companies will not have a “policy” on efficient use of materials, but will have targets. Therefore, it may be useful to say “policies and/or targets on efficient...”*

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.

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.

***The intent of sentence is unclear. Is this indicator intended to ask whether the issuer faces any water risks? If so, the question of water risk is better incorporated into B2, which could be phrased as a general question about whether the issuer faces any risks with relation to resource scarcity, including water or other key inputs/materials.***

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.

***Delete “where appropriate”. The Guideline is voluntary and therefore it is not necessary to add further qualifying language into the indicators.***

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.

***Companies likely will not have policies specifically phrased in this way. Propose rephrasing as “policies related to minimizing....”***

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.

***Total “amount” of paper used***

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.

***Initiatives to reduce paper use and results achieved.***

***The sentence above is awkward and the phrase “paper efficiency” is unclear. Does this refer to using less paper in total? Less paper per person? More functions per piece of paper?***

***This indicator is comparatively less important than the other indicators within the guideline since paper use is likely not the greatest environmental impact of most listed companies.***

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

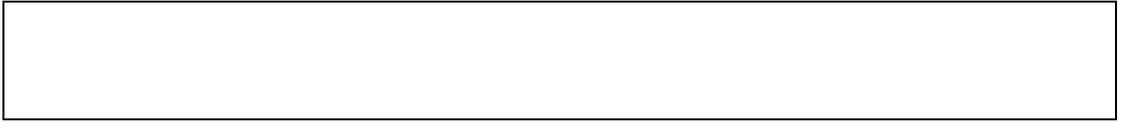
If your answer is “No”, please give reasons and alternative views.

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.

***Policies for managing environmental and social risks in the supply chain.***

***The indicator should be more explicit in its phrasing and be clear that it is not referring to all possible supply chain risks.***

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.

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.

***This indicator combines multiple information points. Recommend either:***

***a) breaking into two indicators; or***

***b) moving the phrasing on “description of practices” into C1***

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.

***Other aspects do not include “method of redress”. Recommend that this formula be applied consistently across the guideline or that it be deleted here.***

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.

***Issuers will find it difficult to interpret the intended meaning and expected output from the phrase: “and how they are dealt with”***

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.

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.

*Number of legal cases regarding alleged corrupt practices by the issuer or its employees concluded during the reporting period and the outcomes of the cases*

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.

*Preventative measures for what? Corruption? Recommend clarifying. Companies may not have “whistle-blowing procedures”, so this may be better phrased as “procedures for (protecting?) whistle-blower(s)”?*

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.

***Suggest more neutral phrasing.***

***“Policies for engaging communities based in areas where the issuer operates to assess community needs and interests.”***

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.

***Recommend clearer phrasing regarding “contributions”. Alternatively change the order of D1.1 and D1.2***

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.

***Contributions are typically referred to being “cash or in-kind”. Recommend using this or other standard phrasing as used in accounting or international guidelines rather than “(e.g., money or time).”***

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.

*The Guideline should highlight that the data and other information in a report needs to be sufficiently accurate and reliable for guiding external users’ decision-making. The Guide already states that the Board of Directors should become involved in the preparation of the report. This should also extend to assessing and ensuring whether the issuer’s internal controls and the resulting data are sufficiently robust for use by external bodies for potentially significant decisions. For some companies, this will mean choosing external assurance and others may choose to rely on internal functions and controls.*

*At this point in time, it is not important for HKEx to take a position on assurance, but it should be clear about the importance of achieving a high standard for the accuracy, reliability, and completeness of the information in the reports. Otherwise, there is a risk to the integrity of reports and the ability of users to rely on their contents.*

- End -