



THE HONGKONG AND SHANGHAI HOTELS, LIMITED  
香港上海大酒店有限公司

2 April 2012

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

Dear Sirs,

**Consultation Paper on Environmental, Social and Governance Reporting Guide**

We would like to commend the HKEx on taking steps to encourage more companies to disclose environmental, social and governance information to support investor decisions and stakeholders' right to information.

We also agree to the principles and motivation behind developing the proposed Environmental, Social and Governance Reporting Guide (the "ESG Guide"); however, we will strongly advise the HKEx against setting its own environmental and social reporting standard even when it is largely based on the international reporting framework of Global Reporting Initiative (the "GRI"). Our considerations include:

- The GRI, as any reporting standards worldwide, is an evolving standard. The same can be expected to the ESG Guide. Even when the ESG Guide currently sets out to be by large aligned with the GRI, the two may diverge into prescribing similar but slightly different requirements over time. This will create confusion and burden for companies in meeting the reporting requirements of two similar but not identical standards, and for investors and stakeholders in understanding them. It risks defeating the purpose of motivating companies to advance its environmental and social performance through disclosure and accountability to stakeholders.
- Hong Kong is an international financial centre. This position has underscored the city's competitiveness at the world stage, and the HKEx has played an instrumental role in driving the success. Hence, the HKEx should encourage Hong Kong companies to meet international disclosure requirements on environmental and social issues, instead of setting a local standard.
- Many listed companies have a global presence in terms of operation and marketplace. Following a locally prescribed disclosure standard does not help companies to benchmark themselves against industry players or communicate with its stakeholders on a regional or global basis.



Instead, we would like to suggest the HKEx to consider endorsing an international environmental and social disclosure standard and become an active member in shaping the development of such international standard. GRI is widely recognised as the world standard of environmental, social and ethical reporting. For example, HKEx may endorse the GRI reporting guidelines and require Hong Kong listed company to voluntarily disclose their environmental, social and ethical performances based on the GRI framework. A number of Hong Kong listed companies, including the HSH, are following GRI's reporting guidelines which has met with positive feedback from institutional investors who increasingly understand GRI's components as benchmarks.

The HKEx could also consider to become an Organisational Stakeholder of GRI and be more involved in the continued development of GRI standards, and the development of integrated reporting standard by the International Integrated Reporting Committee which GRI co-chairs.

Such approach will allow the HKEx to play a vital role in underscoring Hong Kong's influence in setting international disclosure standard and allow Hong Kong listed companies – through the HKEx – to be on the pulse of the development of international disclosure requirements and be better informed and prepared for continued improvement.

The Consultation Paper mentions the United Nations Global Compact, ISO26000, and the OECD Guidelines for Multinational Enterprises. They are not competing reporting standards with the GRI, but are strategic policy initiatives, guidelines and corporate responsibility best practices recommended to companies. The HKEx endorsing the GRI reporting standards will not compromise Hong Kong listed companies' flexibilities to benefit from the other best practices guidelines.

We would also recommend the HKEx to consider:

- prescribing the same reporting period and verification requirement by independent auditors for both financial and non-financial performances.
- using Corporate Responsibility or Sustainability which is widely understood internationally, instead of "ESG", as the reference to environmental, social and ethical performances.

Yours faithfully,



Corporate Responsibility & Sustainability