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Our reference      NMN2012.002/lbk  
Please quote our reference on all correspondence.

CoC: 27191631

Date                21 March 2012  
Subject            Consultation Paper on ESG Reporting Guide

Dear ██████████

As an investor in over 100 companies listed on HKEx Mn, a Dutch fiduciary manager for over 20 pension funds with over €80 billion, is pleased to respond to the HKEx Consultation Paper on ESG Reporting Guide. Mn is a signatory to UN Principles for Responsible Investment and an active member of Sustainable Stock Exchanges Initiative.

We strongly welcome the efforts of your exchange to promote greater disclosure on ESG issues among HKEx listed companies, the update to the Corporate Governance code and the development of the ESG Reporting Guide. We hope these efforts will lead to continued improvement in companies' ESG performance and disclosure.

Based on our engagement with a number of companies listed on your exchange the overall level of transparency and disclosure of material ESG risks and opportunities remains low and often falls below our expectations. While we do understand that HKEx would like to take a gradual approach to introduction of ESG Reporting we would strongly welcome if you were to elevate this guide to Comply and Explain level in due time.

We are attaching a detailed response to the consultation paper with our comments on specific indicators but also wanted to highlight a few issues we see as being particularly important in this letter.

*GRI, CDP and sector focused reporting*

Overall we broadly support the selected indicators in the ESG reporting guide but have proposed a few amendments or additions. We recommend the HKEx encourages the issuers to use GRI reporting framework including sector supplements as the main ESG reporting framework and CDP disclosure framework including the sector supplements as a main carbon disclosure framework. Companies should be encouraged to set quantitative performance targets and report against them. They should also be encouraged to report challenges they face



with implementing sustainability policies as this will create a more balanced and credible reporting.

We also recommend that HKSE comments on the quality of the sustainability data reported by listed companies.

#### *Human Rights*

A number of HKEx listed companies are facing human rights related issues in their operations. This is especially true for companies that operate in high risk or conflict related areas such as Sudan and Burma. Some Hong Kong listed companies do not currently disclosing sufficient information about their management of human rights related risks. However, from private discussions and engagement meeting it does emerge that some of them have taken steps to address these issues and manage risks. Therefore we would propose to add additional human rights GRI indicators into the ESG Reporting Guide.

#### *Online resources*

We applaud the ESG training workshops for issuers that exchange has hosted and the publication of related materials and ESG resources online. There is a growing body of international principles and best practices that may serve to help companies develop human rights policy and perform human rights assessment. As we mentioned above, given that this areas is specifically of concern to international investors we would appreciate if you could add the links to the following three human rights related best practices to your ESG Resource Hyperlinks section.

1. We particularly refer to the "Voluntary Principles on Security and Human Rights" [http://www.voluntaryprinciples.org/files/voluntary\\_principles\\_english.pdf](http://www.voluntaryprinciples.org/files/voluntary_principles_english.pdf), which are relevant for companies operating in the extractive and mining sectors
2. "Guiding Principles for the Implementation of the UN 'Protect, Respect and Remedy' Framework" <http://www.ohchr.org/documents/issues/business/A.HRC.17.31.pdf> and to the
3. "Guidance on Responsible Business in High Risk and Conflict Affected Areas" that was developed in close cooperation between major extractive companies and investors: [http://www.unglobalcompact.org/docs/issues\\_doc/Peace\\_and\\_Business/Guidance\\_RB.pdf](http://www.unglobalcompact.org/docs/issues_doc/Peace_and_Business/Guidance_RB.pdf)

We appreciate this opportunity to comment on the guide and look forward to continuing discussions. Please do not hesitate to contact me if you have any further questions or comments.

Yours Sincerely,

  
Advisor Responsible Investment & Governance

## 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

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

We welcome all the work that HKSE has done in this area.  
We suggest that overtime the exchange also defines the minimum expectations for sustainability reporting by sector for new listings and provides training for the listing committee on understanding the submitted data.

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

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

Provide a detailed response.  
Overall we understand the position of HKSE of currently not elevating the ESG Guide to the level of comply to explain. However we encourage the exchange to move in this direction and elevate the guide to comply or explain level in the future.

## 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

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

## 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

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

## 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

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

We would like HKSE to encourage issuers

- to use GRI and to focus as much as possible on KPIs that are material for their core business
- to use sector specific KPIs, for example GRI and CDP sector supplements
- to set quantitative performance targets
- to report on challenges they face with implementing sustainability policies as this will create a more balanced and credible reporting

Key ESG Subject Areas

6. Do you agree with the proposed ESG areas, namely: Workplace Quality, Environmental Protection, Operating Practices and Community Involvement?

Yes

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

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

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

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

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

Add “Employee by type”

11. Do you have any additional KPIs for Aspect A1?

Yes



Please give reasons for your proposals.

To ensure that the working conditions are acceptable we propose to add additional KPIs on how many hours employees work per week  
Breakdown of pay into pay for normal work and overtime pay

Companies should also discuss how they deal with overtime work and pay for overtime work

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

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

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

We feel it is important to also include contractors here as well

14. Do you agree to include KPI A2.2: “Lost days due to work injury”?

Yes

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

If you answer is “No”, please give reasons and alternate views.

16. Do you have any additional KPIs for Aspect A2?

Yes

Please give reasons for your proposals.

We feel it is important to include a KPI here on the causes of accidents and an additional KPI on

Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region

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

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

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

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

19. Do you agree to include KPI A3.2: "The average training hours completed per employee by employee category"?

Yes

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

20. Do you have any additional KPIs for Aspect A3?

Yes

Please give reasons for your proposals.

Include on which topics employees get training

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

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

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

We think it is important to also add here not only own operations but also “major or significant suppliers”

23. Do you agree to include KPI A4.2: “Description of steps taken to eliminate such practices when discovered”?

Yes

If you answer is “No”, please give reasons and alternate views.

We think it is important to also add here not only own operations but also “major or significant suppliers
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24. Do you have any additional KPIs for Aspect A4?

Yes

Please give reasons for your proposals.

A number of HKEx listed companies are facing human rights related issues in their operations. This is especially true for companies that operate in high risk or conflict related areas such as Sudan and Burma. As shareholders in these companies want to make sure that investee companies are managing risks associated with violating the human rights or with being complacent with Human Rights violations. Some Hong Kong listed companies do not currently disclose sufficient information about their management of human rights related risks especially in their operations abroad. However, from private discussions and engagement meeting it does emerge that some of them have taken steps to address these issues and manage risks. Therefore we would propose to add additional indicators that focus on providing more transparency about how companies manage Human Rights risks.

HR2 Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.

HR10 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.

HR11 Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.

We would also appreciate if you could add the links to the following three human rights related best practices for companies to your ESG Resource Hyperlinks section.

1. We particularly refer to the “Voluntary Principles on Security and Human Rights” [http://www.voluntaryprinciples.org/files/voluntary\\_principles\\_english.pdf](http://www.voluntaryprinciples.org/files/voluntary_principles_english.pdf), which are relevant for companies operating in the extractive and mining sectors
2. “Guiding Principles for the Implementation of the UN ‘Protect, Respect and Remedy’ Framework” <http://www.ohchr.org/documents/issues/business/A.HRC.17.31.pdf> and to the
3. “Guidance on Responsible Business in High Risk and Conflict Affected Areas” that was developed in close cooperation between major extractive companies and investors: [http://www.unglobalcompact.org/docs/issues\\_doc/Peace\\_and\\_Business/Guidance\\_RB.pdf](http://www.unglobalcompact.org/docs/issues_doc/Peace_and_Business/Guidance_RB.pdf)

**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

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

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

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

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

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

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

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

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

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



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

32. Do you have any additional KPIs for Aspect B1?

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

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

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

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

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

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

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

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

39. Do you have any additional KPIs for Aspect B2?

Yes

Please give reasons for your proposals.

The questions above do not specify indirect and direct energy consumption. It will be useful to make this distinction  
We also feel it is important to add further KPIs about water use and management  
EN9 Water sources significantly affected by withdrawal of water.  
EN10 Percentage and total volume of water recycled and reused.

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

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

41. Do you agree to include KPI B3.1: “Total paper used”?

No

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

We feel this is not a very useful KPI

42. Do you agree to include KPI B3.2: “Paper use efficiency initiatives and results achieved”?

Yes

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

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

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

Yes

Please give reasons for your proposals.

We would like companies to provide information about their involvement in environmentally sensitive areas and report on policies that they have to protect biodiversity and ecosystems

EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

**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

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

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

We would like this KPI to also include volume or value of how much is sourced per supplier not just the number of suppliers

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

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

48. Do you have any additional KPIs for Aspect C1?

Yes

Please give reasons for your proposals

We would like companies to report on their supplier audit against labour, environmental standards and results of such audits

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

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

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

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

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

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

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

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

55. Do you have additional KPIs for Aspect C2?

Yes

Please give reasons for your proposals.



We would like companies to explain what measures have been put in place to make sure the incidents do not happen again

In addition we would like to suggest the following KPIs

PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.

PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.

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

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

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

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

59. Do you have any additional KPIs for Aspect C3?

Yes

Please give reasons for your proposals.

We would like to add a KPI on the number and type of cases not only related to corruption but also other anti-competitive practices and insider trading

We feel it is important for companies to do corruption risk assessment and to train employees in anti-corruption policies. It is also important to know what actions were taken in response to corruption incidents

SO3 Percentage of employees trained in organization’s anti-corruption policies and procedures.

SO4 Actions taken in response to incidents of corruption.

#### **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

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

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”?

No

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

We feel this may be used more as PR by companies

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

Yes

Please give reasons for your proposals.

We would like to see a KPI about the grievances mechanisms in place and also for companies to report on

Percentage of operations with implemented local community engagement, impact assessments, and development programs.

Operations with significant potential or actual negative impacts on local communities.

Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.

### **Assurance**

64. Do you agree that we should not recommend that issuers to seek external assurance for issuers that report on ESG performance?

No

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

Having assured report gives it more credibility. Issues should seek to assure their reports where possible

- End -