

26 March 2012

Our Ref: RLO/HL/ESGCONSULT

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Dear Sirs,

Re: Consultation Paper on Environmental, Social and Governance (ESG) Reporting Guide

SHINEWING Risk Services Limited has considered the consultation paper on Environmental, Social and Governance Reporting Guide (the "Guide") and our detailed comments on it are set out in the questionnaire attached to this letter. In addition, we would like to make certain general observations and comments as set out below.

General observations

We fully support your decision on establishing a new reporting guide to raise ESG awareness and encourage issuers to report on ESG matters. We also agree that more and more companies disclose ESG information in recent years because more investors are incorporating ESG criteria into their valuations and investment strategies. Many exchanges are also introducing different measures to encourage or require ESG reporting.

We note that this Guide is not mandatory at this stage and all the proposed disclosures and key performance indicators ("KPIs") are recommended best practices. It sets out ESG subject areas, aspects, general disclosure and KPIs. However, the Guide is not comprehensive and the issuer is free to identify and disclose ESG issues and KPIs that are relevant and significant to its business. We are in agreement with many of the specific proposals and have proposed some additional comments for it.

Key ESG subject areas

The Guide proposes four main aspects including Workplace quality, Environmental protection, Operating practices and Community involvement. There are sub-aspects under each of them. We note that the aspect of Operating practices contains three sub-aspects including Supply chain management, Product responsibility and Anti-corruption. We propose considering the inclusion of "Relationship with customers" as well because customer management is significant in the operating practices and it also has direct relationship with product responsibility and anti-corruption. Currently, "Relationship with customers" is required by the Companies Act 2006 Section 172 in UK and it is highly encouraged under the "Social Responsibility Instructions for Listed Companies" issued by the Shenzhen Stock Exchange. These can demonstrate the importance of "Relationship with customers" as one of the ESG subject areas.

Workplace quality

The general disclosure requirement for Workplace quality requires information on the policies; 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. We note the importance of any material non-compliance with the proposed scope and therefore propose that the issuer discloses the specific incidence, related consequence and penalty of the material non-compliance in the reporting period. In addition, the number of employee complaints received can be disclosed by category including sexual harassment and inequality, etc.

Environmental protection

ESG issues also vary by industry. Specific industries focus on the issues most relevant to them including emissions of polluted and harmful air, discharges of pollutants into water and land, generation of hazardous wastes, etc. Therefore, the Guide proposes disclosing the policies and information on compliance and material non-compliance with relevant standards, rules and regulations regarding emissions. Additional disclosure of detailed information for any material non-compliance in this area can effectively raise the awareness of issuers about adverse consequences of emissions.

Re-cycling resources can also be an additional area on the ESG reporting. An issuer can disclose its policies for re-cycling, type of resources to be re-cycled, how they are implemented and monitored, and the results.

Operating practices

Currently, three areas are included under this ESG aspect and they are Supply chain management, Product responsibility and Anti-corruption. To facilitate reading ESG report for assessing the issuer's performance in product responsibility, we propose disclosing additional information about the consequences and related penalty resulting from any material non-compliance with relevant standards, rules and regulations, especially for the cases which are breach of law and regulation.

Community investment

An issuer is encouraged to disclose its policies on understanding the community's needs in where it operates and ensuring its activities take into consideration of communities' interests. There are not many suggestions for this area and the issuer is free to disclose its focus areas of contribution and resources contributed to the focus area. We believe that disclosing the awards/ recognitions granted to the issuer by government, social welfare related bodies/ others can help the investors/ readers of the ESG report to assess performance of the issuer in this area.

Assurance

We understand that this Guide complements international disclosure guidelines and is a first step towards adopting best practices by Hong Kong issuers. Compliance with the ESG Guide is not mandatory at this stage, and raising the level of obligation to "comply or explain", which is similar to the Corporate Governance Code, would be considered in the future. As a result, we agree that external assurance is not required at this stage. However, there can be an independent periodic assessment on ESG performance

to identify the implementation problems and possible measures for improvements. Results of the assessment can be disclosed in the ESG report.

We strongly believe that the draft ESG Guide will bring ESG disclosure to Hong Kong issuers closer to international practices. In addition, consistent disclosure of ESG information by issuers may be useful for investors to ascertain the performance of the issuers over time and among their peers in the same industry.

Should you have any questions on the above comments, please do not hesitate to contact Roy Lo, Deputy Managing Partner, at 3583 8048.

Yours faithfully,



SHINEWING Risk Services Limited

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.

We welcome the ESG Guide be a recommended best practice to the Listing Rules. It can help to raise awareness of issuers, investors and the public on ESG matters.

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.

No other comment.

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.

We are supportive of the above proposal. There are different sets of significant ESG issues in different industries and regions. Some focus on gas emissions, water management, climate change strategies, human rights, environment, safety, anti-corruption, etc. There is not one set of ESG issue relevant and important for all kinds of business. As a result, the Board should be responsible for preparing the ESG report with proper and adequate information.

The reporting period can be any period as defined by the issuer but consistent time period over years, e.g. Jan-Dec every year, for comparison is needed.

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 can prioritise ESG subject areas, aspects and KPIs that are material in the context of its corporate strategy, which can be given prominence in the report.
10. It is unnecessary to report on all subject areas, aspects and KPIs. An issuer can 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 can 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.

We are supportive of the general approach because this Guide is not yet mandatory. We agree that the ESG Guide is not "one size fits all" and some aspects are not relevant to certain industries. Since the objective of the ESG Guide is to raise awareness and encourage reporting, rooms are given to issuers and its stakeholders on disclosing its appropriate KPIs. Stakeholder engagement is fundamental in determining what to report.

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 can 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 can explain the difference and reason for change.

Approaches to reporting

15. Once an issuer starts reporting, it can continue to do so regularly. The aspects and KPIs reported can be consistent for each period or there can be an explanation of the changes. An issuer may also explain why some aspects and KPIs are not reported.
16. An ESG report can state the issuer's ESG management approach, strategies, priorities, objectives and explain how they relate to its business. It can discuss the issuer's management, measurement and monitoring system to implement its ESG strategies.
17. An ESG report can 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 can 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 can 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 can be presented in a table format.

Yes

No

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

We are supportive of the proposed section above. For transparency, the ESG Report can disclose which entities have been included, why certain ESG aspects and KPIs are irrelevant and therefore not disclosed. Sufficient explanations can be disclosed for any change in the scope, in terms of entities, ESG aspects and KPIs. It is important for ESG Report to outline an issuer's ESG strategies and how they relate to its business. In addition to opportunities, an issuer can enhance transparency on the potential risks of its business. Explaining how the KPIs are calculated is useful for readers to interpret them.

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.

No other comment.

Aspects for each ESG Area

7. Do you agree with the following proposed aspects?

Areas and aspects	
A. Workplace quality	
Aspect A1	Working Conditions
Aspect A2	Health and safety
Aspect A3	Development and training
Aspect A4	Labour standards
B. Environmental protection	
Aspect B1	Emissions
Aspect B2	Use of resources
Aspect B3	The environment and natural resources
C. Operating practices	
Aspect C1	Supply chain management
Aspect C2	Product responsibility
Aspect C3	Anti-corruption
D. Community involvement	
Aspect D1	Community investment

Yes

No

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

We propose considering the inclusion of “Relationship with customers” as well because customer management is significant in the operating practices and it also has direct relationship with product responsibility and anti-corruption. Currently, “Relationship with customers” is required by the Companies Act 2006 Section 172 in UK and it is highly encouraged under the “Social Responsibility Instructions for Listed Companies” issued by the Shenzhen Stock Exchange. These can demonstrate the importance of “Relationship with customers” as one of the ESG subject areas.

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.

We support that information on compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare are important in this area. We also suggest disclosing the consequence and related penalty of the above material non-compliance case, which can alert the readers how the issuer has been performing.

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.

Supportive, an issuer can disclose total workforce by employment type (such as full-time and part-time), age group and geographical region for ease of comparison and assessment by the readers.

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.

Supportive, further information by age group and geographical region can make the readers easier to compare and evaluate. In addition, the issuer can provide some explanations to the figures if needed.

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

Yes

No

Please give reasons for your proposals.

We recommend disclosing the number of employee complaints received by category including sexual harassment and inequality etc.

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.

ESG issues also vary by industry. Specific industries focus on the issues most relevant to them including emissions of polluted and harmful air, discharges of pollutants into water and land, generation of hazardous wastes, etc. Therefore, the Guide proposes disclosing the policies and information on compliance and material non-compliance with relevant standards, rules and regulations regarding emissions. Additional disclosure of detailed information for any material non-compliance in this area can effectively raise the awareness of issuers about adverse consequences of emissions.

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.

We propose presenting the “fatality number and rate” by category such as death, disability, injury, etc for ease of analysis by the readers of the ESG Report.

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.

No other comment.

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.

Occupational health and safety measures are significant and therefore they should be disclosed with sufficient level of details in terms of their implementation and monitoring. In addition, the persons responsible for establishing, implementing and monitoring these measures should be clearly defined.

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

Yes

No

Please give reasons for your proposals.

No other comment.

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.

It is important to disclose the development and training policies to ensure the employees doing their jobs with proper and relevant skills and knowledge.

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.

Different categories of staff should be provided with different kinds of training courses. For example, technical staff should keep abreast of technology and system updates, clerical staff should know the operational procedures well and management staff should focus on planning and monitoring skills. As a result, the percentage of employees trained by employee category can provide more informative data to the readers.

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.

Average training hours completed per employee by employee category such as clerical staff, middle management, senior management, technical staff, etc. can provide useful information for comparison.

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

Yes

No

Please give reasons for your proposals.

No other comment.

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.

Any material non-compliance with relevant labour standards, rules and regulations may lead to breach of law and regulation (for example, employing child or forced labour). Consequence and related penalty of such material non-compliance can be disclosed with additional details.

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.

It is important to disclose how the issuer avoids employing child and forced labour which is illegal and is not allowed by the laws in Hong Kong. Measures in this area should be disclosed clearly to ensure their effectiveness and sufficiency.

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.

Remediation action plans for eliminating such inappropriate/ illegal practices are very important. They should be taken as soon as possible when such practices are discovered. Therefore, the plans and detailed steps should be properly established and clearly disclosed.

24. Do you have any additional KPIs for Aspect A4?

Yes

No

Please give reasons for your proposals.

No other comment.

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_x, SO_x, 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.

EGS issues also vary by industry. Specific industries focus on the issues most relevant to them including emissions of polluted and harmful air, discharges of pollutants into water and land, generation of hazardous wastes, etc. Therefore, the Guide proposes disclosing the policies and information on compliance and material non-compliance with relevant standards, rules and regulations regarding emissions. Additional disclosure of detailed information for any material non-compliance in this area could effectively raise the awareness of issuers about adverse consequences of emissions.

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.

As mentioned above, EGS issues vary by industry. It is good for the issuer to define and list its types of emissions and respective emissions data.

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.

We are supportive of this KPI providing quantitative data in respect of greenhouse gas emissions and intensity. This is a hard evidence for comparison and monitoring.

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.

We are supportive of this KPI providing quantitative data in respect of total hazardous waste produced and intensity. This is a hard evidence for comparison and monitoring.

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.

We are supportive of this KPI providing quantitative data in respect of total non-hazardous waste produced and intensity. This is a hard evidence for comparison and monitoring.

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.

Investors/ readers of ESG Report concern the remediation action plans on mitigating emissions and results. Issuers can disclose them and compare them with general measures adopted in other countries. Effectiveness of such measures can also be highlighted.

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.

This is an important area for various bodies including government, environmental protection bodies, neighbourhood, citizens, etc. depending on the dangerous level of such hazardous wastes. Knowing how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved, can help investors/ readers of ESG Report to assess the issuer’s performance in respect of ESG.

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

Yes

No

Please give reasons for your proposals.

No other comment.

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.

Efficient use of resources can bring benefits to both the issuer and the environment. It can be promoted in various means within the company including code of conduct for staff members, operation procedures, internal mission statements, etc. There can be general policies on usage of general resources like electricity, water, paper, etc. and also detailed policies on usage of specific resources like raw material in warehouse and production. Re-cycling can be an additional area on the ESG Report, therefore related policies for re-cycling can be established and disclosed.

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.

We are supportive of this KPI providing quantitative data in respect of energy consumption by type and intensity. This is a hard evidence for comparison and monitoring.

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.

We are supportive of this KPI providing quantitative data in respect of water consumption by type and intensity. This is a hard evidence for comparison and monitoring.

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.

No other comment.

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.

No other comment.

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.

We are supportive of this KPI providing quantitative data in respect of total packaging material used. This is a hard evidence for comparison and monitoring.

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

Yes

No

Please give reasons for your proposals.

Re-cycling resources can be an additional area on the ESG Report. Issuers can disclose its policies for re-cycling, type of resources to be re-cycled, how they are implemented and monitored, and the results.

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.

Different industries and businesses create different levels of impacts on the environment and natural resource, the most common example is paper. It is good to allow the issuer to list and define its operation’s significant impacts on these areas, and related policies to minimize those impacts.

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 paper used can be disclosed in various way for ease of comparison, such as total paper used for each reporting period, for each month, for each day, etc./ and per employee.

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.

No other comment.

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.

Different industries and businesses create different levels of impacts on the environment and natural resources. It is good to allow the issuer to list and define its operation's significant impacts on these areas, and related action plans to manage them.

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

Yes

No

Please give reasons for your proposals.

No other comment.

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.

Risks associated with supply chain can be identified, evaluated and addressed by the issuer's policies. Potential risks include availability and reliability of suppliers, product quality, purchase terms, pricing, delivery service, taxes, etc. As a result, selection and management of suppliers are important.

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.

No other comment.

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.

There are several ways to engage suppliers in different industries including tendering, invitation to send quotations, direct purchase, etc. It varies in different cases according to the type of purchase, dollar amount, quantity, etc. As a result, it is significant to disclose the practices related to engaging suppliers and how they are implemented and monitored. It is important to show the issuer’s fairness and appropriateness in choosing suppliers.

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

Yes

No

Please give reasons for your proposals

No other comment.

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.

Any material non-compliance with relevant standards, rules and regulations can be further demonstrated by showing its consequence and related penalty, especially for the cases which are breach of law and regulation. This is useful information for the reader to assess the issuer's performance in product responsibility.

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.

This is a useful figure for comparison with prior periods or with other competitors in the same industry.

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.

This is a useful figure for comparison with prior periods and with other competitors in the same industry.

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.

We are supportive of this KPI. Intellectual property rights are of increasing significance in recent years because it may lead to legal prosecution and substantial penalty. Therefore, it is good to disclose how the issuers observe and protect intellectual property rights.

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.

All issuers must assure their product quality in compliance with agreed requirements in the contract, related law and regulation, etc. Relative quality assurance process and recall procedures are important information to be disclosed for better understanding.

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.

Consumer data protection is another popular area in recent years. All issuers have the responsibilities to protect the consumers’ data and its violation may lead to legal prosecution. As a result, the measures to protect consumer data and privacy policies of the issuer are important information to the investors.

55. Do you have additional KPIs for Aspect C2?

Yes

No

Please give reasons for your proposals.

No other comment.

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.

Bribery, extortion, fraud and money laundering are serious offences in Hong Kong and worldwide. Securities and Futures Commission will soon issue a new guideline on anti-money laundering and counter-terrorist financing in April 2012. Policies, compliance and material non-compliance in these areas are very important to the readers of ESG Report.

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.

We are supportive of this KPI disclosing the number of concluded legal cases against the issuer or its employees and their results.

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.

Effective preventive measures and whistle-blowing system are important for anti-corruption. Their establishment, implementation and monitoring can be disclosed on the ESG Report.

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

Yes

No

Please give reasons for your proposals.

No other comment.

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.

It is important for the issuer to demonstrate how it evaluates the community's needs and plans for the focus areas of contribution. Organizations/ parties receiving the service/donation from the issuer can be clearly identified and disclosed.

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.

The type of focus areas of contribution is important information to understand the policies and strategies of issuer's community investment.

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.

It is informative to show the resources contributed in terms of money or time or others to each of the selected focus area.

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

Yes

No

Please give reasons for your proposals.

We believe that disclosing the awards/ recognitions granted to the issuer by government, social welfare related bodies/ others can help the investors/ readers of the ESG report to assess performance of the issuer in this area.

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.

We understand that this Guide complements international disclosure guidelines and is a first step towards adopting best practices by Hong Kong issuers. Compliance with the ESG Guide is not mandatory at this stage, and raising the level of obligation to “comply or explain”, which is similar to the Corporate Governance Code, would be considered in the future. As a result, we agree that external assurance is not required at this stage. However, there can be an independent periodic assessment on ESG performance to identify the implementation problems and possible measures for improvements. Results of the assessment can be disclosed in the ESG report.

- End -