

## Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201507.pdf>

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you agree with our proposal to amend Rule 13.91 to require issuers to disclose in their annual reports or ESG reports whether they have complied with the “comply or explain” provisions in the ESG Guide and if they have not, they must give considered reasons in the ESG reports?

Yes

No

Please give reasons for your views.

2. Do you agree with our proposal to amend Rule 13.91 to require the issuer to report on ESG annually and regarding the same period covered in its annual report?

Yes

No

Please give reasons for your views.

***Given that some of the listed companies have already adopted their own reporting cycle for ESG reports, HKEx should continue to maintain flexibility for the listed companies to decide on their reporting period and frequency of reporting on ESG issues. This will avoid imposing unnecessary and undue reporting burden on the listed companies.***

***As a result, we oppose the proposed changes to Rule 13.91(5) and a Note under Rule 13.91, Clause 6.4 of Appendix 16, new paragraphs 3 and 12 of the New Guide, and any other provisions which refer to these changes.***

3. Do you agree with our proposal to include a Note under Rule 13.91 to clarify that:
- (i) an ESG report may be presented as information in its annual report, in a separate report, or on the issuer’s website; and
  - (ii) the issuer should publish the ESG report as close as possible to, and in any event no later than three months after, the publication of the issuer’s annual report?
- Yes
- No

Please give reasons for your views.

***Agree with point (i) but not with point (ii). Our view is that HKEx should continue to maintain flexibility for the listed companies to decide on their reporting period and frequency of reporting on ESG issues. This will avoid imposing unnecessary and undue reporting burden on the listed companies.***

4. Do you agree with our proposal to revise the introductory section of the Guide into four areas (i.e. “The Guide”, “Overall Approach”, “Reporting Principles” and “Complementing ESG Discussions in the Business Review Section of the Directors’ Report”), and with the wording set out in Appendix II to the Consultation Paper?
- Yes
- No

Please give reasons for your views.

***Agree with “The Guide”, “Overall Approach” and “Reporting Principles” but not with “Complementing ESG Discussions in the Business Review Section of the Directors’ Report”, because this will oblige the issuers (even if incorporated outside Hong Kong) to include the ESG discussions in their annual reports. Also, if an issuer chooses to present an ESG report in a separate report or on the issuer’s website, then this requirement will unnecessarily duplicate the work for the issuer. As mentioned above, HKEx should continue to maintain flexibility for the listed companies to decide on their reporting period and frequency of reporting on ESG issues.***

***Accordingly, we propose that this new paragraph 12 is either deleted or amended as follows:***

***“...an issuer’s director’s report for a financial year **may** contain a business review in accordance with Schedule 5 to the Companies Ordinance. The business review **may** include, to the extent necessary for an understanding of the development, performance or position of the issuers’ business:...”***



5. Do you agree with the proposed wording of the Reporting Principles (i.e. “Materiality”, “Quantitative”, “Balance” and “Consistency”) in the introductory section of the Guide, as set out in Appendix II to the Consultation Paper?

Yes

No

Please give reasons for your views.

*In principle, we agree to the proposed wording of the Reporting Principles. However, concerning “Materiality”, we consider that “relevance to the issuer’s business” is also an important factor to be taken into account when preparing an ESG report.*

*Accordingly, we propose that the new paragraph 11(1) be changed as follows:*

*“(1) Materiality is the threshold at which ESG issues become sufficiently **relevant** and important to investors and other stakeholders that they should be reported.”*

6. Do you agree with the proposed wording in the Guide linking it to Appendix 16 to the Main Board Listing Rules (in relation to the requirement for ESG discussions in the business review section of the directors’ report), as set out in Appendix II to the Consultation Paper?

Yes

No

Please give reasons for your views.

*As mentioned in Question 4 above, this will oblige the issuers (even if incorporated outside Hong Kong) to include the ESG discussions under the business review section of the directors’ reports in their annual reports. Also, if an issuer chooses to present an ESG report in a separate report or on the issuer’s website, then this requirement will unnecessarily duplicate the work for the issuer. HKEX should continue to maintain flexibility for the listed companies to decide on their reporting period and frequency of reporting on ESG issues.*

*Accordingly, we propose that this new paragraph 12 is either deleted or amended as follows:*

*“...an issuer’s director’s report for a financial year **may** contain a business review in accordance with Schedule 5 to the Companies Ordinance. The business review **may** include, to the extent necessary for an understanding of the development, performance or position of the issuers’ business:...”*

7. Do you agree with the proposal to re-arrange the Guide into two Subject Areas (A. Environmental and B. Social) and re-categorise “Workplace Quality”, “Operating Practices” and “Community Involvement” under Subject Area B?

Yes

No

Please give reasons for your views.

8. Do you agree with the proposal to change the heading “Workplace Quality” to “Employment and Labour Standards”?

Yes

No

Please give reasons for your views.

9. Do you agree with our proposal to upgrade the General Disclosures for each Aspect of the ESG Guide to “comply or explain”?

Yes

No

Please give reasons for your views.

10. Do you agree with our proposal to amend the wording of paragraph (b) under current Aspects A1, A2, A4, B1, C2 and C3, re-numbered Aspects A1, B1, B2, B4, B6 and B7, to “compliance with relevant laws and regulations that have a significant impact on the issuer...” in order to align it with the language of the relevant provisions of the Companies Ordinance?

Yes

No

Please give reasons for your views.

11. Do you agree with our proposal to revise proposed Aspect A1 (“Emissions”) by upgrading to “comply or explain” the current KPIs B1.1, B1.2, B1.4 and B1.5, re-numbered KPIs A1.1, A1.2, A1.4 and A1.5, concerning disclosure of emissions and non-hazardous waste?

Yes

No

Please give reasons for your views.

***Agree with A1.1, A1.2 and A1.5 but not with A1.4. In practice, tracking total amount of non-hazardous waste may be difficult for some issuers operating in places where waste disposal is not charged by weight. We suggest that HKEx keeps A1.4 under the “Recommended Disclosures” section.***

12. Do you agree with our proposal to upgrade to “comply or explain” the current KPIs B1.3 and B1.6, re-numbered KPIs A1.3 and A1.6, concerning disclosure of hazardous waste?

Yes

No

Please give reasons for your views.

13. Do you agree with our proposal to upgrade to “comply or explain” the KPIs under the current Aspect B2, re-numbered Aspect A2, “Use of Resources”?

Yes

No

Please give reasons for your views.

14. Do you agree with our proposal to upgrade to “comply or explain” the current KPI B3.1, re-numbered KPI A3.1, concerning disclosure of the significant impacts of activities on the environment and natural resources?

Yes

No

Please give reasons for your views.

15. Do you agree with our proposal to incorporate gender disclosure in proposed Subject Area B. Social, under the sub-heading “Employment and Labour Standards”?

Yes

No

Please give reasons for your views.

- End