



17 September 2015

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

By e-mail (response@hkex.com.hk)

Dear Sir / Madam,

**The [REDACTED]'s Response to Consultation Paper on Review of the ESG Reporting Guide**

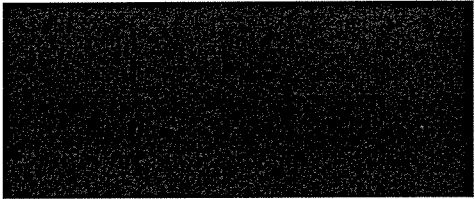
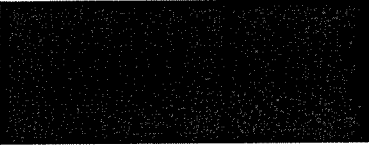
I am writing on behalf of [REDACTED] ([REDACTED]) in response to the consultation paper issued by Hong Kong Exchanges and Clearing Limited (HKEx) in July 2015. The [REDACTED] recognises the amendments proposed in the captioned consultation paper as a refinement to the existing ESG reporting guide, and will bring HKEx further to the leading position among the stock exchanges worldwide. We are pleased to take this opportunity to express our views on the proposed changes and future development as stated in the consultation paper, 'Review of the ESG Reporting Guide'.

The [REDACTED] welcomes the proposed reformatting of the ESG guide to international reporting format and the revision on the introductory section outlining the basic principles in ESG reporting, which can reduce the burdens on issuers and facilitate the issuers to prepare their ESG reports in a more organised way.

The 'comply and explain' approach has been widely adopted internationally in the field of corporate governance, financial supervision and ESG reporting. The [REDACTED] appreciates the upgrade of the obligation level from 'recommended' to 'comply or explain' level in both General Disclosures for the two new subject areas and KPIs. We also support the amendment on Listing Rules that require the issuers to state if they have complied with the 'comply or explain' provision in their annual report or ESG report. We believe these approaches balance 'recommended practice' and 'laws and listing rules'; while the 'comply or explain' approach grants the listed companies flexibility to decide on its own scope of ESG reporting. We consider that by requiring the disclosure of information or explanations to the public, it would provide more ESG related performance and practice to the investors and stakeholders who would be better able to evaluate if the companies are worth supporting.

Apart from financial performance, the non-financial data including environmental performance and social contributions becomes an important factor for investors and stakeholders to evaluate the potential development of a listed company. Regarding the information disclosure under the subject area "Environmental", the [REDACTED] would like to suggest HKEx to take the lead in encouraging the listed companies to participate in different rating or accreditation schemes related to environmental protection (e.g. [REDACTED],

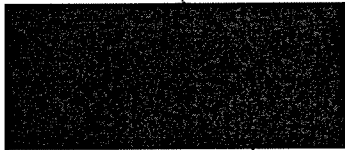
[REDACTED], LEED; environmental management: ISO 14001 etc.), and to include their achievements and certifications in the ESG reports. Many of these rating and accreditation schemes have gained wide recognition globally. They provide detailed and standardised assessment procedures and comprehensive assessment guidelines for the listed companies to follow. These schemes also cover a wide range of aspects other than KPIs suggested in the ESG guide with recognised rating or certifications. We believe that the inclusion of the accreditation obtained from these schemes will increase the robustness and



credibility of the ESG reports, and a clearer direction of information disclosure relevant to the issuers' industries will be provided.

We sincerely hope the above comments will be considered by HKEx in refining the current ESG Guide.

Yours Sincerely,



Chairman

Encl: *Questionnaire on Review of the Environmental, Social and Governance Reporting Guide*

## 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.

*From our research on the [REDACTED] Campaign, we notice and believe that benchmarking (for instance, [REDACTED] Benchmarking and Energy Saving Tool ([REDACTED])) and reporting are crucial in enhancing corporates' transparency. Therefore, we appreciate HKEx to take the pivotal role to encourage corporates to comply with 'comply and explain' in the ESG reports.*

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.

*The ESG report is important to stakeholders. Together with the annual report, the two reports provide information in different aspects, for instance, financial issues, environmental affairs and social responsibility that are important for investors and stakeholders to make comprehensive evaluations on the overall performance of the listed companies.  
The period covered in the ESG report should be the same as the annual report, in order for the public to make a holistic and comprehensive evaluation of a listed company's performance in a particular year.*

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.

- (i) *Different forms of reporting provide flexibility to issuers*
- (ii) *We believe that the ESG report should be published as close as possible, no later than three months after the publication of the annual report. This will synchronise the release of information on both financial and non-financial aspects, and facilitate the public in accessing both types of information in one time and evaluating of a listed companies' performance in a particular year.*

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.

*The re-arrangement of the introductory session to four categories is appreciated, as it provides much needed guidance and instructions to issuers during ESG reporting. We further recommend that more instructions can be given regarding the technical part of the ESG report, for example, definitions of KPIs, or KPIs used for different business sectors. This will help in building a more robust and standardised framework of ESG reporting in Hong Kong.*

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.

*The [REDACTED] agrees the proposed wording of the Reporting Principles so as to provide greater clarity and align them with international guidelines. This provides the needed guidance to issuers as well as enhances the interpretation and implementation of the Guide to stakeholders across different regions.*

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.

*The [REDACTED] agrees with the proposed writing as stated which clarifies the needed information to support issuers’ reporting.*

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.

*The [REDACTED] agrees the rearrangement of the Guide into two Subject Areas which is in line with leading international guidelines and the new CO by adopting a more consistent approach and similar terminology. This simplifies the concerned areas and reduces burdens of issuers to report. This also makes investors and other stakeholders easier to compare the reports from different companies.*

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.

*The heading ‘Workplace Quality’ may not be suitable for Aspect A in the current ESG guide. This heading gives an impression that the aspect is related to workplace environmental quality and workplace comfortness. The new heading ‘Employment and Labour Standards’ gives a collective description to the diverse topics under Aspect A and thus, we agree with the proposal.*

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.

*The [REDACTED] appreciates the upgrade of the obligation level from ‘recommended’ to ‘comply or explain’ level in both General Disclosures for the two new subject areas and KPIs under the ‘Environmental’ aspect. We also support the amendment on Listing Rules that requires the issuers to state if they have complied with the ‘comply or explain’ provision in their annual report or ESG report.*

*The [REDACTED] notices that the information disclosure policy has remained as a recommended practice for almost three years, since the introduction of the ESG Guide in 2012. We consider this three-year transition period is adequate for the market to digest and to plan for their ESG reporting format in long run. As such, it is appropriate to raise the level of obligation from recommended disclosure to ‘comply or explain’ level at present time interval.*

*The ‘comply and explain’ approach has been widely adopted internationally in the field of corporate governance, financial supervision and ESG reporting. We believe this approach takes the balance between ‘recommended practice’ and ‘laws and listing rules’; while the ‘comply or explain’ approach grants the listed companies flexibility to decide its own scope of ESG reporting, the requirement of disclosure of information or explanations to the public would provide more ESG related performance and practice, and leaves the investors and stakeholders to evaluate if the companies worth supporting.*

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.

*The [REDACTED] agrees the proposed amendment of the wording as listed to align with the language of the relevant provisions of the ‘Companies Ordinance’ for consistency.*

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.

*Refers to response to Q9*



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.

*Refers to response to Q9*

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.

*Refers to response to Q9*

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.

*Refers to response to Q9*

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.

*NA*

- End -