

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.

We are generally supportive of the proposed amendments of Rule 13.91 upgrading the General Disclosures for each Aspect of the ESG Guide to “comply or explain”.

However, we believe that key performance indicators (KPIs) should remain strictly voluntary and companies should be allowed to decide and report KPIs which best fit their own business circumstances in respect of the materiality principle, and when companies have gradually developed their competency and reporting scope over time.

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.

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

Yes

No

Please give reasons for your views.

(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.

While we are generally supportive about narrowing the gap between a company's financial and ESG reporting times, we believe that in its initial implementation the time of ESG reporting should be no later than six months after the publication of annual report. This can be reviewed after two years with a view to shortening the gap.

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.

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.

We are generally supportive of the proposed changes which appear to be reasonable and in line with the international standards.

However, the principle of "Materiality" is a complex concept that challenges both new and experienced issuers. We suggest that HKEx consider including more practical guidance and training material for the process of defining materiality.

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.

We are generally supportive of the proposed linkage.

However, as per our response to Q1, disclosures of KPIs and other quantified data should remain strictly voluntary and companies should be allowed to decide and report KPIs which best fit their own business circumstances in respect of the materiality principle.

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.

We do not agree with the proposal to upgrade any KPIs to “comply or explain” for the reasons set out in our response to Q1.

In particular, in respect of disclosure of emissions and non-hazardous waste, significant cost will be incurred for measuring emissions such as NO_x and SO_x, and there is currently no legal definition of hazardous or non-hazardous wastes in Hong Kong nor an accepted industry standard for reporting.

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.

We do not agree with the proposal to upgrade any KPIs to “comply or explain” for the reasons set out in our response to Q1.

As per our response in Q11, there is currently no legal definition of hazardous or non-hazardous wastes in Hong Kong nor an accepted industry standard for reporting.

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.

We do not agree with the proposal to upgrade any KPIs to “comply or explain” for the reasons set out in our response to Q1.

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.

We do not agree with the proposal to upgrade any KPIs to “comply or explain” for the reasons set out in our response to Q1.

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.

We are generally supportive of the proposal to incorporate gender disclosure as part of the General Disclosure requirements.

However, for the KPI, we suggest that gender disclosure be confined to the board level consistent with the requirement of the Corporate Governance Code.

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