

## 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 agree save that “comply or explain” be required only for General Disclosures for each Aspect of the ESG Guide but not KPIs, disclosure of which should remain recommended. Please refer to reasons on Question 11.*

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
  - (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.

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.

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.

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.

*At the outset, we disagree with the upgrade of “recommended disclosures” to “comply or explain” requirements on Environmental KPIs. This is because:-*

- (i) “comply or explain” requirements will create high pressure on issuers to meet with the standard, where the benefits of this approach far outweigh the costs to be incurred, in particular, for small and medium sized listed companies. Collecting these data for disclosure involves large amount of work and the benefits are not apparent for all types of companies.*
- (ii) Some industries are more environmentally sensitive but some are non-sensitive sectors and “low polluters”. For those non-sensitive sectors, it would incur cost but would yield no additional benefit and would be very burdensome. The required management time and resources could otherwise be spent on managing other aspect of the business, e.g. to achieve long term value growth.*
- (iii) The data disclosed amongst companies are not on comparable basis in different aspects, e.g. Scope, definition and methodology of data collection, and therefore these data may not be very helpful for analysts or investors for comparison of the performance between companies.*
- (iv) The data regarding multiple business operations in more than one location is hard to gather. In this regard, the imposition of “comply or explain” requirement will impose a high compliance costs for these types of issuers, which is not desirable by issuers.*
- (v) Quantitative KPIs disclosure is not international norm. Based on the information provided by the HKEx, many of the quantitative disclosures are only applicable to high polluters internationally. For example, in China, only entities that discharge certain key pollutants is required to disclose information on their emissions. In the US, disclosures are only on expenditures on environmental controls and pending environment litigation as well as impact of climate change on their business; besides, only companies with large source of emissions face disclosure obligations on greenhouse gases, and such requirements are not even imposed by the exchanges. The upgrade of “comply or explain” requirement uniformly across all industries may not meet with the current international standard.*

***Based on the above, we do not support the upgrading environmental KPI disclosure to “comply or explain” and should remain as recommended disclosures, just like the KPIs under the Social subject area.***

***If the HKEx insists on “upgrading” any disclosures to “comply or explain”, this should be limited to the General Disclosures for each Aspect of the ESG Guide. This is in tune with practices in other international markets.***

***If and to the extent that quantitative KPI are subject to the “comply or explain” regime (which we do not agree as aforesaid), we propose that it is only applicable to “high polluters” or at the minimum, all insignificant subsidiaries or associates companies of listed company will be excluded from such disclosure and reporting requirements. Furthermore, given the costs that are involved, in particular, for small and medium sized listed companies, we further propose that the “comply or explain” regime should be implemented in phases applying first to HSI companies which are in the industry with “high polluters” and gradually extending to other listed companies when they are ready.***

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.

***Please refer to reasons on Question 11.***

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.

*Please refer to reason on Question 11.*

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.

*Please refer to reasons on Question 11.*

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.

*As long as it is recommended. Issuers can decide whether they wish to disclose this information. But in general, we believe gender is not a persuasive indicator of a company's performance or success. Issuers in different industries or business nature may have different requirement for gender. For example, a construction company should have a much higher percentage of male employees but does not reflect its employment and labour standards are any poorer.*

- End -