

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.

It will improve governance transparency of all listed companies. Feedbacks received from stakeholders can further improve listed issuers' standards and it is a positive trend.

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.

Most companies' ESG strategies and activities should have strong correlation to their annual business plan and operation cycle.

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.

Agreed (ii) & Disagree (i). For investors' quick reference, the ESG report should be published on both the websites of HKEx & the issuers.

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.

Greater clarity will benefit the users in assessing and reviewing the contents of the ESG initiatives of the listed companies. We support stronger alignment with international guidelines which is a positive improvement to the status of Hong Kong Stock Exchange in the ESG aspect.

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.

Adding the principle of “Balance” allows readers to have appropriate judgement toward a company with a more unbiased and complete picture.

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 agreed that ESG performance is as important as other financial results and operating results of the companies. Inclusion of Business Review Section also provides a clear and efficient way to update shareholders. With regard to environmental policy, it should be more on a general descriptive / narrative nature as this performance is very hard to be quantified at this initial stage for all listed companies.

Quantitative information is transparent and measurable, but in the initial stage of ESG reporting, we believe listed companies will already be adopting very good reporting practices and disciplines in describing how they make progress with the policy in the first phase of implementation. For example, when listed companies are diversifying into new product lines and production processes, resources consumption and pollution prevention management are very important parameters to determine how a green enterprise approach this subject but quantitatively these target are not easy to measure.

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.

We don't understand the rational for general headings adopted by the international guidelines as we believe readers of ESG report will be more beneficial and easy to comprehend if it remains the four sections. Because they are in their own aspects, different concerns as they are independent (very less intersect).

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.

“Workplace Quality” is in a much wider context. Employers shall implement “quality” not just “standard” in the workplace.

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.

We observed from the practice in Corporate Governance, such “comply or explain” provisions clearly benefits readers.

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.

Emission is an important relevant issue of ESG.

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.

Hazardous waste is a major relevant risk factor in ESG.

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.

The depletion of resources, including energy, water and other raw materials are great concerns to ESG activities.

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.

Stakeholders can have better understanding of a company’s performance in respect of emissions, waste production and disposal, and use of resources with impacts the environment and how the company minimises these impacts.

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.

Gender diversity is an important and relevant factor for stakeholders to understand a company’s hiring philosophy.

- End -