

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.

ESG reporting is an international trend but it will cause financial burden on small listed companies to prepare ESG report. Please consider if the ESG reporting can be exempted for companies with less than certain amount of market capitalization.

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.

It is good to standardize the reporting period of ESG report and annual report

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.

It is good to allow listed companies to publish ESG report no later than 3 months. But in case of a listed company published its annual report on the last day of the 4th month after the year end, the deadline to publish ESG report will be the last day of the 7th month after the year end which will be a day after statutory period of holding AGM (i.e. 6 months after the year end). I therefore suggest the deadline for publication of ESG report will be within 5 to 6 months after the year end date and one week before the AGM date. As such, AGM will be an opportunity for shareholders to exchange their concerns/ideas on the ESG report to listed issuers’ management.

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 to revise the introductory section and the wording in “The Guide”, “Overall Approach”. But “ESG Strategy and Reporting” have changed (1) from “board can delegate the task” to “board has overall responsibility” and (2) from “ESG report could discuss ESG opportunities, risks...” to “board is responsible for evaluating and determining the issuer’s ESG related risks...”.

The said changes will increase burden on the issuers’ board on ESG reporting. For those issuers currently publishing ESG report, they might require to re-arrange their committee set up for compliance with the said changes. Suggest to allow issuers’ board to delegate the ESG task to a committee with written terms of reference (which might require to disclose to public) and report back to the board of the work done as well as relevant disclosure in the ESG report regarding the delegation, report back and work done during the year (i.e. approach similar to audit committee).

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.

To enable the ESG report reader to have confidence on the “Quantitative” data disclosed in the report, third party assurance on ESG data is important and preferable. Please consider to include data assurance requirement in next stage.

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.

Re-arrangement of the Guide into two Subject Areas can clearly indicate the elements of “Environmental” and “Social”

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.

New heading is easy to understand

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.

- 1. Since para. 28(2)(d) of Appendix 16 (i.e. Schedule 5 of the New CO) requires only discussion of issuer’s environmental policies and performance, I suggest to have General Disclosures for each Aspect under Subject Area of “Environmental” to “comply or explain”, whereas General Disclosures for each Aspect under Subject Area of “Social” to “recommended disclosures”. This will enable listed issuers to have sufficient time to write up relevant policies.*
- 2. As the scheduled implementation date of the new Guide will commence on or after 1 Jan 2016, please clarify to the listed issuers in FAQ about the date for specific policies of each of the ESG Aspects are required to be ready.*

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.

Proposed wording for each Aspect of Environment and Social is too wide and increase heavy burden on listed issuers.

Para. 28(2)(d) of Appendix 16 (i.e. Schedule 5 of the New CO) requires listed issuers to discuss its compliance with relevant laws and regulations without specifying that such laws and regulations is relating to each Aspects of Environmental and Social.

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.

Good for public interests.

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.

Good for public interests.

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.

Good for public interests.

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.

Gender disclosure meets with international standard of disclosure.

- End -

