



18 September 2015

By post and email: response@hkex.com.hk

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

Dear Sirs

Consultation Paper on Review of the ESG Reporting Guide (the "Consultation Paper")

Thank you for your email dated 17 July 2015 and its accompanying consultation document regarding the above.

We support the proposals in the Consultation Paper to strengthen and enhance transparency in environmental, social and governance (ESG) disclosure reporting, in line with related international developments. Please see our detailed comments on the specific questions raised in the Consultation Paper in Appendix I.

In the event that it is decided that the proposals are to be implemented, we urge that sufficient lead time (e.g. 2 years) be given to allow companies to make necessary preparations to comply with the new requirements.

For any enquiries, please contact our Manager Ms Florence Ng at [REDACTED].

Yours faithfully

[REDACTED]

Henry Chan
Secretary

Enc.

Chairman The Hongkong and Shanghai Banking Corporation Ltd
Vice Chairmen Bank of China (Hong Kong) Ltd
Standard Chartered Bank (Hong Kong) Ltd
Secretary Henry Chan

主席 香港上海匯豐銀行有限公司
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渣打銀行(香港)有限公司
秘書 陳崇禧

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.

The proposal should help build a positive image of the company and encourage companies to implement policies on ESG.

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.

This provision makes the reporting period consistent with that of the 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.

The Note would make the meaning of the provision clearer to the market practitioners and the public in general.

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 four areas would concretise the requirements of the ESG reporting.

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 newly added reporting principles of “consistency” and “balance” would make the ESG reporting more meaningful and make year-on-year comparisons easier. It also facilitates reporting of the ESG performance of the company on an objective basis.

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 linking would serve as a complement of the content of the annual report of the company.

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 proposed categorization would provide more flexibility to the 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.

We agree that the coverage of the heading “Employment & Labour Standards” is more extensive than “Workplace Quality”, which only focuses on the physical environment.

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.

See our comments under Question 1.

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.

Since it would take time for companies to plan and obtain accurate information required for disclosure, we suggest a 2-year grace period/transitional period be allowed for the companies to make necessary preparations for complying with the proposed requirements.

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.

Since it would take time for companies to plan and obtain accurate information required for disclosure, we suggest a 2-year grace period/transitional period be allowed for the companies to make necessary preparations for complying with the proposed requirements.

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.

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.

The gender of employees should not be a factor affecting the ESG performance of a company under the proposed heading “Employment and Labour Standards”.

- End -