

[REDACTED]
The Hong Kong Exchanges and Clearing Limited

21 September 2015

Dear [REDACTED],

Globally, stock exchanges promote sound financial reporting and corporate governance standards. As a conduit between issuers and investors, exchanges are uniquely placed to create more transparent and efficient capital markets that generate long-term value.

While thousands of companies globally are reporting some ESG data, the current state of disclosure¹ is not sufficient for investors to effectively inform investment decisions. Guidance for companies on how reporting may address ESG considerations, as well as highlighting these issues in existing definitions of what constitutes material information, is therefore an important step towards creating a stable financial system that advances sustainable economic growth.

As such, the Principle for Responsible Investment (PRI) Association, representing USD \$59tr in assets under management, supports the efforts of the Hong Kong Stock Exchanges and Clearing Limited to consult on the amendments to the Environmental, Social and Governance guide via the *Consultation on Amendments to Its ESG Reporting Guide and Listing Rules on ESG Reporting Matters* to encourage more widespread and standardized ESG reporting amongst issuers, and to help issuers meet greater demand and expectations for non-financial information from investors and other stakeholders.

The PRI and the United Nations Sustainable Stock Exchanges (SSE) Initiative understand that with a broad spectrum of approaches by different companies, there is no one-size-fits-all method for reporting; however, there are emerging international best practices, guidelines and frameworks. Bringing together and complementing these existing resources, the SSE has developed the enclosed [Voluntary Model Reporting Guidance](#) with leadership from exchanges globally and support from a multi-stakeholder advisory group composed of investors, companies and industry experts. The Model Guidance is a resource that exchanges can use furthering their reporting journey.

This consultation and the updated ESG Guide will contribute to a global effort to mobilize stock exchanges worldwide to publish and improve their existing tools to ensure greater consistency and depth in corporate reporting. For investors, this consultation will also support their stewardship responsibilities following the recent consultation by the Hong Kong Securities and Futures Commission (SFC) on the Principles for Responsible Ownership.

¹Data per the 2015 Corporate Knights Capital report, *Measuring Sustainability Disclosure: Ranking the World's Stock Exchanges* found only 3% of the world's largest 4,696 listed companies disclose standard sustainability indicators. Standard sustainability indicators considered in the report were: employee turnover, energy, greenhouse gas emissions, injury rate, payroll, waste, and water.

In terms of next steps, we kindly ask Hong Kong Stock Exchanges and Clearing Limited to:

- 1) Issue a response to the letter, acknowledging receipt
- 2) Set a time for a follow-up discussion
- 3) Releasing your revised reporting guidance by the end of 2016

We thank you for your time and the efforts to advance sustainability in the market, and we look forward to working together with the Hong Kong Stock Exchanges and Clearing Limited in the development of the updated ESG Guide.

Sincerely,



Nathan Fabian
Director of Policy and Research
Principles for Responsible Investment Association