

La Chambre de Commerce Canadienne à Hong Kong
香港加拿大商會

18 September 2015

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

RE: Consultation Paper on Review of the ESG Reporting Guide

Dear Sir/Madam:

The Canadian Chamber of Commerce in Hong Kong (CanCham) supports the initiative of Hong Kong Exchanges and Clearing Limited (The Exchange), in respect of how listed companies manage environmental, social and governance (ESG) issues and data on related performance.

CanCham believes that The Exchange should encourage and increasingly require listed companies to adopt best practice in ESG reporting and disclosure, in line with other stock exchanges and indices and internationally-recognised reporting frameworks.

CanCham supports The Exchange's approach of "comply or explain" as this enables companies to report on important ESG issues and performance where material and feasible, or provide explanations on why the disclosure item is not material or how they plan to move towards disclosure in the future.

Our responses to the specific questions in the Consultation Paper – Review of the Environmental, Social and Governance Reporting Guide, dated July 2015, are attached.

Yours sincerely,



Philip Leung ✓

President, The Canadian Chamber of Commerce in Hong Kong

cc:

Mr John Witt, Chairman, The Canadian Chamber of Commerce in Hong Kong

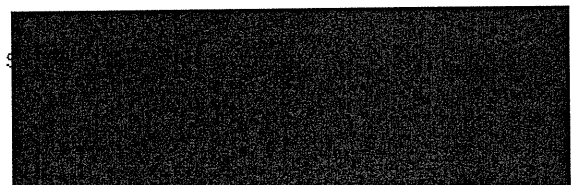




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QUESTION 1	<i>"Do you agree with our proposal to amend Rule 13.91 to require issuers to disclose in their annual reports or ESG reports whether they have complied with the "comply or explain" provisions in the ESG Guide and if they have not, they must give considered reasons in the ESG reports?"</i>
RESPONSE 1	Agree with The Exchange's proposal. The required items are reasonable for reporting and "comply or explain" allows sufficient flexibility.
QUESTION 2	<i>"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?"</i>
RESPONSE 2	Agree with The Exchange's proposal on the alignment of reporting period between financial and ESG reporting.
QUESTION 3	<i>"Do you agree with our proposal to include a Note under Rule 13.91 to clarify that:</i> <ul style="list-style-type: none"> (i) <i>an ESG report may be presented as information in its annual report, in a separate report, or on the issuer's website; and</i> (ii) <i>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?"</i>
RESPONSE 3	Agree with The Exchange's proposal to clarify that (a) an ESG report may be presented as information in its annual report, in a separate report, or on the issuer's website and (b) the issuer's ESG report should be published as close as possible to, and in any event no later than three months after, the publication of the issuer's annual report.
QUESTION 4	<i>"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?"</i>
RESPONSE 4	Agree with The Exchange's proposal on the revision of the introductory section of the Guide.





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QUESTION 5	<i>"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?"</i>
RESPONSE 5	<p>CanCham agrees with the overall approach for addressing Reporting Principles in the Guide. However, CanCham believes that these should be extended, over time.</p> <p>CanCham recommends that the Reporting Principles should align with International best practice, particularly since they guide and set the tone for the report and the expectations for ESG disclosure and performance of a well-managed company. The Exchange is encouraged to review and adopt over time the reporting principles of the Global Reporting Initiative (GRI) (the most widely used standards on sustainability reporting and disclosure), which comprise: (1) Principles for Defining Report Content (Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness); and (2) Principles for Defining Report Quality (Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability).</p> <p>CanCham encourages The Exchange to also provide guidance to issuers on how to define the reporting scope and boundary; GRI also provides useful guidance in this regard.</p>
QUESTION 6	<i>"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?"</i>
RESPONSE 6	Agree with The Exchange's proposal to link ESG with the business review section of the directors' report but with the option for the issuer to also incorporate this elsewhere with a clear reference to where it can be found.
QUESTION 7	<i>"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?"</i>
RESPONSE 7	CanCham agrees with the Subject Areas as proposed.
QUESTION 8	<i>"Do you agree with the proposal to change the heading "Workplace Quality" to "Employment and Labour Standards"?"</i>
RESPONSE 8	Agree with The Exchange's proposal to change from "Workplace Quality" to "Employment and Labour Standards". Do not agree with Aspect B4 being titled "Labour Standards" as other aspects under this area relate to labour standards as well. Aspect B4 should be entitled, "Working Age and Voluntary Labour".



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QUESTION 9	<i>"Do you agree with our proposal to upgrade the General Disclosures for each Aspect of the ESG Guide to "comply or explain"?"</i>
RESPONSE 9	Agree with The Exchange's proposal to update General Disclosures to comply or explain.
QUESTION 10	<i>"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?"</i>
RESPONSE 10	Agree with The Exchange's proposal for change related to reporting on "compliance" and "material non-compliance". Regarding point #12 on page 6 of Appendix II, it is recommended that the Guide provide more guidance related to paragraph 28(2)(d) of Appendix 16 of the Main Board Listing Rules for sub-point (iii) on the disclosure of relationships with stakeholders. It is stated on page 6 that the Guide is to provide such guidance but this detail is not provided.
QUESTION 11	<i>"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?"</i>
RESPONSE 11	Agree with The Exchange's proposal to upgrade Environmental aspects to "comply or explain". CanCham encourages The Exchange's to consider recommending that all aspects be voluntarily reported and that disclosure of all other KPIs be subject to "comply or explain" in the near future.
QUESTION 12	<i>"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?"</i>
RESPONSE 12	Agree with The Exchange's proposal to require KPIs A1.3 and A1.6, regarding hazardous waste to be subject to comply or explain. Disclosure of management approach to this item is material to all and "explain" allows companies time to prepare for disclosure where relevant.





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QUESTION 13	<i>"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"?"</i>
RESPONSE 13	Agree with The Exchange's proposal for comply or explain for Aspect A2 Use of Resources.
QUESTION 14	<i>"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?"</i>
RESPONSE 14	Agree with The Exchange's proposal for comply or explain for KPI A3.1 The Environment and Natural Resources.
QUESTION 15	<i>"Do you agree with our proposal to incorporate gender disclosure in proposed Subject Area B. Social, under the sub-heading "Employment and Labour Standards"?"</i>
RESPONSE 15	Agree with The Exchange's proposal to include gender disclosure.

