



APG Asset Management Asia
荷蘭匯盈投資亞洲有限公司

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.

APG firmly believes that E/S/G issues are real and material factors which may affect companies in many ways, i.e. business outlook, operational risk profile, asset value, corporate reputation, investors' overall confidence, etc. Therefore, the effective management of environmental and social matters, together with good corporate governance, is crucial to the long-term success and economic value of companies.

Nevertheless, E/S/G issues still remain largely misunderstood (often being confused with part of PR activities or philanthropy) by corporate management and board, and we have seen cases where companies did not feel obliged to systematically 1) review and monitor, 2) establish appropriate strategies and systems to mitigate, and 3) communicate with shareholders/stakeholders about the related risks and the strategies to manage them.

We view that the proposed ESG Guide will provide an extremely useful tool to many companies listed on the HKEx, especially those who were willing to consider incorporating ESG matters in corporate strategies but did not know where to start. The Guide will also help companies, which have already been implementing ESG policies/systems in place, review (and potentially upgrade) the existing ESG strategies/undertakings and better communicate with investors/shareholders.

As a longstanding investor of the HKEx listed companies, we greatly appreciate the Exchange's persistent efforts to help issuers to broaden the scope of management focus into not-yet financial but material emerging E/S/G issues and to lead them to become more accountable and transparent for investors. The ESG report based on the proposed Guide will be a good source of information to better understand companies and will help us make more informed investment decisions going forward.

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.

We view that Rule 13.91 will be helpful due to the following reasons:

1. By linking ESG reporting with the annual reporting period, corporate management and board may naturally consider consolidating the process of building ESG strategies into that of annual management/ business/ operational/ performance objectives and strategic plans. Such move will significantly upgrade the effectiveness of ESG undertakings at a corporate level; and
2. Our view is that the end goal of ESG reporting will be a part of integrated reporting with annual reports. This (linking ESG reporting with the annual reporting period) will make it easier for companies to adopt an integrated reporting practice without much difficulty in the future.

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.

We in principle understand the objectives that the Exchange tries to achieve by inserting the note. However, we worry that the note may be misused by some issuers for their own convenience, i.e. they may read 'ESG reporting no later than three months after the publication of annual reports as a practical deadline of the ESG report. To effectively discourage such thought/move, we recommend the HKEx to allow only one month instead of three months for issuers to submit the ESG report after the publication of the annual report.

Issuers, especially SMEs, may argue difficulties in working on the ESG report at the same time as they are finalising the annual report, citing time pressure, lack of resources, and etc. We disagree with such view, as we think personnel who work on ESG reporting do not necessarily overlap with those who work on the annual report. The overlap may occur on a management or board level, where ESG strategies should be reviewed and determined before the publication of the report. We view that this is a necessary burden for the management and board to take on the company's behalf.

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.

We view that the introductory section of the Guide with four divided areas provides issuers with a clear guidance and is written in a concise manner. We also agree with the general tone and the wording set out in Appendix II, which clearly illustrates where key responsibilities for managing and overseeing ESG issues reside at a corporate level.

We are also positive about the fact that the language of Appendix II is not overly prescriptive and essentially allows issuers sufficient room to exercise their own discretion in ESG undertakings including 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 Reporting Principles provide issuers with a clear guidance in terms of where the starting point is and what general expectations among investors are.

We particularly welcome the wording of the third Principle ‘Balance’, as we were concerned that some issuers may not fully appreciate the main objective/purpose of the ESG report and hence may not see the differences between the ESG report and typical CSR or corporate PR reports.

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

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

8. Do you agree with the proposal to change the heading “Workplace Quality” to “Employment and Labour Standards”?

Yes

No

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

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

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

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

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

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

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



APG Asset Management Asia
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