

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.

This could increase the transparency and scope of companies' ESG reporting and stakeholders' understanding of companies' ESG performance. With more obligations to disclose, more companies will embed ESG into their business operations and processes.

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.

The period of ESG reporting should be the same as the financial reporting, as certain ESG KPIs relate to financial performance – i.e. revenue and expenditure should reflect use of resources. This provides context for assessing both ESG and financial performance of companies.

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.

Providing options on the ESG reporting format allows companies to choose the one that best fits with their communication strategies and the needs of their stakeholders. The options provided also align with the current market practices of ESG reporting.

The 3-month period could provide flexibility to companies, especially first-time ESG reporters, helping them to arrange resources to cope with the new ESG reporting requirements.

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 revised introductory section sets out a better structure and clearer requirements for the Guide. The revised wordings are specific which enable an effective interpretation of the Guide.

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 proposed wording could effectively explain the four principles. However, it is recommended to provide specific criteria for materiality (e.g. in strategic, operational and financial terms) for companies to consider.

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 proposed wordings could make companies aware of the ESG disclosure requirements set out in Appendix 16 in addition to Appendix 27. This will enable them to coordinate their reporting effort for both rules more effectively.

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.

Such categorization aligns more closely with the title of Guide. “Workplace Quality”, “Operating Practices” and “Community Involvement” are actually related to companies’ social performance.

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.

"Employment and Labour Standards" is considered to be a more appropriate and specific term as the KPIs under the category are related to Human Resources matters. "Workplace Quality" might give an impression that the KPIs relate to the physical working environment only.

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.

It is important for companies to develop policies to govern various ESG aspects as well as simply report on their ESG performance. Such requirements align with directors' responsibilities to ensure risk management and internal control systems are in place for ESG. Through such disclosures, stakeholders can understand management's philosophy on ESG and assess whether the company's policies satisfy their expectations.

Also, by companies disclosing compliance with relevant laws and regulations, their stakeholders can more easily assess the nature of the issuers' ESG risks and performance.

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.

The revised wordings provide a better alignment with the Companies Ordinance and clearer instructions for companies to follow.

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.

The disclosure of such environmental KPIs aligns with the requirements set out in the Companies Ordinance as well as Listing Rules Appendix 16, which helps stakeholders understand companies' environmental results under the policies, as mentioned in point 9 above. The KPIs listed in Aspect A1 mainly represent pollutants generated by companies which also enable stakeholders to quantify the environmental risks and impact.

It is appropriate to upgrade KPIs on emissions because these are relevant to all industries and are of key concern to a wide range of stakeholders.

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.

Hazardous waste is a material issue (i.e. has significant impact on companies and is a key concern of stakeholders). The amount of hazardous waste companies generate as well as the ways they handle it are of great interest to stakeholders.

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.

Similar to point 11 above, the disclosure of such environmental KPIs aligns with the requirements set out in the Companies Ordinance, as well as Listing Rules Appendix 16, and helps stakeholders understand companies' environmental performance under the policies, as mentioned in point 9 above. The KPIs listed in Aspect A2 (Use of Resources) provide context for stakeholders to evaluate the operating effectiveness of companies.

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.

Understanding of the environmental impact of companies' activities and their corresponding Mitigating actions is critical as this will affect their risk exposure, compliance status as well as financial performance, which are key factors in making investment decisions.

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 distribution is relevant to diversity and is an important aspect of Sustainability.

- End -