

16 September 2015

BY HAND AND BY EMAIL

Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Attn: Corporate Communications Department

Dear Sirs,

Consultation Paper on Review of the Environmental, Social and Governance Reporting Guide

Ernst & Young is pleased to respond in this letter to the invitation of Hong Kong Exchanges and Clearing Limited (“HKEx”) for comments regarding the proposals set out in the captioned consultation paper. Capitalized terms used in this letter shall have the same meanings as the terms defined in the consultation paper.

We welcome the HKEx’s latest initiatives to strengthen ESG disclosure requirements, encourage more widespread and standardised ESG reporting amongst issuers, and help issuers meet greater demand and expectations for non-financial information from investors and other stakeholders. We are supportive of the consultation paper and would like to share with you the following observations and comments:

The role of the board

We welcome the proposed Guide replacing “It is important to involve the board of directors in preparing the ESG report” with “The board has overall responsibility for an issuer’s ESG strategy and reporting”, which sets out clearer responsibilities of the board. Top management commitment and support is crucial for effective ESG reporting and development of ESG strategies for long term improvement.

Upgrading the General Disclosures under each of the Aspects and all Environmental KPIs to “comply or explain”

We welcome the proposed upgrade and believe this will help improve corporate transparency and enhance governance of issuers since the Guide intends to be the first step in an evolutionary process, with the longer term goal of achieving better and more comprehensive ESG reporting amongst issuers. While we believe it is appropriate for issuers to make disclosures of KPIs of other Aspects on a voluntary basis for the time being, we believe the next step for HKEx to meet

international best practice is to gradually upgrade the disclosures of all KPIs of other Aspects to “comply or explain”.

Proposed wording of the Listing Rules

HKEx’s proposed Rule 13.91(5):

“Issuers must disclose ESG information set out in the ESG Reporting Guide on an annual basis and regarding the same period covered in their annual reports.”

HKEx’s proposed new note 6.4 in Appendix 16:

“Issuers must, in accordance with Rule 13.91, disclose the ESG information set out in Appendix 27.”

Both Chapter 13 and Appendix 16 set out mandatory requirements under the Listing Rules. The above proposed wording appears to require mandatory disclosure of all the ESG information set out in the Guide, which may contradict the intended level of compliance required of the Guide (i.e., “comply or explain” and voluntary disclosures).

Timeline

According to the proposed Guide, companies that have not commenced their ESG reporting would be required to issue their first ESG reports for financial years commencing on or after 1 January 2016. In order to help companies publish their first ESG reports in time in 2017, we suggest HKEx to advise issuers to start early for the preparation of their first ESG reports, e.g., conducting stakeholder engagement and identifying material aspects, so that data collection can begin on time in early 2016.

Should you have any questions on the above comments, please do not hesitate to contact our Climate Change and Sustainability Services Leaders, Ivan Tong on + [REDACTED], or Brian Ho on [REDACTED].

Yours faithfully,

[REDACTED]