FIL Investment Management (Singapore) Limited
[redacted]

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

25 September 2015

Dear Sirs

Re: Consultation Paper on Review of the ESG Reporting Guide

Thank you for the opportunity to respond to this consultation paper.

We are a global institutional investor with US$290 billion of assets under management on behalf of clients in 25 countries across Asia Pacific, Europe, the Middle East, and South America. The cornerstone of our investment process is independent fundamental bottom up research. This process emphasizes going beyond financial results to develop additional qualitative analysis of our potential investments and in doing so, to gain a greater understanding of their risks and opportunities. We believe that integrating environmental, social and governance issues into this analysis is absolutely fundamental in order to gain an in-depth understanding of these issues before they escalate into events that potentially threaten the value of our investment. In addition, greater transparency of ESG performance by our investee companies will facilitate the exercise of our stewardship obligations towards our investee companies and this consultation paper is well aligned with the Principles of Responsible Ownership proposed by the Securities and Futures Commission in this respect.

We therefore welcome the Exchange's continued commitment to better and more comprehensive ESG reporting by Hong Kong listed companies. We agree that now is the right time for the ESG Guide to be upgraded from recommended practice to "comply or explain". The proposed combination of "comply or explain" general disclosures together with a core set of required environmental KPIs is in line with internationally accepted standards and is a good foundation for the Exchange to continue its incremental approach towards additional categories of ESG risk in the future.

We are also encouraged by the fact that you have made it clear that it is the Board that will have overall responsibility for a company's ESG strategy and reporting and for evaluating and determining ESG-related risks. Without a Board-level commitment to monitoring these issues, (relatively) long dated ESG issues run the risk of being relegated from the forefront of management's attention.

We take this opportunity to highlight a few other issues which we have noted:

- We understand the purpose behind creating flexibility of the reporting format (part of the annual report; or a separate report; or published on the company website) however we think that over the longer term, the Exchange should set out clearly its expectation that issuers will move towards integrated reporting. This will allow investors to more clearly identify what is material to that company in terms of ESG issues and will facilitate greater comparability with other disclosed metrics.

- We believe that giving issuers up to 3 months to publish their ESG report after their annual report is an unduly long period of time given that the two reports should cover the same reporting period. Annual reports can be published up to 4 months after the relevant fiscal period; allowing ESG reports up to 7 months after the period to which they are supposed to relate is too long and reduces the value of its information. We believe the ESG report should be published concurrently with the annual report but we acknowledge that a grace period of one month to six weeks after the annual report may be appropriate to facilitate preparation for first-time issuers.

- Where appropriate and available for the specific KPIs, we encourage the Exchange to prescribe specific measures of units to facilitate comparability across industries and peers.

- We support the inclusion of complementary ESG discussions in the business review section of the Directors' Report, which will enhance the perception and link between material ESG issues and business performance. We believe that this section could be made more explicitly forward looking in nature – for example, specifying future targets or goals (both quantitative and qualitative) so that we might gain a greater understanding of an issuer's aspirations and providing commentary on future ESG risks and opportunities and how these might be mitigated or exploited.

- We note that the ESG Guide continues to lack any significant monitoring or compliance mechanism to incentivise higher quality ESG disclosure. As we stated in our response to the previous consultation in April 2012, we support the introduction of mechanisms for shareholders to provide feedback and hold Boards accountable for ESG reporting, such as annual non-binding votes, and for companies to consider the use of external assurance, so that ESG disclosure becomes more verifiable, independent and comparable in the future.

We would be pleased to discuss any aspect of our response with you in more detail.

Yours faithfully

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Jenn-Hui Tan
Director of Corporate Finance