



Corporate Communications Department  
Hong Kong Exchanges & Clearing Limited  
12/F, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

18 September 2015

Dear Sir / Madam,

**Investec Asset Management's Response to the Consultation Paper on Review of the Environmental, Social and Governance Reporting Guide**

Investec Asset Management (IAM) is a global asset manager with 109 billion USD assets under management. We have invested through the Hong Kong Exchange for more than 15 years and have been encouraged by the positive governance developments over that time. We welcome the consultation paper on ESG reporting as we place increasing importance on these performance factors.

We hope that our responses to the questions are useful for your review. Some of the responses are short and for these we fully endorse the suggestion as outlined in the supporting consultation document.

**Consultation Questions**

**Question 1: General comply or explain obligation** 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, we support the principles of "comply or explain" and believe it can be an effective approach to encourage companies to start addressing ESG reporting. We would encourage the exchange to be mindful of the importance of encouraging proper explanations by companies. Should "comply or explain" fail, we may prefer mandatory reporting as a last resort.

**Question 2: Annual ESG reporting** 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 as discussed in paragraphs 86 and 90?

Yes, we think this is a sensible approach. Given the review of the annual report and the importance of ESG factors, it would be appropriate to make these available at the same time.

**Question 3: Flexibility on ESG report modalities with maximum three-month lag following annual reports** 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 as discussed in paragraph 91; and (ii) the issuer should publish the ESG report as close as possible to, and in  
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any event no later than three months after, the publication of the issuer's annual report as discussed in paragraph 92?

We have a strong preference for the ESG report to be published around the same time as the annual report and not as late as up to three months later. We expect the ESG report to contain information which we will find material to the business and therefore we would like to evaluate this together with the annual report. In our view, it would be helpful if this timing could be harmonised and agreed through the structure.

**Question 4: Restructuring of introductory section of the Guide** Do you agree with our proposal to revise the introductory section of the Guide into four areas as discussed in paragraphs 94 and 95, and with the wording set out in Appendix II? [1) *The Guide*; 2) *Overall Approach*; 3) *Reporting Principles*; and 4) *Complementing ESG discussions in the Business Review Section of the Directors' Report*.]

We would welcome this approach, and value the opportunity to better understand the relationship between the board and ESG management.

**Question 5: Reporting principles** Do you agree with the proposed wording of the Reporting Principles in the introductory section of the Guide as discussed in paragraphs 96 and 97, and with the wording set out in Appendix II? [(i) *Materiality*; (ii) *Quantitative*; (iii) *Balance*; and (iv) *Consistency*]

Yes, we support the way the reporting principles are aligned with internally accepted guidelines.

**Question 6: New requirements on factual basis for ESG statements and link to Directors' Report** Do you agree with the proposed wording in the Guide linking it to Appendix 16 as discussed in paragraph 98, and with the wording set out in Appendix II?

Yes.

**Question 7: Reorganisation of reporting categories to Environmental and Social** 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 as discussed in paragraph 99?

Yes, we agree that this would give it a clearer structure.

**Question 8: Replacing Workplace Quality with Employment and Labour Standards** Do you agree with the proposal to change the heading "Workplace Quality" to "Employment and Labour Standards" as discussed in paragraphs 100 and 101?

Yes.

**Question 9: Upgrading General Disclosures to comply or explain** Do you agree with our proposal to upgrade the General Disclosures for each Aspect of the ESG Guide to "comply or explain"?

Yes.

**Question 10: Wording of Aspects** Do you agree with the proposed amendments to the wording of paragraph (b) [relevant laws and regulations that have a significant impact on the issuer] under current Aspects A1, A2, A4, B1, C2 and C3, re-numbered Aspects A1, B1, B2, B4, B6 and B7, as discussed in paragraphs 103 to 104?

Yes.



**Question 11: Revision of Aspect A1 and upgrading KPIs to comply or explain** Do you agree with our proposal to revise Aspect A1 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, as discussed in paragraphs 109 to 114, and 117 to 118?

We don't hold a strong view on this issue but if it would make the guide clearer in the committee's view, then we would be supportive.

**Question 12 and 13: Upgrading KPIs to comply or explain** 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, as discussed in paragraph 119 [hazardous waste]?

Yes.

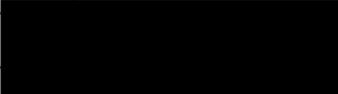
**Question 14: Upgrading KPIs to comply or explain** Do you agree with our proposal to upgrade to "comply or explain" the current KPI B3.1 [narrative statement on activities related to resource management], re-numbered KPI A3.1, as discussed in paragraphs 123 to 125?

Yes, we think this would improve the disclosure and possibly result in more informed dialogues with shareholders.

**Question 15: Inclusion of gender disclosure** Do you agree with our proposal to incorporate gender disclosure in Subject Area B under the sub-heading "Employment and Labour Standards"?

Yes, we think this is one of many important labour standards metrics. We would suggest that it is made clear that other metrics may also be important, including turnover and other trends.

Yours sincerely,

  
Therese Niklasson  
Global Head of ESG  


  
James Hand  
Co-Chief Investment Officer & Co-Head of 4Factor Equities  