

## 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.

We agree that this proposal is a significant step towards a more widespread and standardised ESG reporting, addressing the greater demand for non-financial information.

As with the HKEx, we believe that benefits of ESG reporting outweigh the disadvantages. We consider that this proposal will help issuers understand that ESG reporting is not just a report, but the process by which an issuer can gather and analyze the data it needs to create long term value and resilience to environmental and social changes. Globally we see many companies are using the process of ESG reporting to bring ESG matters to the heart of their business strategy.

With this in mind, we believe that it is in the very interests of the Hong Kong market to align with recent developments in other jurisdictions and international best practice in this area as explained in the Consultation Paper.

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 consider that an annual reporting is appropriate and in line with other jurisdictions.

We believe that reporting the ESG information regarding the same period as the annual report will complement and supplement the annual report by providing more non-financial information that are relevant to the issuer's performance over that particular period.

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 agree that multiple formats of ESG reporting should be allowed in view of availability of different communication tools. Issuers can choose to publish ESG information in the form that most suits their own circumstances.

We would like to seek clarification from the HKEx in respect of the proposed wording of presenting ESG information “in the issuer’s annual report, in a separate report, or on the issuer’s website.” Such wording implies that presenting the ESG information on the issuer’s website is a separate option as compared with the annual report or a separate report; however, an issuer can choose to present its ESG information a separate report that is just published on its website (i.e. not printed). In addition, the proposed Guide states that “whichever format is adopted, the ESG report should be published on the Exchange’s website and the issuer’s website”, which implies that presenting the information on the issuer’s website is not really a separate option.

If an issuer chooses to report on its ESG information after the publication of its annual report, we recommend that the issuer states this decision in the annual report and the reason therefor so that investors or other stakeholders can have a better idea of when or what to expect when reading the annual report, especially the business review section of the directors’ report.

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.

In particular, we welcome the proposal to clarify the role and responsibility of the board. This also sets the tone that ESG risks do affect business operations or even business sustainability and therefore deserves boardroom attention.

In the “Overall Approach”, the proposed Guide encourages issuer to identify and disclose additional ESG issues and KPIs through engaging stakeholders. In this regard, we recommend disclosures of the issuer’s key stakeholders, the activities the issuer has arranged to engage them and how the issuer has responded to their views.

We consider that a key step of ESG reporting is to engage and communicate with key stakeholders. Without this step, the reporting may become a tick-box exercise and material ESG risks may be overlooked. Therefore, we recommend the HKEx to set a road map to upgrade stakeholder engagement to a code provision at a targeted date.

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.

We agree that the proposed wording provides greater clarity. With respect to “Quantitative”, we recommend the disclosure of definition and calculation/ measurement method of KPIs to enhance the understandability.

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 linking reiterates that the ESG report and the business review section are interconnected and therefore directors should consider both sections together in order to present consistent information of the business.

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.

While we concur with the proposal to re-arrange the Guide into two Subject Areas, we strongly believe that supply chain management and product responsibility should be upgraded to “comply or explain”. As mentioned in the Consultation Paper, there are recent reports of rotten meat at fast-food restaurants, repeated labour violations by suppliers and imports of gutter oil and melamine tainted milk powder. These reports explain the importance of ESG practices in supply chain management and product responsibility.

If the HKEx concludes that these two Aspects are recommended disclosures instead of “comply or explain”, we consider that the HKEx should explain the rationale behind such conclusion and propose a road map to raise the level of obligation within a defined timescale.

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.

We agree with the proposal.

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.

We agree with the proposal and the rationale put forward by the HKEx.

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.

We agree with the proposed amendments.

In addition to the alignment with the relevant provisions of the new Companies Ordinance, we consider that the revised wording provides greater clarity. The wording in the extant ESG Reporting Guide may create confusion as to what constitutes “material non-compliance”.

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.

We agree with the proposal and the rationale put forward by the HKEx.

With respect to the scoping of greenhouse gas emissions, as mentioned in the Consultation Paper, there is international practice for scope classification. While we welcome the proposal to encourage issuers to report in accordance with the scope classifications and introduce a Frequently Asked Question to explain the scopes, we recommend HKEx to set a road map to align with the international practice to further enhance clarity and comparability.



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.

While we appreciate the diverse views concerning the disclosures of hazardous waste, we agree with the proposed upgrade of the KPIs. Issuers that do not consider hazardous waste to be material to its business can explain this in its report. In this regard, it is important that issuers refer to the Reporting Principles of “materiality” in the proposed Guide and have a mechanism in place to determine whether hazardous waste is a material issue. If it is material, it should be properly monitored and the proposed upgrade should not impose undue burden. If it is determined to be not material and therefore is not reported, the issuer should be able to give considered reason with reference to the mechanism and the “materiality” principle.

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.

We agree with the proposal and the rationale put forward by the HKEx.

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.

We agree with the proposal and the rationale put forward by the HKEx.

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.

We agree with the proposal and the rationale put forward by the HKEx.

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