



羅兵咸永道

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

18<sup>th</sup> September, 2015

Dear Sirs,

**Re: Consultation Paper on Review of the ESG Reporting Guide**

PricewaterhouseCoopers welcomes the opportunity to respond to this consultation.

We commend The Stock Exchange of Hong Kong Limited on its efforts and are generally supportive of the consultation. As auditors and business advisers to many leading companies we support initiatives to drive improved corporate reporting. We have invested in well over a decade of research into the information needs of preparers and investors, which clearly shows an increasing demand for greater transparency on how companies are addressing sustainability matters, including environmental, social, and governance (“ESG”) factors and other non-financial risks and opportunities.

Whilst regulation alone is unlikely to precipitate fundamental improvements in reporting, commitment and challenge by stakeholders will be needed to bring about real improvement. We believe that regulation has a key role to play in establishing the key principles for good quality reporting.

We consider the proposals in the consultation paper to be the first step in ensuring that Hong Kong listed companies are reporting on certain basic ESG factors, and responding to growing demand from investors. However, further steps could be taken in future to extend the KPIs in scope for “comply or explain”, and to consider the growing trend of other corporate reporting initiatives, such as Integrated Reporting, and the benefits that this could bring to Hong Kong companies.

We hope the above are helpful. If you would like to discuss any matters further, please do not hesitate to contact Gayle Donohue at [REDACTED].

Yours faithfully,

[REDACTED]

Enclosure

## 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 with the proposal, as this is in line with the requirements for all other “comply or explain” provisions in the Listing Rules.*

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 agree with the proposal, as reporting using a consistent period gives the investors a holistic view of the performance of the company, which is important in their assessment of performance. Also, this is in line with global best practices.*

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 with the proposal, as it allows flexibility on the format of the ESG report and enable the investors to receive the ESG information in a timely manner.*

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.

*We agree with the proposal, as it enhances the clarity 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.

*We generally agree with proposal. However, given the nature of the general disclosures, we suggest to clarify that the principles “Quantitative” and “Consistent” are more applicable to the KPIs than to the general disclosures.*

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.

*We generally agree with the proposal. However, given both Appendix 16 and ESG Guide require similar disclosures, we suggest to add brief guidance on how to avoid duplications in annual report and ESG report.*

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.

***We generally agree with the proposal, as the new structure is consistent with GRI G4.***

***It may be helpful to clarify how governance reporting is treated by the Exchange, namely that some issues are covered in B. Social and others are within Appendix 14. This is to avoid confusion of there not being a 'G' section within the ESG Reporting Guide. There is some text but we feel it could be clearer.***

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, as the new heading is more appropriate and consistent with other global reporting frameworks.***

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, as the General Disclosures is critical to give the readers a full understanding of the approach adopted by the issuers in managing ESG.***

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 proposal, as it enables issuers to focus on laws and regulations that have a significant impact on the issuer and this is consistent with the requirements in Companies Ordinance in this respect.*

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, as ESG reporting enables companies to measure, manage, and disclose their economic, environmental, governance, and social performance. Developing and executing a process to gather information for sustainability reporting can also result in the early identification of environmental, social, and other risks.*

*Managing and reporting on KPIs, where material, is part of the Issuers broader requirements to manage and report on risks across the business.*

*Investor demand for such information is increasing and it is becoming clear that investors believe that evaluating how a company manages and reports on ESG risk aids in their investment decisions.*

*The recommendations to upgrade certain KPI disclosures to comply or explain are seen as the first logical step in achieving greater transparency.*

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.

**See question 11**

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.

**See question 11**

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.

**See question 11**



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 generally agree with the proposal. However, to align with emerging best practice, we suggest to incorporate diversity in general, rather than just gender diversity. Also, this is in line with the spirit of promoting board diversity in Appendix 14 of the Listing Rules.*

- End -