



STRICTLY PRIVATE AND CONFIDENTIAL

Our Ref: RLO/GS/ESGCONSULT2

18 September 2015

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

Dear Sirs,

Re: Consultation Paper on Review of the ESG Reporting Guide

SHINEWING Risk Services Limited ("SHINEWING") has thoroughly studied the consultation paper on Review of the Environmental, Social and Governance ("ESG") and our detailed comments on it are set out in the questionnaire attached to this letter. We support most of the proposals but would like to highlight the following key concern on the consultation paper.

Effective date

Paragraph 9 of the consultation paper stated that Hong Kong Exchanges and Clearing Limited ("HKEx") intends to implement the new requirements for financial years commencing on or after 1 January 2016, whereupon issuers would need to start gathering the necessary information for the purpose of publishing their ESG reports under the new Guide in 2017. However, there is no question asked for comments in the consultation on the effective date.


Although both HKEx and SHINEWING had put heavily effort on educating issuers on the subject matter, we notice that many small and medium size issuers are not yet ready to make such disclosure. Some of the issuers replied us that even they have some disclosures on corporate social responsibility; the content is not related to environmental aspect, which is now suggested to be upgraded as "comply or explain" level.

Therefore, please reconsider the effective date of the implementation of new requirements. From our observation, one year preparation period for the issuers to run the data collection process will be sufficient.

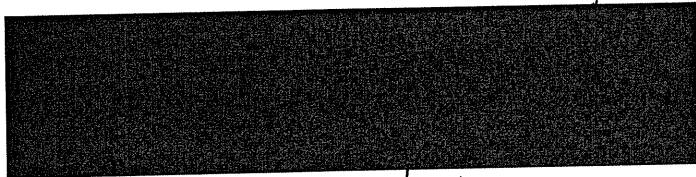




We believe that upgrading the obligation level of ESG disclosure will bring Hong Kong issuers closer to international practices. Consistent disclosure of ESG information by issuers may be useful for investors to gain better understanding of issuers' overall health and value creation potential.

Should you have any questions on the above comments, please do not hesitate to contact Mr. Roy Lo, Managing Partner, at 

Yours faithfully,



SHINEWING Risk Services Limited

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.

It seems that the current obligation level in ESG reporting (i.e. recommended best practice) falls behind the international practice. We support HKEx to upgrade the disclosure requirement to “comply or explain” level.

However, we would like HKEx to re-consider the effective date of such change. We are in contact with some issuers, mainly small and medium size issuers, and understand that they are not well prepared for the disclosure (especially on the environmental aspect). It will be a burden for them if the obligation level will be raised in next year (in the period which the requirement on several code provisions in CG code will also be effective). Therefore, please re-consider the effective date of such change to ensure that the issuers are not just doing “box-ticking”.

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. Stakeholders are expecting more non-financial information to gain better understanding of issuers' overall health and value creation potential. Such information allows them to make more informed business and investment decisions. However, without the support of financial information (or not in a same period), the value of the non-financial information may not be fully utilized. Therefore, we agree that the ESG report should cover the same period as its annual report.

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.

In order to ensure a fair and informed market, non-financial information, with the same review period, should not be published later than the publication of annual report. As a transitional period, we agree to provide the issuer a 3-month preparation period (after the publication of annual report) to ascertain that the content of the ESG report is consistent with information in annual report. HKEx may consider tighten the treatment after issuers get used to the arrangement.

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.

It is more understandable. We agree with the proposal.

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 the proposal, but consider “Balance” is a bit confusing. Moreover, the term is not used in Listing Rule 2.13. Please re-consider such reporting principles when the ESG Guide has already defined which section should be disclosed on a “comply or explain” basis.

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 agree with the proposal and do not have further comments.

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.

The proposed change helps to make the ESG Guide simpler, clearer and more consistent.

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 and do not have further comments.

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.

This should not be a difficult task for the issuers and such could help them to upgrade their operation standard. Therefore, we agree with the proposal.

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 and do not have further comments.

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 do not have further comments.

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.

We agree with the proposal and do not have further comments.

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 do not have further comments.

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.

After changing the wordings and KPIs for current Aspect B3 in last consultation conclusion, some of the issuers were confused about the current Aspect B2 and Aspect B3. They queried the difference between “Resources” stated in current Aspect B2 and the “Nature Resources” stated in current Aspect B3. Please re-consider the needs of current Aspect B3 and whether it could be combined with current Aspect B2.

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.

Considering diversity for employment process is an international trend. Apart from the policy on diversity, disclosing the key indicator of diversity – Gender diversity could help the readers to understand the performance of such policy.

- End -