



[REDACTED]
Hong Kong Stock Exchange,
Hong Kong

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Dear [REDACTED],

Thank you for inviting GRI to provide comments on the recently released Consultation Paper on Review of the ESG Reporting Guide. It is our great pleasure to be closely involved in the process of the review by having the Preliminary Discussions with HKEx and by further contributing our comments during the consultation period. Also, I would like to congratulate you on the release of the 2014 Corporate Social Responsibility Report of the Hong Kong Exchanges and Clearing Limited. It is with great pleasure that GRI welcomes your initiative to produce a G4 report. In doing so, you are leading by example, conveying a positive message on sustainability reporting to all companies listed on the exchange.

In addition to our responses to the 15 consultation questions (please see accompanying questionnaire), we would like to bring your further attention to our additional two comments for your consideration:

- Consider the use of the GRI Standards, specifically the G4 Guidelines, as automatic compliance as many of the listed issuers are already producing sustainability reports in accordance with GRI. Such an automatic compliance role would make it easier for listed issuers to comply with the new HKEx ESG Reporting Guide.
- Include explicit references to GRI's G4 and related guidance publications and tools in the upcoming supporting documents for the ESG Reporting Guide to facilitate easier uptake of ESG reporting among listed issuers.

These suggestions are now explained in greater detail:

1) **Consider GRI's G4 reporting as automatic compliance**

GRI proposes HKEx to adopt a similar approach to the Malaysian Stock Exchange whereby the Draft Listing Requirements recognize the use of GRI's G4 as automatic compliance with the mandatory reporting requirement put forward by the Exchange. This means that if a company has compiled a report in accordance with G4, it is automatically in compliance with the mandatory reporting requirement of the Exchange.

Given that a number of HKEx listed issuers are already reporting in accordance with G4, automatic compliance would avoid the duplication of efforts and reduce the reporting burden. At the same time, this approach will provide new reporters the flexibility they need at the beginning of their reporting journey as the G4 Guidelines are complemented by extensive guidance material. By focusing on one way of reporting companies can learn from the exercise and benefit from informed decision making process. Using the globally accepted language to report on ESG matters contributes to the establishment



of critical mass of relevant data, which is also of primary interest to investors.

As G4 and the HKEx ESG Reporting Guide (the Guide) are closely aligned, it makes it easy to consider G4 reporting as automatic compliance with the HKEx Guide. Since November 2014, GRI has been developing a linkage and gap analysis document between G4 and the Guide. Through the development of the document, GRI found there are only six KPIs in the Guide not covered by G4. Out of the six KPIs,¹ only one of them is mandatory (according to the proposed new Guide in the consultation paper). The findings have provided the technical foundation for HKEx to take the automatic compliance approach.

2) Include explicit references to GRI in the upcoming supporting documents or tools which will accompany the ESG Guide

GRI proposes HKEx to include a clear reference to GRI in upcoming supporting documents or toolkits attached to the Guide for the issuers' convenience. GRI provides the world's largest and most widely used standard in the field of non-financial reporting: thousands of corporate reporters in over 90 countries rely on the GRI Standards to measure and report on their economic, environmental, social and governance performance and impacts responsibly. As the number of policy initiatives on sustainability reporting is increasing worldwide, so is the number of references to GRI. Currently, 30 countries and regions reference GRI in their policies.

As HKEx doesn't intend to develop a complete reporting standard, the Guide does not provide a definition for each KPI, reporting principles or detailed methodologies of approaches recommended in the Guide such as stakeholder engagement and identification of material disclosures. Therefore, GRI can be referenced for detailed information of the KPIs, methodologies of approaches or detailed elaboration of reporting principles.

In the FAQ document of the current version of the Guide, GRI is clearly referenced for detailed guidance on sustainable reporting for the issuers. As reporting novices look for help to choose a suitable reporting tool, a clear reference to G4 in any upcoming supporting documents or toolkits attached to the Guide will help issuers significantly. G4 is also aligned with international conventions, and normative standards, such as the UN Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and others.

We sincerely hope you will find the above comments helpful for the next steps of the review. Please don't hesitate to contact me or my colleagues either based in Amsterdam or Beijing.

¹ The six KPIs not covered by G4 are: 1) Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport); 2) Water consumption in total and intensity (e.g. per unit of production volume, per facility); 3) The percentage of employees trained by employee category (e.g. senior management, middle management, etc.); 4) Percentage of total products sold or shipped subject to recalls for safety and health reasons; 5) Description of quality assurance process and recall procedures; 6) Description of practices relating to observing and protecting intellectual property rights.



We look forward to hearing from you.

Yours sincerely,



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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.

Requiring issuers to state whether they comply or explain will help the issuer to embark on the thought process of considering to report (comply), at least in the subsequent years. This approach puts sustainability reporting strongly on the radar of organizations without making it mandatory. It also offers flexibility to companies to determine their processes and develop over time. Experience has shown – from Denmark or Brazil – that the approach leads to an increase in the number of organizations choosing to report.

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.

Covering the same period in the ESG and Annual Report will help capture the attention of shareholders and other key stakeholders and would offer a complete view of the company within the same time frame.

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.

Yes, providing such an explicit explanation will help issuers comply with the rule. After all, the format is somewhat less important than the methodology – using widely accepted disclosures (such as the GRI Standards) helps the reporter communicate through the various channels and to a range of stakeholders.

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.

This division of the guide makes it easier for the user to navigate.

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.

GRI agrees with the proposed wording of the principles, especially the description on materiality and balance which is similar to the relevant content in the GRI Standards.

GRI recommends HKEx to add the word ‘significant’ to ‘impact’ to better align to the most widely used definition for ESG reporting. Further we would suggest to add the definition of ‘significant impacts’ as follows: In general, ‘significant impacts’ refer to those that are a subject of established concern for expert communities, or that have been identified using established tools such as impact assessment methodologies or life cycle assessments. Impacts that are considered important enough to require active management or engagement by the organization are likely to be considered to be significant. (Source: GRI G4 Implementation Manual, page 11.)

On the balance principle we suggest and recommend to add a footnote with a reference to the source of the definition (Source: GRI G4 Implementation Manual, page 13.)

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.

Yes, the link is clear and understandable.

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.

Yes, it is reasonable to re-arrange the Guide into two Subject Areas. However, HKEx may be interested to consider a separate Governance Subject Area for the future iterations of the Guide.

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.

In GRI’s G4 Guidelines, similar topics are named as “Labor practices and decent work”. The use of the word ‘standard’ may be understood as policies inside the organization on labor practices, and so in order to put a focus on the actual performance of the organization, HKEx may consider to change the heading “Workplace Quality” to “Employment and Labour Practices” (meaning: exchanging the word “Standard” with the word “Practices”)

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 upgrade will require issuers to consider each issue separately, which could incentivize them to start reporting on these issues over time, if they do not currently do so. In this respect, the correct and repeated application of the materiality principle is pivotal.

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.

This upgrade will require issuers to consider each issue separately, which could incentivize them to start reporting on these issues over time, if they do not already do so. In this respect the correct and repeated application of the materiality principle is pivotal.

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.

This upgrade will require issuers to consider each issue separately, which could incentivize them to start reporting on these issues over time, if they do not already do so. In this respect the correct and repeated application of the materiality principle is pivotal.

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 welcome the upgrade of the re-numbered KPIs A1.3 and A1.6, which are related to hazardous waste to “comply or explain”.

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.

This upgrade will require issuers to consider each issue separately, which could incentivize them to start reporting on these issues over time, if they do not already do so.

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.

This upgrade will require issuers to consider each issue separately, which could incentivize them to start reporting on these issues over time, if they do not already do so.

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.

- End

GRI agrees with HKEx's proposal to incorporate gender disclosure in Subject Area B under the sub-heading "Employment and Labour Standards". After the inclusion of gender disclosures, two KPIs in HKEx are fully aligned with two specific disclosures in G4.

However, when talking about gender, there are two issues often seen as important for an organization's performance: diversity and equal opportunity, and equal remuneration for women and men. The proposed new Guide doesn't reflect the two issues prominently. GRI suggests that HKEx consider adding some additional descriptions to the general disclosure of Aspect B1 Employment so as to provide issuers the opportunity to disclose their performance on these important issues. The general disclosure could be rephrased as follows, with the underlined context as additional descriptions to be added:

Information on

a) The policies; and

b) Compliance with relevant laws and regulations that have a significant impact on the issuer

Relating to compensation and dismissal, recruitment and promotion, working hours, rest period, diversity and equal opportunity on indicators of diversity and equal opportunity such as gender, age group, minority group and others, equal remuneration for women and men, anti-discrimination, and other benefits and welfare.