

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.

Oxfam is thus urging all enterprises to enhance their transparency in Environmental, Social and Governance (ESG) disclosure so that the public can better understand and even monitor their CSR performance. However, those developed financial markets and the emerging markets tend to adopt a mandatory ESG disclosure policy. Thus, Oxfam believes that the HKEx should set a roadmap to shift the ‘comply or explain’ to ‘mandatory’ reporting approach which requires the listed companies to disclose its general disclosure and all the KPIs.

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.

According to Oxfam’s survey on institutional investors’ views on listed companies’ environmental, social and governance disclosure requirements, it finds that 60% of institutional investors take ESG performance into investment decision consideration. Thus, it will assist the investor to have a responsible investment if the Guide could require the issuer to report on ESG annually and regarding the same period covered in 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.

Oxfam supports any suggestion that enhance the transparency in corporate governance of issuer.

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 revision is clearer than the current guide. In addition, it emphasizes that the board has overall responsibility for the reporting. Therefore, we support this revision.

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.

Introducing these principles not only provides guidance for the listed companies in preparing its ESG report, but also improves the quality of the report.

However, the Guide does not include “Completeness”, “Accuracy”, “Comparability” and “Reliability” which are mentioned in GRI G4. If the HKEx could incorporate these principles into the Guide, it could enhance the comprehensiveness and creditability of the ESG reporting. Therefore, we propose that the HKEx should adopt the principles of Global Reporting Initiative G4 as its guiding principle.

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 revision could unify the report disclosure of the Guide and Main Board Listing Rules which may assist the listed company to prepare its 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.

Oxfam thinks the rearrangement on two subject areas could make the Guide consistent with GRI G4. However, further improvement in disclosure aspects is needed to on par with international standard.

In comparison to the GRI G4 Guidelines, it requires companies to report on 12 environmental aspects and 31 social aspects, however, the HKEx only requires companies to report on 6 environmental aspects and 12 social aspects - a 50 per cent and 38.7 per cent discrepancy between the G4 Guidelines and HKEx's reporting guide in the two respective areas. Therefore, we urge the HKEx to adopt the best international standard like GRI G4 Guidelines.

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.

The new heading could link with the GRI G4 standard which can assist foreign investors to understand the corporation's performance on this aspect.

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.

Upgrading the General Disclosure of all aspects to “comply or explain” could help the stakeholder to understand the issuer’s management policy and their compliance with the relevant laws and regulations.

However, it is noted that not all KPIs are under the “comply or explain” approach. Based on this, Oxfam proposes that the “comply or explain” should be applied to all KPIs. In the long-run, the HKEx should adopt the mandatory disclosure on the General Disclosures and KPIs.

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.

The revision not only links with the format of GRI G4, but it also matches with the Companies Ordinance.

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.

The proposed aspect is mentioned in GRI G4. We believe that the HKEx could temporarily adopt the “comply or explain” approach. However, we urge the HKEx to set a roadmap for “mandatory” disclosure.

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.

The proposed aspect is mentioned in GRI G4. We believe that the HKEx could temporarily adopt the “comply or explain” approach. However, we urge the HKEx to set a roadmap for “mandatory” disclosure.

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.

The proposed aspects are also mentioned in GRI G4. We believe that the HKEx could temporarily adopt the “comply or explain” approach. However, we urge the HKEx to set a roadmap for “mandatory” disclosure.

Besides, the HKEx should incorporate all the relevant KPIs of GRI G4 into the Guide. For instance, the ‘Water’ aspect should cover the KPIs that indicate “Percentage and total volume of water recycled and reused” and “Water sources significantly affected”. These can assist the stakeholder to monitor the environmental performance of the listed companies.

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.

The proposed aspects are also mentioned in the ‘Bio-diversity’ aspect of GRI G4. We believe that the HKEx could temporarily adopt the “comply or explain” approach. However, we urge the HKEx to set a roadmap for “mandatory” disclosure.

Besides, the HKEx should incorporate all the relevant KPIs of GRI G4 into the Guide. In the ‘Bio-diversity’ aspect, it takes “Operational sites adjacent to, protected areas and areas of high biodiversity value” and “Habitats protected or restored” into account. We recommend that the HKEx should adopt the KPIs of GRI G4.

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.

Oxfam believes that all the members of our society should enjoy the same right and equal opportunity regardless of his/her identity. Incorporating gender disclosure in the ESG report could facilitate the stakeholder to monitor the performance of the listed company.

However, we find that all social KPIs are voluntary disclosure. This practice cannot assist the stakeholder to monitor the social performance of the listed companies. Therefore, the HKEx should extend the “comply or explain” approach to cover all social KPIs. Besides, the HKEx should set a roadmap to shift the ‘comply or explain’ to ‘mandatory’ reporting approach which requires the listed companies to disclose its general disclosure and the KPIs.

- End -