



WWF *for a living planet*[®]

世界自然基金會
香港分會

WWF-Hong Kong

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

21st September 2015

Dear HKEX,

Re: Consultation Paper on Review of the ESG Reporting Guide

We wish to provide some feedback regarding the Hong Kong Exchange's public consultation on ESG reporting.

In general we welcome the direction that the exchange is going, and in particular the suggestion to introduce a 'Comply or Explain' approach for Hong Kong listed companies, and to report annually. Our experience is that accurate and timely reporting in an open transparent way is essential for sustainability, and can also be beneficial for business.

For example WWF HK runs two energy-related programmes – Low Carbon Office Operations Programme, and Low Carbon Manufacturing Programme, which works with companies to benchmark, report and reduce their greenhouse gas emissions in the Hong Kong office environment and in factories in southern China. The transparent approach to this programme has made energy saving more visible, and companies in the two programmes have successfully avoided over 50,000 tonnes of carbon emissions over the past five years. This is equivalent to a cut in electricity expenses of over HK\$ 81 million, even though their businesses collectively grew by 58 per cent. They have also saved money on their energy bills, succeed in employee engagement, and in some cases maintained or enhanced access to key markets and customers.

We particularly welcome the Exchange's recommendation to upgrade reporting regarding emissions and also non-hazardous waste. In our view the risks to investors regarding future regulation of carbon and its impact on the bottom line of companies is not well understood by many investors, partly due to a lack of transparency in reporting by companies. Again, more specific standards for reporting including sector specific guidelines, and an obligation to report (or explain why this is not possible) will help investors and also help companies better manage these risks and opportunities.

I would also like to note our global Market Transformation Initiative, where WWF is working with major soft commodity supply chains and financial actors to demonstrate that commodities can be

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produced at affordable costs with measurably reduced environmental and social impacts. As deforestation and forest degradation caused by soft commodity production are important contributors to climate change, more transparent reporting by listed companies on their operating practices would be welcomed by investors. In relation to this we also welcome any further steps to strengthen reporting on issues such as water risk, and reporting on soft commodities as major drivers of deforestation and overfishing.

Greater reporting by banks would also be welcome, as their lending activities underpin all sectors. Banks in particular should be more transparent on their risk management processes regarding sustainability issues such as climate change. This will have a knock on effect across multiple sectors and we would recommend the Exchange provide guidelines for the banking industry as well.

I trust you will find the above input useful in your consultation process to strengthen transparency and reporting in Hong Kong.

Best Regards,



Gavin Edwards
Conservation Director
WWF Hong Kong