

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

By e-mail: response@hkex.com.hk

**Re: CIIF's View with regard to the Consultation Paper on
Review of the ESG Reporting Guide**

To whom it may concern,

On behalf of the Community Investment and Inclusion Fund (CIIF), I write with great pleasure to make this submission to the Hong Kong Exchanges and Clearing Limited (HKEx) in response to the Consultation Paper on Review of the Environmental, Social and Governance Reporting Guide (Consultation Paper).

CIIF supports the proposal for disclosure of ESG Reporting by the listed companies and the proposed amendment to and even future enhancement of the Consultation Paper requiring disclosure of information for "Aspect B8: Community Investment. CIIF considers that the proposed disclosure provides a good opportunity for investors and the community to understand performances of the listed companies in community investment through their report on their corporate social responsibility strategies and social capital building achievement, which may facilitate the continuous development of the companies themselves and the community as a whole.





For your information, CIIF was set up by the Government of the Hong Kong Special Administrative Region in 2002 to implement diversified social capital development projects in the community. The mission of CIIF is to encourage community investment which results in social capital building. To date, CIIF has approved funds of around \$365 million to 294 projects, with an engagement of over 572,000 direct participants and 8,000 collaborative partners from different sectors, including the active participation of the commercial sector.

Should you need more information, please feel free to contact Ms. Carmen Ng (Secretary General of the CIIF Secretariat) at [REDACTED] or Ms. Pauline Tam (Assistant Secretary General (Strategic Development) of the CIIF Secretariat) at [REDACTED].

We look forward for your kindest consideration on CIIF's submission. Let's build social capital through community investment hand-in-hand.

Yours sincerely,

[REDACTED]

Dr. LAM Ching-choi, BBS, JP
Chairman, CIIF Committee

[REDACTED]

[REDACTED]



**Submission by Community Investment and Inclusion Fund (CIIF)
to the Hong Kong Exchanges and Clearing Limited (HKEx)
in response to the
Consultation Paper on Review of the Environmental, Social and
Governance (ESG) Reporting Guide (Consultation Paper)**

Executive Summary

CIIF supports the proposal for disclosure of ESG Reporting by the listed companies and the proposed amendment to and even future enhancement of the Consultation Paper requiring disclosure of information for “Aspect B8: Community Investment.

2. The mission of CIIF is to encourage community investment which results in social capital building. According to the World Bank, social capital refers to the institutions, relationships and norms that shape the quality and quantity of a society’s social interactions. Increasing evidence also shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together.

3. On this basis, CIIF supports disclosure of information about community investment and in more details as well so that investors and the community can understand performances of the listed companies in community investment through their report on the areas of social capital building work.

4. We understand that many corporates have been investing into the community effectively and building social capital that contributes to social harmony and sustainability. We consider that the systematic disclosure of community investment in the form of reporting social capital building achievement may help the listed companies to consolidate their performances in a more structured and manageable manner and may enhance their sustainable development, which benefits the community in return.

Background

5. HKEEx has recently published a Consultation Paper to seek views on proposed amendments to its Environmental, Social and Governance (ESG) Reporting Guide (the ESG Guide). In the Consultation Paper, listed companies are required to report on each aspect (including “Aspect B8: Community Investment”) of the ESG Guide. If companies do not comply with the Guide, they must provide reasons in its ESG Report.

6. The CIIF Committee believes that the proposed amendment requiring disclosure of such information, especially on “Aspect B8: Community Investment”, provides a good opportunity for the commercial sector to report their outcome of community investment and even enhance their participation in building social capital, which is in line with the mission and work of CIIF.

About CIIF

7. CIIF seeks to build social capital by promoting cross-sectoral collaboration through community investment. It was set up by the Government of the Hong Kong Special Administrative Region in 2002 to implement diversified social capital development projects in the community, promote trust and reciprocity between the public and different sectors, and build a cross-sectoral collaborative platform and mutual help network so as to build a caring Hong Kong. To date, CIIF has approved funds of around \$365 million to 294 projects, with an engagement of over 572,000 direct participants and 8,000 collaborative partners from different sectors, including the active participation of the commercial sector.

8. In the Policy Address 2015, CIIF is assigned to take up specific role in enhancing community involvement as mentioned in Chapter 3 of the Policy Agenda on “Poverty Alleviation and Support for the Disadvantaged” as below:

“Community Involvement”

Allocate resources through the Community Investment and Inclusion Fund to promote cross-sectoral collaboration in building mutual help networks among residents of new PRH estates and developing social

capital. (LWB)”

CIIF’s supportive view for the Consultation Paper

CIIF supports disclosure of ESG Reporting

9. CIIF supports the 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 reasons in the ESG reports. It is because we consider that the proposal for listed companies to disclose such information especially for “Aspect B8: Community Investment” is useful for investors to assess the companies’ performance on sustainability. Companies’ continuous building of social capital through community investment may benefit the companies and the community in:

- enhancing corporate image,
- reducing staff turnover,
- increasing productivity of the society, &
- strengthening community capacity in facing adversity.

CIIF supports disclosure for “Aspect B8: Community Investment”

10. CIIF supports the proposal to upgrade the General Disclosures for each Aspect of the ESG Guide to “comply or explain”, especially for “Aspect B8: Community Investment” as we consider that the proposal for listed companies to disclose information on community investment is crucial to investors.

11. Through community investment, companies can help the community in building social capital that contributes to the long-term sustainable development of the society. Investors may understand the company’s performance in social capital building by providing the following information:

- whether the companies have established sustainable social network by maintaining trust and long-term partnership with social service/community organisations,
- whether the companies have made use of its corporate strength to help the people in need to strengthen their mutual support networks and to build up a norm of mutual trust and reciprocity in the society,
- whether the companies have taken the lead in liaising with different

- social service/community organisations in community involvement to meet community needs,
- whether the companies have implemented policies and measures to cultivate a corporate culture of social cohesion and inclusion, &
 - whether the companies have disseminated useful messages to facilitate exchange of information and communication in the community.

12. To bring out the significance of social capital to the sustainable development of the community, CIIF proposes to enrich “Aspect D8” of the ESG Guide, i.e., “Community Investment”, with “Work of Social Capital (社會資本工作)”, making it “Community Investment and Work of Social Capital (社會投資及社會資本等工作)”. Nowadays, social capital has been regarded by developed countries as an indispensable element of a civilized society. Investors have high hope towards the local listed companies, which are pioneering corporates in the Hong Kong community. Thus, investors may expect the listed companies to take the lead in:

- building and promoting social capital through community involvement
 - educating the community about the concept of social capital, &
 - enhancing the recognition of social capital,
- so as to make Hong Kong a civilized city with rich social capital.

Conclusion

13. In conclusion, CIIF supports the proposal for disclosure of ESG Reporting by the listed companies and the proposed amendment to the Consultation Paper requiring disclosure of information for “Aspect B8: Community Investment.

14. CIIF considers that the proposed disclosure provides a good opportunity for investors and the community to understand performances of the listed companies in community investment through their report on their corporate social responsibility strategies and social capital building achievement, which may facilitate the continuous development of the companies themselves and the community as a whole.

15. To look forward, CIIF proposes a transparent and enhanced disclosure on the aspect of “Community Involvement” in a later stage to encourage active participation of the commercial sector in social capital building in the future.

16. Also, to facilitate the measurement or benchmarking of community investment, in the light that there is a lack of local readily standardized measurement/reporting tools for community investment and social capital, CIIF is in the process of developing a set of social capital measurement/reporting tools, in phases, to qualify and quantify the extent and value of community investment for future adoption by the commercial sector.

17. Thank you for your consideration.

Community Investment and Inclusion Fund (CIIF)

18 August 2015