

**Submission by Community Investment and Inclusion Fund
to Hong Kong Exchanges and Clearing Limited
in response to the
Consultation Paper on Review of the Environmental, Social and
Governance Reporting Guide and Related Listing Rules**

This submission is made in response to the Consultation Paper by Hong Kong Exchanges and Clearing Limited (HKEx) in May 2019.

CIIF's views on the Proposal

2. The Committee of Community Investment and Inclusion Fund (CIIF) supports the proposed amendments to the Environmental, Social and Governance (ESG) Reporting Guide (the ESG Guide), in particular the introduction of mandatory disclosure requirements (MDRs) to improve ESG performance and reporting; and believes that the below positive impacts will be generated by the proposed amendments:

- Encouraging the board's active involvement in ESG issues, leading integration of ESG elements into companies' strategies and their long-term commitment in community investment;
- Helping companies to carry out ESG initiatives in a more structured and systematic manner;
- Building trust between companies and stakeholders through frequent engagements as well as the enhancement of transparency on ESG management issues.

3. Taking the opportunity of this Consultation, CIIF is pleased to introduce the "Corporate Social Capital Implementation Guidance Document" (Guidance Document) and its related tools to the HKEx and its collaborative partners. This set of Guidance Document and its tools are valuable for companies to induce the concept of corporate social capital into their ESG strategies and afterward facilitate the companies to achieve more sustainable development.

4. According to the World Bank, social capital refers to the relationships and norms that shape the quality and quantity of a society's social interactions. It is considered as one of the key drivers of social development, the other being economic capital, cultural capital and human capital.

5. CIIF believes that by leveraging social capital, companies can enhance their ESG performance and sustainability, reaping ample and long-term returns to the companies and community. The synergy of incorporating social capital into ESG can help companies to earn trust and enhance collaboration among stakeholders as well as extend network beyond existing limits. This can thereby inculcate positive values in the community, creating integration and an environment favourable for social and economic development.

6. To assist companies in developing corporate social capital while performing corporate social responsibility (CSR), collaborated with the Hong Kong Quality Assurance Agency, a credible certification authority, CIIF has launched a series of business engagement initiatives. They include:

- A “Social Capital Personnel Registration Scheme” to enrich practitioners’ knowledge on corporate social capital and related aspects;
- An online platform for practitioners to exchange ideas and access to the latest information on social capital and sustainability development; and
- The Guidance Document will be ready by end of 2019 with introduction of a “Plan-Do-Check-Act” (PDCA) management model and showcases of pilot projects demonstrating the integration of corporate social capital into their CSR strategies, implemented by 6 local leading companies.

(Please refer to <https://socialcapital.hkqaa.org/en> for details.)

7. Companies are able to obtain insights and learn the experiences from the pilot projects of the above-mentioned pioneer work when fulfilling HKEx's proposed MDRs. Board members, senior management and staff can register as members at the "Social Capital Personnel Registration Scheme" to equip themselves with knowledge of social capital and ESG through training and online discussion; by adopting PDCA management model in the Guidance Document, companies can integrate the concept of corporate social capital into ESG strategies and come up with a systematic plan to maximize their contribution to sustainable development.

8. The overall corporate engagement initiative is capable to provide common language to facilitate communications among various stakeholders; standardized measurement tools for evaluation; and also step-by-step documentation procedures to witness the values created for the companies as well as in the community. Hence, companies, particularly the listed companies, are encouraged to take the lead in incorporating the concept of corporate social capital into their ESG strategies and subsequently their ESG reporting.

Conclusion

9. CIIF supports the proposal of MDRs and considers it a good opportunity for companies to enhance their ESG performance. To assist companies in fulfilling MDRs, in view of the lack of local standardised tool for the development and measurement of community investment and social capital, companies are encouraged to adopt the CIIF Guidance Document as a reference. To take this forward, CIIF is pleased to schedule a meeting with HKEx for further discussion or to share experience in social capital building with directors and practitioners in training sessions lined up by HKEx to cultivate and create shared values for the companies and the community as a whole.

10. Building social capital requires joint efforts from different sectors. It is hoped that this review, together with the tools developed by CIIF, will

facilitate the business sector to take a proactive role to build up social capital through social investment and enhance the sustainable development of the business sector, which benefits the Hong Kong community in return.

About CIIF

Established by the Government of the Hong Kong Special Administrative Region in 2002, CIIF seeks to build social capital through community investment. To achieve its goal, CIIF implements diversified social capital development projects in the community, promoting trust and reciprocity between public and different sectors, and building together cross-sectoral collaborative platforms and mutual support networks to make Hong Kong a caring city growing from strength to strength. As at July 2019, CIIF has funded over \$562 million to 395 community projects, with an engagement of over 774,000 direct participants and 9,800 collaborative partners among different sectors, including active participation of the commercial sector.