

Frequently Asked Questions Series 18 (Released on 31 August 2012)

**Rule amendments relating to environmental, social and governance reporting
(apply to issuers with financial year ending after 31 December 2012)**

Status of “Frequently Asked Questions”

The following frequently asked questions (FAQs) are designed to help applicants and issuers to understand and comply with the Listing Rules, particularly in situations not explicitly set out in the Listing Rules or where further clarification may be desirable.

Users of the FAQs should refer to the Rules themselves and, if necessary, seek qualified professional advice. The FAQs are not substitutes for the Listing Rules. If there is any discrepancy between the FAQs and the Listing Rules, the Listing Rules prevail.

In formulating our “answers”, we may have assumed certain underlying facts, selectively summarised the Listing Rules or concentrated on one particular aspect of the question. They are not definitive and do not apply to all cases where the scenario may at first appear similar. In any given case, regard must be had to all the relevant facts and circumstances.

The Listing Division may be consulted on a confidential basis. Contact the Listing Division at the earliest opportunity with any queries.

No.	Main Board Rules	GEM Rules	Query	Response
1.	13.91	17.103	Is there a timeframe for raising the level of obligation of the ESG Reporting Guide to “comply or explain”?	<p>Subject to further consultation, we plan to raise the level of obligation of some recommended disclosures to “comply or explain” by 2015.</p> <p>To prepare for the consultation, we plan to conduct our first relevant survey of issuers’ financial reports to be published in 2014.</p>
2.	13.91/ Appendix 27	17.103/ Appendix 20	Can an issuer adopt other guidelines instead of the ESG Reporting Guide?	The Guide is for issuers with limited familiarity with ESG issues but which are looking for a starting point to begin work on ESG reporting. We encourage issuers with the capability to adopt international guidelines instead, which may include Global Reporting Initiative’s Sustainability Reporting Guide, the Carbon Disclosure Project and the KPIs for ESG- A Guidelines for the Integration of ESG into Financial Analysis and Corporate Valuation (version 3.0) published by the Society of Investment Professionals in Germany, etc.
3.	Appendix 27	Appendix 20	Does an issuer need to report on all the recommended disclosures and key performance indicators?	We do not expect an issuer to report on all recommended disclosures from the start. An issuer with resource constraints could start reporting on a few KPIs, and cover only its major operations/subsidiaries. The key is to report on relevant and material KPIs that are material to it.
4.	Appendix 27	Appendix 20	An issuer may have many operations/subsidiaries. Does it need to report on all its operations/subsidiaries?	We do not expect an issuer’s ESG report to cover all its operations from the start. An issuer could start by covering only its major operations/subsidiaries. An issuer is encouraged to disclose the scope of its ESG report.

No.	Main Board Rules	GEM Rules	Query	Response
5.	Appendix 27	Appendix 20	How does an issuer determine materiality?	<p>The 2011 ESG workshops gave guidance on how to determine materiality. A practical guide on determining materiality is available on the HKEx website: http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/toolkit.xls.</p> <p>An issuer may also refer to Global Reporting Initiative's G4 Exposure Draft (see https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf and https://www.globalreporting.org/resourcelibrary/GRIG4-Part2-Implementation-Manual.pdf) on how to determine materiality.</p>
6.	Appendix 27	Appendix 20	<p>The Guide does not define the terms and methods of calculations of KPIs. Instead, it asked an issuer to explain how the KPIs are calculated.</p> <p>However, an issuer may need clearer definitions in order to start reporting. Please indicate where an issuer may find useful resources to help start reporting.</p>	<p>The HKEx website provides various resources for issuers: http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/index.htm.</p> <p>We also set out below references that an issuer may find useful in preparing its ESG report.</p>

ESG References

Subject areas, aspects, general disclosure and KPIs

A. *Workplace quality*

Aspect A1	Working conditions	
General disclosure	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations <p>on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and other benefits and welfare.</p>	<p>The principles are broadly based on internationally recognized standards such as:</p> <ul style="list-style-type: none"> • UN Universal Declaration of Human Rights; • UN Convention: International Covenant on Civil and Political Rights; • ILO Declaration on Fundamental Principles and Rights at Work, 1998; • ILO Convention 155, “Occupational Safety and Health Convention”, 1981 and its Protocol of 2002; • ILO Convention 142, “Human Resources Development Convention”, 1975; • ILO Convention 182, “Convention Concerning the prohibition and immediate action for the elimination of the worst forms of child labour”, 1999; • ILO Convention 105, “Abolition of Forced Labour Convention”, 1957; • United Nations Global Compact; • OECD Guidelines for Multinational Enterprises. <p>Hong Kong also recognizes the importance of employees’ benefits and providing a safe workplace. Major labour legislation includes:</p>

References

(please note that these references are not exhaustive and are for reference only.)

		<ul style="list-style-type: none"> • Employment Ordinance; • Employee’s Compensation Ordinance; • Occupational Safety and Health Ordinance; • Minimum Wage Ordinance; • Sex Discrimination Ordinance; • Family Status Ordinance; • Race Discrimination Ordinance; • Disability Discrimination Ordinance.
KPI A1.1	Total workforce by employment type, age group and geographical region.	GRI: LA1 DVFA: S03-01
KPI A1.2	Employee turnover rate by age group and geographical region.	GRI: LA2 DVFA: S01-01
Aspect A2	Health and safety	
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance and material non-compliance with relevant standards, rules and regulations</p> <p>on providing a safe working environment and protecting employees from occupational hazards.</p>	
KPI A2.1	Number and rate of work-related fatalities.	GRI: LA7 DVFA: S04-03

KPI A2.2	Lost days due to work injury.	GRI: LA7 DVFA: S04-04
KPI A2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
Aspect A3	Development and training	
General disclosure	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	
KPI A3.1	The percentage of employees trained by employee category (e.g. senior management, middle management, etc.).	
KPI A3.2	The average training hours completed per employee by employee category.	GRI: LA10
Aspect A4	Labour standards	
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance and material non-compliance with relevant standards, rules and regulations</p> <p>on preventing child or forced labour.</p>	<p>International references include:</p> <ul style="list-style-type: none"> • United Nations Universal Declaration of Human Rights; • Forced labour: ILO Core Conventions 29 and 105; • Child labour: <ul style="list-style-type: none"> - Convention on the Rights of the Child, 1989; - ILO Convention 138 on the minimum age for admission to employment and work; - ILO Convention No. 182 on the worst forms of child labour, 1999.

KPI A4.1 Description of measures to review employment practices to avoid child and forced labour.

KPI A4.2 Description of steps taken to eliminate such practices when discovered.

B. Environmental protection

Aspect B1	Emissions
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance and material non-compliance with relevant standards, rules and regulations</p> <p>on air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.</p> <p>Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>
	<p>International references include:</p> <ul style="list-style-type: none"> • Greenhouse Gas Protocol; • Kyoto Protocol, 1997. <p>Hong Kong key environmental legislation includes:</p> <ul style="list-style-type: none"> • Air Pollution Control Ordinance; • Waste Disposal Ordinance; • Water Pollution Control Ordinance; • Hazardous Chemicals Control Ordinance. <p>Carbon Disclosure Project</p>

KPI B1.1	The types of emissions and respective emissions data.	GRI: EN19, EN20 DVFA: E03—01
KPI B1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI: EN16 DVFA: E02-01 Hong Kong Environmental Protection Department’s letter to issuers entitled “Corporate Social Responsibility- Reporting of Greenhouse Gas Emissions” dated 11 June 2012 and “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential and Institutional Purposes) in Hong Kong”: http://www.epd.gov.hk/epd/english/climate_change/files/Guidelines_English_2010.pdf .
KPI B1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI: EN22 DVFA: E06-01
KPI B1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI: EN22
KPI B1.5	Description of measures to mitigate emissions and results achieved.	GRI: EN18
KPI B1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	GRI: EN22

Aspect B2	Use of resources
General	Policies on efficient use of resources including energy, water

disclosure	and other raw materials. Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	
KPI B2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kwh in '000s) and intensity (e.g. per unit of production volume, per facility).	GRI: EN3, EN4
KPI B2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	DVFA: E28-01
KPI B2.3	Description of energy use efficiency initiatives and results achieved.	GRI: EN6
KPI B2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
KPI B2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	GRI: EN27

Aspect B3	The environment and natural resources
General disclosure	Policies on minimizing the operation's significant impact on the environment and natural resources.

KPI B3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.

GRI: EN12

C. Operating practices

Aspect C1	Supply chain management	
General disclosure	Policies on managing environmental and social risks of supply chain.	<p>International standards relating to product responsibility and anti-corruption include:</p> <ul style="list-style-type: none"> • UN Global Compact; • OECD Guidelines for Multinational Enterprises; • United Nations Convention Against Corruption. <p>Hong Kong regulations:</p> <ul style="list-style-type: none"> • Prevention of Bribery Ordinance; • Sales of Goods Ordinance; • Consumer Goods Safety Ordinance; • Trade Marks Ordinance; • Copyright Ordinance. <p>Please see G4 Exposure Draft (https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf) and https://www.globalreporting.org/resourcelibrary/GRIG4-Part2-Implementation-Manual.pdf) for definition of supply chain.</p>
KPI C1.1	Number of suppliers by geographical region.	DVFA: V28-01

KPI C1.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	DVFA: V28-04
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Aspect C2	Product responsibility	
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General disclosure	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations <p>on products and services health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	
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DVFA: S05-02

KPI C2.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
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KPI C2.2	Number of products and service related complaints received and how they are dealt with.	
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KPI C2.3	Description of practices relating to observing and protecting intellectual property rights.	
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KPI C2.4	Description of quality assurance process and recall procedures.	
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KPI C2.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	
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Aspect C3		Anti-corruption
General disclosure	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	GRI: S04
KPI C3.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
KPI C3.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
<i>D. Community involvement</i>		
Aspect D1		Community investment
General disclosure	Policies on community engagement to understand the community's needs in where it operates and ensuring its activities takes into consideration of communities' interests.	
KPI D1.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
KPI D1.2	Resources contributed (e.g. money or time) to the focus area.	

Key:

GRI—Global Reporting Initiative Sustainability Reporting Guidelines (see <https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf> and <https://www.globalreporting.org/resourcelibrary/GRIG4-Part2-Implementation-Manual.pdf>)

DVFA— KPIs for ESG- A Guideline for Integration of ESG into Financial Analysis and Corporate Valuation published by the Society of Investment Professionals in Germany (http://www.effas-esg.com/wp-content/uploads/2011/07/KPIs_for_ESG_3_0_Final.pdf)