

[REDACTED]

[REDACTED]

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10 April 2012

Corporate Communications Department  
Hong Kong Exchanges and Clearing Limited  
12<sup>th</sup> Floor, One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

Dear Sirs/Madams,

**[REDACTED] submission to the Hong Kong Stock Exchange ("HKEx") consultation paper on ESG Reporting Guidelines (the "Guide")**

[REDACTED] welcomes the initiative taken by the HKEx, through the Guide, to encourage issuers to adopt non-financial (ESG) reporting. We agree with the HKEx that non-financial reporting is becoming increasingly important to the stakeholders of companies all over the world and therefore to companies themselves. This increase in public interest has also been seen in Hong Kong meaning that it is now the right time to direct Hong Kong issuers towards participation in this development. We are thankful for the opportunity to comment on the consultation paper.

The Guide offers a starting point for companies to start to report on ESG aspects. However, we think that it is unclear whether the aim of the Guide is to serve as:

- A. a step on the path towards assimilation into an international reporting framework (such as the Global Reporting Initiative ("GRI")\*); or
- B. an independent stand-alone best practice guide (of similar standing to the GRI).

If the aim of the Guide is consistent with A. above, the Guide should be more closely aligned with the GRI in order to provide a basis for issuers that do not currently carry out any ESG reporting or have weak ESG practices to move towards GRI reporting.

If the HKEx's aim is more in line with B above then [REDACTED] believes that it is misleading to state that the Guide is best practice given that there are more advanced frameworks available, including the GRI.

We provide below some factors that the HKEx should consider prior to upholding the Guide as best practice for ESG reporting:



- The Guide can be more ambitious or rigorous, as well as give room for continuous improvement, in order to be considered best practice.
- Throughout the Consultation Paper, the words "could" and "may" are used when, if the purpose of the guideline is to establish best practice, albeit only recommended best practice under the Corporate Governance Code, the words "should" and "shall" should be used instead.
- The Guide does not encourage a strategic approach to CSR/Sustainability because it does not provide or emphasise the importance of a methodology to assess and define materiality for the management of sustainability, for defining suitable actions regarding sustainability or for short and long-term target setting. The Guide focuses on KPIs without providing guidance on why they should be established, which KPIs should be used and how they should be used.
- The Guide does not offer an approach that is aligned with global leading practice, such as under the GRI", creating a risk that Hong Kong organisations will lag behind those in other jurisdictions.
- The Guide advises companies not to use external third party assurance and sees this as a pure cost, neglecting that assurance can be an important factor in ensuring effective management of sustainability, greater credibility and transparency as well as encouraging improved practices in this field.

█ suggests that the GRI framework is adopted as the HKEx's reporting guide, considering that:

- The GRI provides organisations with flexibility, based on the level of their ambition and maturity in relation to sustainability (i.e. "Levels A, B and C") and still makes assurance optional.
- The GRI also provides useful sector-specific guidance.
- Most leading companies in the field use GRI as their sustainability reporting framework. Hong Kong companies should therefore do the same in order to be comparable to the rest of the world and to encourage development in the same direction.
- The credibility of GRI is very strong given the comprehensive range of stakeholders that have been involved in its design.
- GRI provides a methodology that assist companies with developing a focused sustainability report, involving the definition of reporting content, quality and boundaries, and applying "standard disclosures". This helps to ensure that organisations adopt a strategic approach to sustainability, where materiality as well as data quality is considered.

\* [REDACTED] recognizes that the GRI is moving towards becoming the most widely used reporting framework for ESG (also called "Corporate Social Responsibility" ("CSR") Reporting, "Sustainability" reporting, etc.).

Yours faithfully,  
For and on behalf of

[REDACTED]

[REDACTED]

[REDACTED]

## Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed changes discussed in the Consultation Paper downloadable from the HKEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201112.pdf>.

Where there is insufficient space provided for your comments, please attach additional pages.

1. Should the ESG Guide be a recommended best practice appended to the Listing Rules?

Yes

No

If your answer is “No”, please give reasons and alternative views.

2. Do you agree with the proposed Main Board Listing Rule 13.91 and paragraph 53 of Appendix 16/ GEM Listing Rules 17.103 and 18.84 in Appendix I of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons and alternative views.

Any additional report should have the same scope as the Annual Report and should cover the same time period as the Annual Report in order to encourage consistency and ease of use.

If the information is included in a separate report, the Guide should encourage alignment with the annual report to make it easier for readers to understand the two documents and draw connections between them. This alignment will also make it easier for the reporting organisation to move towards integrated reporting in the long-run.

██████ considers that stating that the ESG Reporting Guide (the "Guide") is best practice for ESG reporting would be misleading (please see our introductory letter for more comments). The primary reason for this is that there are more advanced and robust reporting frameworks in use, such as the GRI. ██████ suggests that the GRI framework is adopted as the Hong Kong Stock Exchange's reporting guide: (please see our introductory letter for further details).

However, the Guide can be used as a basis for issuers that do not currently carry out any ESG reporting or have weak ESG practices to initiate activity in this area but we strongly recommend the Guide to be more closely aligned with the GRI. General comment on the Guide:

With respect to all the questions on the general disclosures of policies and compliance/no-compliance (i.e. starting with Q8 for Aspect A.1), these should also all state, in addition to policies and the extent of compliance and non-compliance, how the policies are implemented and managed, and not just the results of their execution through the use of targets and KPIs.

## **Content of the proposed Environmental, Social and Governance Reporting Guide**

### Introduction

3. Do you agree with the Introduction section?

The proposed Introduction section states:

1. This guide sets out Environmental, Social and Governance ("ESG") subject areas, aspects, general disclosure and key performance indicators ("KPIs").
2. This guide is not comprehensive. We encourage an issuer to identify and disclose additional ESG issues and KPIs that are relevant to its business. It may also refer to existing international ESG reporting guidance for its relevant industry or sector.
3. An issuer may adopt a higher level of ESG reporting based on international guidance and standards.
4. An issuer may disclose the ESG information in its annual report regarding the same period covered in the annual report, or in a separate report, in print or on its website. Where the information is included in a separate report, an issuer is free to report on any period.
5. It is important to involve the board of directors in preparing the ESG report. The board of directors is responsible for ESG reporting but it may delegate the task of compiling the ESG report to its employees or a committee that reports to the board.

Yes

No

If your answer is "No", please give reasons and alternative views.

- |  |
|--|
| <ul style="list-style-type: none"> <li>• Point 4: please see response in Q2.</li> <li>• Suggestion for point 5: The report is the response of the board of directors and should be signed by the CEO to indicate that the board takes responsibility for the sustainability report and supports the sustainability agenda.</li> </ul>  |
| <ul style="list-style-type: none"> <li>• A section related to the governance of sustainability should be included to emphasize the structures which ensure sustainability is embedded in all aspects of the company's operations (board level, top management, ESG department or ESG reporting officer, head of departments, etc.).</li> <li>• A section related to the management of sustainability should be included to emphasize the specific policies in place to ensure sustainability practices are implemented, monitored and communicated effectively.</li> </ul> |
| <ul style="list-style-type: none"> <li>• A stakeholder advisory board, where both internal and external stakeholders are represented, could be recommended. This advisory board should give guidance on the company's approach to sustainability.</li> </ul>   |

### General Approach

4. Do you agree with the guidance under the General Approach section?

The proposed General Approach section states:

*Identify subject areas, aspects and indicators that are relevant*

8. Not all ESG subject areas, aspects and KPIs in this Guide may be relevant to an issuer's business. Also, some may be more important to an issuer's business than others. For example, product responsibility, an ESG aspect, may be important to a retailer.
9. The ESG report could prioritise ESG subject areas, aspects and KPIs that are material in the context of its corporate strategy, which could be given prominence in the report.
10. It is unnecessary to report on all subject areas, aspects and KPIs. An issuer could identify and report on relevant ESG subject areas, aspects and KPIs that have material environmental and social impacts. Materiality can be addressed in strategic, operational and financial terms.

*Engage stakeholders*

11. It is important to engage stakeholders to identify material aspects and KPIs and understand their views. Stakeholders are parties that have interests in or are affected by the decisions and activities of an issuer. They may include shareholders (including independent shareholders), business partners, employees, suppliers, sub-contractors, consumers, regulators and the public.
12. The ESG report could disclose the issuer's stakeholders and the basis for their identification. It may also disclose the activities the issuer has arranged to engage stakeholders, the objectives and how it has responded to stakeholders' views. Stakeholder engagement may be conducted through meetings (e.g. personal or annual general meetings), conferences, workshops, advisory committees, round-table discussions, focus groups, questionnaires, web-based forums and written consultations.
13. The ESG report may also disclose a mechanism for stakeholders to provide feedback.

Yes subject to the comments below

No

If your answer is “No”, please give reasons and alternative views.

We basically agree with this section but list some suggestions below.

Point 8: The Guide should state that a company can report on either more or less ESG subject depending on the outcome of its materiality assessment.

Point 11: Although the list of stakeholders mentioned is not intended to be comprehensive, the list of stakeholders mentioned could be expanded to cover more types of such parties so that issuers recognise that a wider range of stakeholders as being potentially relevant. For instance, Community could be added to the list. A description of the methodology for identifying and selecting stakeholders should (see GRI 4.14-4.17) also be disclosed.

### Reporting guidance

5. Do you agree with the guidance under the Reporting Guidance section?

The proposed Reporting Guidance section states:

#### *Scope of reporting*

14. The ESG report could state which entities in the group and/or which operations have been included for the report. If there is change in the scope, the issuer could explain the difference and reason for change.

#### *Approaches to reporting*

15. Once an issuer starts reporting, it could continue to do so regularly. The aspects and KPIs reported could be consistent for each period or there could be an explanation of the changes. An issuer may also explain why some aspects and KPIs are not reported.
16. An ESG report could state the issuer’s ESG management approach, strategies, priorities, objectives and explain how they relate to its business. It could discuss the issuer’s management, measurement and monitoring system to implement its ESG strategies.
17. An ESG report could also discuss ESG opportunities, risks, challenges and how they are addressed. For example, a telecommunication company may see an opportunity to promote teleconferencing as an alternative to travel due to climate change concerns. An information and technology company may see the damage to its reputation from a breach in consumer privacy as an ESG risk.

#### *Reporting on line items*

18. The Guide does not provide a definition for each KPI. An issuer could explain how the KPIs are calculated and include information that is necessary for interpreting the KPIs. It may use the same definition and calculation method each period for comparison over time. If there is a change to the definition or

calculation method, the issuer could explain the difference and reason for the change.

19. Over time, an issuer may present time series of data for comparison over a period already reported on. The time period used may be consistent for every report.
20. An issuer may report line items with objective and representative industry benchmarks.
21. Quantitative information could be presented in a table format.

Yes

No (see comments)

If your answer is “No”, please give reasons and alternative views.

The reporting companies should state their reporting practices including the methods, frameworks and standards used to define and calculate KPIs (for example, the GRI, the Greenhouse Gas ("GHG") protocol, etc..

To make sure that the information disclosed in relation to KPIs can satisfy the demands of the Guide and is meaningful, we suggest that KPIs should be defined and explained more clearly and precisely. We believe that this will result in greater consistency when comparing sustainability reports of different companies and reduce the risk of subjective interpretation, as well as facilitate companies in getting started with sustainability reporting.

In order to ensure the integrity of disclosure by issuers in certain key industries, the Guide should require certain policies and KPIs and policies relevant to the respective industries to be disclosed. For instance, companies engaged in the production of thermal power, steel, cement, electrolytic aluminium, etc. should disclose their environmental policies and KPIs relevant to pollutant emissions.

#### Key ESG Subject Areas

6. Do you agree with the proposed ESG areas, namely: Workplace Quality, Environmental Protection, Operating Practices and Community Involvement?

Yes

No

If your answer is “No”, please give reasons and alternative views.



- An Economic section should be included, focusing on the economic value generated by the issuer, in order to give the report reader a comprehensive overview of the company (please see GRI indicators EC1-EC9)
- The headings used in some cases limit the ways in which the Guide could be further developed in the future. More general categories should be used.

For instance, GRI, which has the following subject areas, could be used: Economic, Labour, Human Rights, Society and Product Responsibility. The triple bottom line framework could also be considered (environment, social and economic). Alternatively, the four main areas of the UNGC principles - Human Rights, Labour Rights, Environment and Anti-Corruption - could also be adopted. More detailed comments are provided in the next section.

### Aspects for each ESG Area

7. Do you agree with the following proposed aspects?

<b>Areas and aspects</b>	
<b>Aspect A. Workplace quality</b>	
Aspect A1	Working Condition
Aspect A2	Health and safety
Aspect A3	Development and training
Aspect A4	Labour standards
<b>. Environmental protection</b>	
Aspect B1	Emissions
Aspect B2	Use of resources
Aspect B3	The environment and natural resources
<b>C. Operating practices</b>	
Aspect C1	Supply chain management
Aspect C2	Product responsibility
Aspect C3	Anti-corruption
<b>D. Community involvement</b>	
Aspect D1	Community investment

Yes

No

If your answer is “No”, please give reasons and alternative views.

1. Sections B2 and B3: These are vague and could cover similar information. We prefer to keep "use of resources" and remove "the environment and natural resources". If the "use of resources" is retained, more details, such as energy and water consumption, and any other natural resources that are significant to the operations of the issuer, could be added.
2. Section B2 and B3: Other aspects, such as materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance could be included to ensure alignment with GRI. Furthermore, waste and use of "toxic substances that require special health and safety considerations" could also be added.
3. Section C: This section does not capture the benefits of sustainability to an issuer. It could be made to incorporate such features as Life-cycle Analysis. Product Responsibility should include Service Responsibility and should cover responsibility for both up-stream and downstream operations.
4. Section D: This could be re-named as "Community Impact" which is a broader concept which focuses on both improving positive impacts and reducing negative impacts. The word "impact" also suggests that there has been an outcome, whereas "involvement" does not.
5. "Aspect A", next to "Workplace quality" in the table above should be deleted
6. "B" should be added to "Environmental Protection".

**A. Workplace quality**

Aspect A1    Working conditions

8. Do you agree with the following general disclosure for Aspect A1: Working conditions?

Information on:

- (a) the policies; and
- (b) compliance and material non-compliance with relevant standards, rules and regulations

on compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare.

- Yes, subject to the point raised as a general comment in Q1 regarding these general disclosures, and the comment below
- No

All the following KPIs, where relevant, should also provide a gender categorisation (please see GRI 3.1 updates in relation to GRI 3.0).

If your answer is "No", please give reasons and alternative views.

9. Do you agree to include KPI A1.1: "Total workforce by employment type, age group and geographical region"?

Yes (

No

If your answer is “No”, please give reasons and alternative views.

10. Do you agree to include KPI A1.2: “Employee turnover rate by age group and geographical region”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

11. Do you have any additional KPIs for Aspect A1?

Yes

No

Please give reasons for your proposals.

In order to reflect the characteristics of "diversification", KPIs such as "Composition of the governance body and employees, by gender, age and other indicators of diversity" and " Ratios for standard entry-level wages for females and males at significant operating locations" should also be considered.

Aspect A2    Health and safety

12. Do you agree with the following general disclosure for Aspect A2: Health and safety?

Information on:

(a) the policies; and

(b) compliance and material non-compliance with relevant standards, rules and regulations

on providing a safe working environment and protecting employees from

occupational hazards.

Yes ,subject to the point raised as a general comment in Q1 regarding these general disclosures and the comment below

No

All the following KPIs, where relevant, should also provide a gender categorisation (please see GRI 3.1 updates in relation to GRI 3.0).

If your answer is “No”, please give reasons and alternative views.

13. Do you agree to include KPI A2.1: “Fatality number and rate”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

This KPI should be expressed in terms of an absolute number and not a ratio since ratios can be designed to "hide" fatality information or conceal poor performance.

14. Do you agree to include KPI A2.2: “Lost days due to work injury”?

The definition of this KPI should be made in accordance with GRI, to make it comparable to other reporting companies since this is a widely used indicator.

Yes (please see the comments)

No

If your answer is “No”, please give reasons and alternative views.

15. Do you agree to include KPI A2.3: “Description of occupational health and safety measures adopted how they are implemented and monitored”?

Yes

No

If you answer is “No”, please give reasons and alternate views.

16. Do you have any additional KPIs for Aspect A2?

Yes

No

Please give reasons for your proposals.

Including a measure of occupational diseases is also important here. For instance, "Rate of occupational diseases by gender", calculated on total hours worked.

Occupational diseases is highly relevant considering that many companies listed in Hong Kong are service companies or companies with high intellectual capital, where occupational diseases such as stress, will give a better indication of the health and safety of the employees. Lost time injuries are more applicable to manufacturing companies. For some industries and companies, both KPIs will be of use.

Aspect A3    Development and training

17. Do you agree with the following general disclosure for Aspect A3: Development and training?

Policies on improving employees' knowledge and skills for discharging duties at work.

Training refers to vocational training. It may include internal and external courses paid by the employer.

Yes, subject to the point raised as a general comment in Q1 regarding these general disclosures and the comment below

No

We basically agree but suggest "disclose the promotion policies" could be regarded as a KPI in order to provide information on how the company develops its employees.

If your answer is "No", please give reasons and alternative views.

18. Do you agree to include KPI A3.1: "Description of training activities provided and if relevant, the percentage of employees trained by employee category (e.g. senior management, middle management, etc.)"?

Yes

No

If your answer is “No”, please give reasons and alternative views.

19. Do you agree to include KPI A3.2: “The average training hours completed per employee by employee category”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

20. Do you have any additional KPIs for Aspect A3?

Yes

No

Please give reasons for your proposals.

It is important to include a measure of the "number of employees receiving performance reviews and career development reviews".

To demonstrate commitment to CSR/Sustainability by management, a KPI that relates to bonuses that top management are paid in relation to their performance in this area could be included.

Aspect A4    Labour standards

21. Do you agree with the following general disclosure for Aspect A4: Labour standards?

Information on:

(a) the policies; and

(b) compliance and material non-compliance with relevant standards, rules and regulations

on preventing child or forced labour.

Yes, subject to the point raised as a general comment in Q1 regarding these general disclosures

No

If your answer is “No”, please give reasons and alternative views.

22. Do you agree to include KPI A4.1: “Description of measures to review employment practices to avoid child and forced labour”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

- Do you agree to include KPI A4.2: “Description of steps taken to eliminate such practices when discovered”?

Yes (see comments below)

No

If you answer is “No”, please give reasons and alternate views.

The wording implies that you are only responsible if you discover such practices and that there is only a responsibility to act when such practices are detected, without any obligation in relation to the identification, prevention and control of forced labour. Therefore, "when discovered" should be removed from the sentence.

23. Do you have any additional KPIs for Aspect A4?

Yes

No

Please give reasons for your proposals.

We suggest the following:

1. An indicator on "forced labour" should be included. For example, "A percentage of operations and suppliers identified as having a significant risk in relation to incidents of forced labour, and measures adopted to contribute to the elimination/mitigation of all forms of forced or compulsory labour."
2. A KPI on "the relationship between labour and management" should be included. For example, "Percentage of employees covered by collective bargaining agreements" and "Minimum notice period(s) regarding significant operational changes, including whether these notice periods are specified in collective agreements".

## B. Environmental protection

### Aspect B1    Emissions

24. Do you agree with the following general disclosure for Aspect B1: Emissions?

Information on:

- (a) the policies; and
- (b) compliance and material non-compliance with relevant standards, rules and regulations

on air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.

Air emissions include NO<sub>x</sub>, SO<sub>x</sub>, and other pollutants regulated under national laws and regulations.

Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Hazardous wastes are those defined by national regulations.

- Yes, subject to the point raised as a general comment in Q1 regarding these general disclosures, as well as the comment below
- No

If your answer is “No”, please give reasons and alternative views.

- In addition, "emissions" is too broad a term and, in some instances, is not appropriate. The term used by the GRI, "emissions, effluents and waste" is more appropriate.
- Defining the KPIs by using the GHG Protocol's scope and methodology could also be considered and a reference to the GHG protocol would therefore be appropriate.
- The guide should also include ozone depleting substances in "air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc." above.

25. Do you agree to include KPI B1.1: “The types of emissions and respective emissions data”?

- Yes
- No

If your answer is “No”, please give reasons and alternative views.



Our suggestions are as follows:

1. The units used to calculate "emissions data" should be clarified.
2. It is unclear how this indicator is separated from indicators B1.2 . It is not clear whether this KPI is meant to refer to air emissions of other pollutants such as NO<sub>x</sub>, SO<sub>x</sub>, etc. Therefore, this indicator could be defined with greater clarity.

26. Do you agree to include KPI B1.2: “Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)?

Yes

No

If your answer is “No”, please give reasons and alternative views.

The wording "and where appropriate" makes the KPI optional and so should be removed. This implies to all the following KPIs with the same wording.

27. Do you agree to include KPI B1.3: “Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)?”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

See Q26

28. Do you agree to include KPI B1.4: “Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)?”?

Yes (see comment))

No

If your answer is “No”, please give reasons and alternative views.

See Q26

Additional Comment: KPIs could be designed to support the waste hierarchy "reduce, reuse and recycle". For example, the following KPIs could be adopted: "reused materials as a percentage of total materials" or "recycled materials as a percentage of total materials".

29. Do you agree to include KPI B1.5: "Description of measures to mitigate emissions and results achieved"?

Yes

No

If your answer is "No", please give reasons and alternative views.

The description could be clearer. It is unclear whether the KPI refers to GHG emissions only or emissions of other pollutants as well.

30. Do you agree to include KPI B1.6: "Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved"?

Yes

No

If your answer is "No", please give reasons and alternative views.

Please see additional comment under Q28.

31. Do you have any additional KPIs for Aspect B1?

Yes

No

Please give reasons for your proposals.

Our suggestions are as follows:

1. KPIs on significant spills should also be considered, such as "Total number and volume of significant spills."

2. Some standard disclosures could be added. For example, "Monetary value of significant fines and total number of non-monetary sanctions for cases of non-compliance with environmental laws and regulations."

3. A KPI on water discharge, i.e. "Total water discharge by volume, quality and destination".

5. KPIs on "Total number of environmental breaches" as well as "Total number of complaints" (for example, on odours, noise, etc.) could be added.

Aspect B2    Use of resources

32. Do you agree with the following general disclosure for Aspect B2: Use of resources?

Policies on efficient use of resources including energy, water and other raw materials.

Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.

Yes, subject to the point raised as a general comment in Q1 regarding these general disclosures, as well as the comment below

No

If your answer is “No”, please give reasons and alternate views.

We suggest that use of resources should also include "raw materials extraction and processing".

33. Do you agree to include KPI B2.1: “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)”?

Yes

No

If your answer is “No”, please give reasons and alternate views.

We also suggest that the KPI refers to "direct" energy consumption to make the wording clearer.

34. Do you agree to include KPI B2.2: “Water consumption in total and intensity (e.g. per unit of production volume, per facility)”?

Yes

No

If your answer is “No”, please give reasons and alternate views.

35. Do you agree to include KPI B2.3: “Description of energy use efficiency initiatives and results achieved”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

36. Do you agree to include KPI B2.4: “Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved”?

Yes (see comment)

No

If your answer is “No”, please give reasons and alternative views.

The "description of whether there is any issue in sourcing water that is fit for purpose" .is unclear as it does not create a linkage to the underlying issue. We suggest that this KPI is divided into two KPIs with the following phrasing: "Description of wider community impact and opportunity cost on the community in relation to the sourcing of water" and the "Description of water efficiency initiatives and results achieved".

37. Do you agree to include KPI B2.5: “Total packaging material used (in tonnes), and if applicable, with reference to per unit produced”?

Yes

No (see comment)

If your answer is “No”, please give reasons and alternative views.

The wording "total packaging materials used" is unclear. Total packaging that comes from raw materials will either eventually be recycled to become a bi-product or will become waste. Packaging should therefore be controlled by KPIs relating to waste, to ensure that no double-counting takes place.

Additional Comment: To have any control over packaging from raw materials requires working with suppliers, which is a good approach. Total packaging out (e.g. packaging for finished products) can be reduced but this requires cooperation with customers. Factors such as product safety also need to be taken into consideration. We suggest that the KPI is changed to "Total packaging materials used for finished goods and intensity (e.g. per unit of production volume, per sold goods) and that an additional KPI is designed "Description of collaboration actions with clients and suppliers to reduce packaging"

38. Do you have any additional KPIs for Aspect B2?

Yes

No

Please give reasons for your proposals.

A disclosure on "raw materials" should be considered. For example, "Materials used by weight or volume "and "Percentage of materials used that are recycled as input materials."

We suggest that the following KPI is included –"Percentage of water reused or percentage of water recycled as a proportion of total water usage and the total amount of waste water.

Aspect B3     The environment and natural resources

39. Do you agree with the following general disclosure for Aspect B3: The environment and natural resources?

Policies on minimizing the operation's significant impact on the environment and natural resources.

Yes

No

If your answer is "No", please give reasons and alternative views.

Aspect B3 should be included under Aspect B2.

In order to encourage issuers to adopt best practices, policies under Aspect B should require the performance of Life Cycle Assessments as a means of improving issuers' competitive advantage. The policies should emphasise actions that improve cooperation with suppliers and customers across the entire value chain.

40. Do you agree to include KPI B3.1: "Total paper used"?

Yes

No

If your answer is "No", please give reasons and alternative views.

In order to be consistent, the Guide should offer examples of units of measurements for all KPIs. In this case, it could be kilograms or tonnes.

41. Do you agree to include KPI B3.2: "Paper use efficiency initiatives and results achieved"?

Yes

No

If your answer is "No", please give reasons and alternative views.

42. Do you agree to include KPI B3.3: "Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them"?

Yes

No

If your answer is "No", please give reasons and alternative views.

This could be made more precise i.e. "Description of the significant impacts of activities on the environment and natural resources throughout the product life cycle and the actions taken to manage them". Furthermore, this KPI could be divided into several sub KPIs as the related issue is very broad (see Q43).

43. Do you have any additional KPIs for Aspect B3?

Yes

No

Please give reasons for your proposals.

In relation to KPI B3.3, the following sub-KPIs should be considered:

- Significant impacts of activities on the environment and natural resources, relating to sourcing and the actions taken to manage them
- Significant impacts of activities on the environment and natural resources, relating to production and the actions taken to manage them
- Significant impacts of activities on the environment and natural resources, relating to transport and the actions taken to manage them
- Significant impacts of activities on the environment and natural resources, relating to sales and marketing and the actions taken to manage them
- Significant impacts of activities on the environment and natural resources, relating to when the product is consumed or further refined by clients and the actions taken to manage them

The following KPIs could be considered and included:

- Description of actions taken to cooperate with suppliers regarding minimizing the environmental and social impact of products, and their outcome
- Description of actions taken to cooperate with clients regarding minimizing the environmental and social impact of products, and their outcome
- Description of actions taken to cooperate on an industry/sector level regarding minimizing the environmental and social impact of products, and their outcome
- Description of actions taken to improve efficiency of buildings, and their outcome

**C. Operating practices**

Aspect C1    Supply chain management

44. Do you agree with the following general disclosure for Aspect C1: Supply chain management?

Policies on risk management of supply chain.

Yes, subject to the point raised as a general comment in Q1 regarding these general disclosures and the comment below

No

If your answer is “No”, please give reasons and alternative views.

Supply chain management covers a wide range of issues and so this section should emphasise the fact that policies should address both social and environmental matters relating to suppliers. Furthermore, CSR and sustainability-related issues are often in conflict with traditional supply chain concerns such as price, product quality, delivery on time, etc.. The policies that issuers establish should address these conflicting requirements.

45. Do you agree to include KPI C1.1: “Number of suppliers by geographical region”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

This indicator might bring better value if it is combined with or changed into a KPI on "Number of suppliers evaluated as having significant risks relating to CSR and Sustainability". Such a KPI would effectively require issuers to carry out a sustainability risk assessment regarding each supplier. This should be supported by KPIs that relate to the actions that are determined should be taken to reduce the significant risks identified. The geographic location of suppliers is only one element in such a risk assessment.

46. Do you agree to include 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”?

Yes (see comment)

No

If your answer is “No”, please give reasons and alternative views.

47. Do you have any additional KPIs for Aspect C1?

Yes

No

Please give reasons for your proposals

Please see Q45.

Aspect C2    Product responsibility

48. Do you agree with the following general disclosure for Aspect C2: Product responsibility?

Information on:



- (a) the policies; and
- (b) compliance and material non-compliance with relevant standards, rules and regulations

on health and safety, advertising, labelling, privacy and methods of redress.

Yes, subject to the point raised as a general comment in Q1 regarding the general disclosure and the comment below

No

If your answer is “No”, please give reasons and alternative views.

Product responsibility should cover all phases of the product life cycle such as sourcing, production, marketing and sales, as well as use of the product and turning the product into waste, not just regulatory compliance as shown above. The life cycle analysis methodology ensures that environmental and social impacts are incorporated into the product value chain.

49. Do you agree to include KPI C2.1: “Percentage of total products sold or shipped subject to recalls for safety and health reasons”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

50. Do you agree to include KPI C2.2: “Number of products and service related complaints received and how they are dealt with”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

51. Do you agree to include KPI C2.3: “Description of practices relating to observing and protecting intellectual property rights”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

52. Do you agree to include KPI C2.4: “Description of quality assurance process and recall procedures”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

53. Do you agree to include KPI C2.5: “Description of consumer data protection and privacy policies, how they are implemented and monitored”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

54. Do you have additional KPIs for Aspect C2?

Yes

No

Please give reasons for your proposals.

Aspect C3     Anti-corruption

Our proposals are as follows:

1. KPIs relating to "customer satisfaction" should be included.
2. KPIs on compliance, for instance, "Monetary value of fines incurred for non-compliance with laws and regulations concerning the provision and use of products and services."
3. We suggest adding KPIs on marketing/communications, for instance, "Programs for adherence to laws, addressing "green washing" (i.e. unbalanced or misleading information on activities relating to sustainability) and voluntary codes relating to marketing/communications, including advertising, promotion and sponsorship.
4. We suggest a description of how the product contributes to society and its stakeholders compared with the resources consumed in its production as well as the negative social and environmental impacts it might have. This will support the company's justification for operating.

55. Do you agree with the following general disclosure for Aspect C3: Anti-corruption?

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.

Yes, subject to the point raised as a general comment in Q1 regarding the general disclosure

No

If your answer is "No", please give reasons and alternative views.

56. Do you agree to include 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"?

Yes

No

If your answer is "No", please give reasons and alternative views.

57. Do you agree to include KPI C3.2: “Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored”?

Yes please see comment

No

If your answer is “No”, please give reasons and alternative views.

We suggest that a different phrasing of this KPI is considered since whistle-blowing procedures are an example of a preventative as well as detective measure. We suggest the following wording: “Provide a description of preventive and detective measures (such as whistleblowing procedures) and how these are implemented and monitored, as well as the outcome of these measures”

58. Do you have any additional KPIs for Aspect C3?

Yes

No

Please give reasons for your proposals.

To ensure that the risks are properly considered and handled we suggest that a KPI is added as follows: "The description of the approach to assessing bribery and corruption risks and of the initiatives taken to reduce them ".

## **D. Community involvement**

### Aspect D1    Community investment

59. Do you agree with the following general disclosure for Aspect D1: Community investment?

Policies on understanding the community’s needs in locations where the company operates and ensuring its activities takes into consideration community interests.

Yes, subject to the point raised as a general comment in Q1 regarding the general disclosure and in Q7

No

If your answer is “No”, please give reasons and alternative views.

Do you agree to include KPI D1.1: “Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

60. Do you agree to include KPI D1.2: “Resources contributed (e.g. money or time) to the focus areas”?

Yes

No (see comment)

If your answer is “No”, please give reasons and alternative views.

We suggest the following rephrasing of the KPI: "Investments made (e.g. money or time) that brings value, to the focus area"

Contributing money may not always be positive since it might make the recipient in question less able to depend on it-self. The word "investment" is stronger than "contribution" and adding "value" indicates that the investment is measured in terms of the value generated instead of simply its monetary amount. Also, certain investments may have a limited cost but lead to very valuable benefits.

61. Do you have any additional KPIs for Aspect D1?

Yes

No

Please give reasons for your proposals.

We suggest that the following indicators are included:

"Percentage of operations implemented local community engagement, impact assessment, and development programs."

"Operations with significant potential or actual negative impacts on local communities"

"Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities"

## Assurance

62. Do you agree that we should not recommend that issuers to seek external assurance for issuers that report on ESG performance?

Yes

No

If your answer is “No”, please give reasons and alternative views.

<p>We strongly disagree with this for the following reasons:</p> <ul style="list-style-type: none"><li>• Third party assurance is required in order to avoid ESG reports being written simply for corporate publicity purposes and to ensure that stakeholders find reports meaningful and accurate.</li><li>• Without requiring external assurance, giving guidelines for definitions of KPIs or demanding that reporting principles are described reduces the chance that the Guide will actually be implemented by issuers or adopted with an acceptable level of quality.</li><li>• Best practice reporting requires external assurance meaning that the Guide, as it does not require this, does not support best practice.</li><li>• Reporting of sustainability data is often performed by employees with limited or no financial or reporting data experience, in organisations with generally immature sustainability reporting practices and control structures. Therefore, external assurance is important to support the development of sustainability reporting practices as well as to ensure reporting quality.</li><li>• Not using external assurance will make it difficult for companies to move towards integrated reporting.</li><li>• Assurance provides trustworthiness of reporting and credibility to performance to stakeholders. It also provides confirmation that the report and management's processes meet the requirements of reporting guidelines.</li></ul>
<p>Furthermore, not to recommend that companies provide assurance on their sustainability data implies that sustainability data is less important than financial data. This approach will send the wrong message to issuers and their stakeholders regarding the growing significance and relevance of sustainability data.</p>

- End 002D