



The Chamber of Hong Kong Listed Companies (“CHKLC”)

Response to Consultation by Hong Kong Exchanges and Clearing Ltd on draft Environmental, Social and Governance (“ESG”) Reporting Guide

Introduction

CHKLC welcomes the growing trend for listed issuers to extend reporting beyond purely financial matters, and to include discussion on other matters such as environmental policies and community involvement, as already recommended by paragraph 52 of Appendix 16 to the Main Board Listing Rules (“MBLR”). We note that the Companies Bill proposes to add to, and strengthen, such reporting for all companies, by including a statutory requirement for the directors’ report to include a discussion of such matters.

Against this background, CHKLC sees the merit of HKEx providing some structured guidance on how to report on ESG for Hong Kong listed issuers to make reference to. However, we are mindful that any new regulatory initiatives should be based on demonstrated needs and that the resulting benefits should exceed the costs. This is particularly pertinent, given that there are already strong commercial incentives on listed issuers to report on these matters in the absence of regulation, as set out in paragraph 44 of the consultation paper.

With that in mind, CHKLC’s views are, in summary, that it supports HKEx’s proposals insofar as they identify the ESG subject areas, items under those subject areas and general disclosures. However, there are reservations about the key performance indicators (“KPIs”) in the proposed ESG Guide. The reasons for these views are set out below. Our corresponding answers to the consultation questions are set out in the Annex.

ESG subject areas, items and general disclosures

The key purpose of the proposed ESG Guide is “to give more guidance as to what should be disclosed under each ESG subject area”(paragraph 64 of the consultation paper). As a matter of principle, CHKLC supports this objective, in terms of giving more content to the existing ESG recommendation in paragraph 52 of Appendix 16 of MBLR. Paragraph 52 refers in broad terms to “environmental”, and “community, social, ethical and reputational issues”. We believe that there may be some value for listed issuers, investors and other stakeholders in breaking these general concepts down into more specific subjects, as set out in the proposed ESG Guide. This may assist issuers in reporting, and achieve a degree of consistency amongst issuers as to the matters on which they report, for the benefit of investors and other interested parties.

In this respect, we have no objection to the four proposed ESG subject areas in the guide (workplace quality, environmental protection, operating practices and community involvement) as set out in paragraph 92 of the consultation paper. Nor do we have any objection to the proposed items under each of these subject areas in question 7, or to the

proposed general disclosures under each of these items, on the understanding (as noted in the consultation paper) that not all of these disclosures will be relevant to all companies. We do, however, have concerns about the concept of KPIs.

Why KPIs are problematic

Our main concerns about the inclusion of KPIs in the ESG Guide are as follows:

1. The concept of “performance” as applied to the area of ESG is in an inherently subjective and arbitrary concept. Unlike profits, which can be measured arithmetically, and therefore objectively, what constitutes good performance in the eyes of one investor or shareholder may not be good enough, or even too much, in the eyes of another, particularly if profits suffer as a result. There is simply no objective measure of “performance” in the area of ESG.
2. The concept of KPIs goes well beyond what we understand to be the purpose of the ESG Guide as noted above, namely to give guidance on the subject matters to be discussed under each of the broad categories set out in the existing listing rules. The concept of KPIs would also go considerably beyond the existing recommendations and proposed requirements in the MBLR and Companies Bill respectively. No need for such KPIs has been shown.
3. Some of the KPIs would involve extremely onerous data collection and analysis, which may be of limited use to investors or other stakeholders. A particularly heavy and excessive burden would be imposed on companies with diverse and/or international operations. This comment is particularly applicable to the proposed KPIs under the heading of Environmental Protection. In other words, the costs of collecting such information (to the extent that such collection is not necessary to ensure compliance with existing legal requirements) exceed any benefits.
4. Since the Guide would still leave issuers with the discretion to choose which KPIs are relevant to which of their businesses (if any), and what period each report should cover, their utility as a benchmarking tool to assess “performance” in the area of ESG (which is presumably what they are intended for) is in any event limited.
5. Many of the proposed KPIs involve subjective interpretations, again limiting their usefulness. An example is proposed KPI C2.2 (“number of products and service-related complaints received and how they are dealt with”). What constitutes a “complaint” for this purpose may vary from company to company and some industries, particularly those involving complex products or services, may inherently be more susceptible to complaints than others.
6. Some of the proposed KPIs do not actually indicate “performance” (however that may be defined) but are simply further disclosures. For example, proposed KPI C1.1 states “Number of suppliers by geographical region”. This is proposed under the item “policies on risk management of supply chain” – but it is difficult to see how these statistics can provide a measure of how effectively a listed issuer manages the risks in its supply chain.
7. Some of the KPIs will inevitably encourage unproductive public criticism of listed issuers by the media and special interest groups, for not doing enough to cater for the perceived needs of individual interest groups. This is particularly the case of aspect D

(community involvement) where one of the proposed KPI's is "resources contributed (e.g. money or time)".

In summary, we believe that the concept of KPIs is problematic and is likely to cause undesirable consequences to listed issuers. The best way for issuers to monitor and (if appropriate) adapt their activities in the ESG area is to continue to respond as they see fit, in a balanced way, to the needs and expectations of shareholders, investors and other stakeholders. This is particularly important given that views, even within each of these groups, will vary substantially as to the relative importance of each ESG area or item. Issuers should be left to respond in a measured way to the market, subject to compliance with legal requirements and the existing listing rules, as enhanced by the additional guidance on subjects for reporting provided in the draft ESG guide. The existing commercial incentives referred to in the consultation paper are sufficient to ensure that they do so.

In the event HKEx maintains that KPIs are necessary, they should not be focused on the quantitative dimension in order to avoid misleading interpretation and wrongful comparison between companies and industries. Issuers should be allowed and encouraged to use qualitative measurements as suitable or appropriate to them. In addition, given the objective of this ESG Reporting Guide is to encourage ESG reporting, the KPIs should be focused less on the negative performance of the subject areas (such as non-compliance of standards, complaints received, fatality rates, product recalls, etc) but on the strategies and measures adopted to improve performance in the subject areas. Focusing on negativity would only discourage issuers from reporting and defeat the purpose of the ESG Reporting Guide.

Our response to the individual questions are appended.

Yours sincerely

The Chamber of Hong Kong Listed Companies

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.

We agree that the ESG Guide, when the content is finally agreed, should be an RBP appended to the Listing Rules. But we have a number of significant amendments to suggest to the draft ESG Guide, as set out in the rest of the answers to this questionnaire

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.

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.

Regarding paragraph 4 under the Introduction section, we agree that an issuer may disclose the ESG information in its annual report or in a separate report. If the ESG information is to be disclosed in the annual report, it may be disclosed under a separate section of the annual report or as a part of the management discussion and analysis. We notice that some of the disclosure under paragraph 52 of Appendix 16 overlaps with the disclosure requirements under the ESG Guide, therefore we suggest removing those provisions, for example, paragraphs 52(vi)-(viii), from Appendix 16 and to place them under the ESG Guide.

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

No

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

In paragraph 11 under the "Engage stakeholders" section, we recommend changing the wordings from "It is important to engage shareholders..." to "Issuers should consider consulting their stakeholders.....". This is to give issuers more flexibility in how they work with their stakeholders in developing their ESG strategies.

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

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

We recommend changing the word “could” that appears in paragraphs 15, 16, 17 to “may”. This is to give issuers more leeway in reporting, and better reflects the voluntary basis of ESG reporting. For paragraph 15, we propose to add the phrase “but not obligated to” in the first sentence, so that it reads “Once an issuer starts reporting, it may continue, but not obligated to, to do so regularly.” This has the benefits of lessening the burden on the issuers and may in fact encourage them to report knowing that if it proves too burdensome, they could stop in the following year. For the same paragraph 15, we also recommend the deletion of the last sentence that reads “An issuer may also explain why some aspects and KPIs are not reported.” The reason is that since the issuer may select a number of KPIs to report on, for the issuer to explain why some KPIs are not chosen may prove too cumbersome. Rather, the issuer should explain the significance of those KPIs that are being reported.

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.

Aspects for each ESG Area

7. Do you agree with the following proposed aspects?

Areas and aspects	
A. Workplace quality	
Aspect A1	Working Conditions
Aspect A2	Health and safety
Aspect A3	Development and training
Aspect A4	Labour standards
B. Environmental protection	
Aspect B1	Emissions
Aspect B2	Use of resources
Aspect B3	The environment and natural resources
C. Operating practices	
Aspect C1	Supply chain management
Aspect C2	Product responsibility
Aspect C3	Anti-corruption

D. Community involvement

Aspect D1 Community investment

Yes

No

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

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

No

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

We disagree with point (b) where it suggests reporting information on “material non-compliance”. This sounds self-incriminating and may inhibit issuers from doing ESG reporting. The wordings should be made more positive such as “areas of improvements”.

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.

The figures of workforce by employment type, age group and geographical region are strictly speaking not a measurement of success. They are only objective numbers and the purpose of showing them here is not obvious.

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.

Again, these figures are not a measurement of success and it is not meaningful to report them. Some industries, for example sales-oriented industries, have higher mobility than others. Putting down the turnover rate may create a wrongful impression. We recommend taking out this KPI.

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

Yes

No

Please give reasons for your proposals.

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

No

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

We disagree with point (b) where it suggests reporting information on “material non-compliance”. This sounds self-incriminating and may inhibit issuers from doing ESG reporting. The wordings should be made more positive such as “areas of improvements” for example.

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.

As a general principle, we are of the view that issuers should stay away from reporting quantitative numbers especially numbers that carry a negative implication. Citing figures would lead to misleading comparison between companies and between industries. The negativity this produces may discourage companies from reporting ESG at all which is counter-productive to the objective of HKEx. We therefore recommend that this be taken out.

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

Yes

No

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

Same as above. The objective should be for issuers to emphasize preventive measures to ensure workforce safety, rather than on negative figures. We recommend that this be taken out.

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.

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

No

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.

Again, we are of the view that it is best to avoid citing a quantitative number. The amount of training needs differ between companies and between industries. A simple comparison is not meaningful. In addition, the absolute level of training does not indicate company success or improvement in productivity. So we suggest taking this out.

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

Yes

No

Please give reasons for your proposals.

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 (see notes below)

No

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

We disagree with point (b) where it suggests reporting information on “material non-compliance”. This sounds self-incriminating and may inhibit issuers from doing ESG reporting. Wordings should be made more positive such as “areas of improvements” for example.

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.

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

Yes

No

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

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

Yes

No

Please give reasons for your proposals.

B. Environmental protection

Aspect B1 Emissions

25. 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_x, SO_x, 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 (see notes below)

No

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

We disagree with point (b) where it suggests reporting information on “material non-compliance”. This sounds self-incriminating and may inhibit issuers from doing ESG reporting. Wordings should be made more positive such as “areas of improvements” for example.

As for information on the level of greenhouse gas emissions, pollutants, discharges of wastes etc., (relating to subsequent questions Q26-29), CHKLC members participating in the discussion had diverse views. On the one hand, it was thought that for environment-sensitive industries, these are important and so relevant disclosure is warranted. On the other hand, it was expressed that for those environment-sensitive industries, disclosure is required by legislation already, thus additional disclosure here is not necessary. And for industries that are non-environment-sensitive, for them to produce this information is very costly and time-consuming and even not meaningful. Although disclosure is not mandatory, keeping them as KPIs would produce social pressure for disclosure. This would place unnecessary pressure on issuers to commit time and management resources to collect and disclose data that may not be very useful and meaningful to stakeholders.

26. 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.

27. 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.

28. 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.

29. 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

No

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

30. 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.

31. 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.

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

Yes

No

Please give reasons for your proposals.

Aspect B2 Use of resources

33. 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

No

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

34. 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.

Our views are that quantitative numbers should not be given to avoid wrongful comparison.

35. 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.

Our views are that quantitative numbers should not be given to avoid wrongful comparison.

36. 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.

37. 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

No

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

38. 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

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

Our views are that quantitative numbers should not be given to avoid wrongful comparison.

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

Yes

No

Please give reasons for your proposals.

Aspect B3 The environment and natural resources

40. 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.

41. Do you agree to include KPI B3.1: “Total paper used”?

Yes

No

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

Our views are that quantitative numbers should not be given to avoid wrongful comparison.

42. 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.

43. 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.

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

Yes

No

Please give reasons for your proposals.

C. Operating practices

Aspect C1 Supply chain management

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

Policies on risk management of supply chain.

Yes

No

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

46. 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.

We are of the view that this information is irrelevant to the objective of ESG.

47. 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

No

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

We agree to reporting a general description of practices relating to engaging suppliers but are of the view that further disclosure of where and how the practices are being implemented and monitored are excessive and unnecessary.

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

Yes

No

Please give reasons for your proposals

Aspect C2 Product responsibility

49. 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 (please see notes below)

No

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

We disagree with point (b) where it suggests reporting information on “material non-compliance”. This sounds self-incriminating and may inhibit issuers from doing ESG reporting. Wordings should be made more positive such as “areas of improvements” for example.

50. 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.

This focuses on negativity and is self-incriminating. This may discourage issuers from reporting.

51. 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.

This focuses on negativity and is self-incriminating. This may discourage issuers from reporting. Emphasis could be on the complaints handling system.

52. 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.

53. 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.

54. 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.

55. Do you have additional KPIs for Aspect C2?

Yes

No

Please give reasons for your proposals.

Aspect C3 Anti-corruption

56. 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

No

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

We disagree with point (b) where it suggests reporting information on “material non-compliance”. This sounds self-incriminating and may inhibit issuers from doing ESG reporting. Wordings should be made more positive such as “areas of improvements” for example.

57. 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.

Again, this focuses on negativity and is quantitative. It would discourage reporting. We are of the view that issuers could disclose their anti-corruption practices instead.

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

Yes

No

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

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

Yes

No

Please give reasons for your proposals.

D. Community involvement

Aspect D1 Community investment

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

Policies on understanding the community's needs in where it operates and ensuring its activities takes into consideration of communities' interests.

Yes

No

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

61. 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.

62. Do you agree to include KPI D1.2: "Resources contributed (e.g. money or time) to the focus area"?

Yes

No

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

Putting a dollar value to the contribution may create unhealthy comparison between companies and mislead the public and the media to focus on the dollar amount but not the spirit behind.

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

Yes

No

Please give reasons for your proposals.

Assurance

64. 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.

- End -