

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEx website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201507.pdf>

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

1. Do you agree with our proposal to amend Rule 13.91 to require issuers to disclose in their annual reports or ESG reports whether they have complied with the “comply or explain” provisions in the ESG Guide and if they have not, they must give considered reasons in the ESG reports?

Yes

Reasons for my views.

Disclosure of compliance or explanation of non-compliance:
1) Provides report users with helpful information; and,
2) is necessary to ensure effectiveness of the new provisions.

2. Do you agree with our proposal to amend Rule 13.91 to require the issuer to report on ESG annually and regarding the same period covered in its annual report?

Yes

Reasons for my views.

ESG reporting should be aligned with the annual report to ensure a holistic view of company performance is available to stakeholders. Further to make it easier for shareholders to start assigning weight to ESG factors when valuing companies.

3. Do you agree with our proposal to include a Note under Rule 13.91 to clarify that:

- (i) an ESG report may be presented as information in its annual report, in a separate report, or on the issuer’s website; and
- (ii) the issuer should publish the ESG report as close as possible to, and in any event no later than three months after, the publication of the issuer’s annual report?

Yes

Reasons for my views.

The physical location of the ESG report is not critical as long as it is clear where the information can be found. With increasing use of the internet leading jurisdictions are moving from having one physical report to having a number of separate reports on sets of information on the internet. The destination suggested by Integrated Reporting is to have a short report as the key document for users with supporting financial statements and ESG data.

To facilitate readers finding the ESG information and the extent of compliance with the guidelines:

- 1) Rule 13:91 should require the location of the ESG information to be given in the main index to the Annual Report together with whether the ESG report complies with the guidelines.**
- 2) The HKEx Guidelines should also require the ESG report to have an index which sets out where each item can be found and whether it complies with the guidelines**

While it is desirable that the ESG report is published at the same time as the annual report better quality ESG reports should be possible if they are published up to three months after the annual report.

4. Do you agree with our proposal to revise the introductory section of the Guide into four areas (i.e. “The Guide”, “Overall Approach”, “Reporting Principles” and “Complementing ESG Discussions in the Business Review Section of the Directors’ Report”), and with the wording set out in Appendix II to the Consultation Paper?

Yes **but see caveat.**

Caveat and reasons for my views.

HKEx should also publish notes on the extent to which the Disclosures specified in its Guidelines differ from Disclosures specified the most widely used International Guidelines including GRI. Reasons for doing this:

- 1) To facilitate both report preparers and readers understand reports produced per the HKEx Guidelines and compare these reports with international standards.**
- 2) To make it easier for companies which follow an international guideline to ensure they also comply with the HKEx Guidelines.**

5. Do you agree with the proposed wording of the Reporting Principles (i.e. “Materiality”, “Quantitative”, “Balance” and “Consistency”) in the introductory section of the Guide, as set out in Appendix II to the Consultation Paper?

No

Reasons for my views.

The wording for ‘Materiality’ should be expanded to include ‘Completeness’.

Suggested additional words:

The report should include sufficient coverage of material Aspects to reflect their significant economic, environmental and social impacts, and to enable stakeholders to assess the organisation's performance in the reporting period.

The definition of Balance should have the following additional wording at its start:

The report should reflect positive and negative aspects of the organisation's performance to enable a reasoned assessment of overall performance.

An additional reporting principle of: ‘Clarity’ should be added. Defined as:

The organisation should make information available in a manner that is understandable and accessible to stakeholders using the report.

Additional reporting principle: “Reliability”. Defined as:

The report is prepared in a way that can be subject to examination and that establishes the quality and materiality of the information.

6. Do you agree with the proposed wording in the Guide linking it to Appendix 16 to the Main Board Listing Rules (in relation to the requirement for ESG discussions in the business review section of the directors’ report), as set out in Appendix II to the Consultation Paper?

Yes

Reasons for my views.

It will be helpful to ensure there is consistency between the HKEX ESG reporting guidelines and ESG reporting requirements from other sources e.g. the Companies Ordinance.

It also helps users understand how the sections relate.

7. Do you agree with the proposal to re-arrange the Guide into two Subject Areas (A. Environmental and B. Social) and re-categorise “Workplace Quality”, “Operating Practices” and “Community Involvement” under Subject Area B?

Yes

Reasons for my views. None given.

8. Do you agree with the proposal to change the heading “Workplace Quality” to “Employment and Labour Standards”?

Yes

Reasons for my views. None given.

9. Do you agree with our proposal to upgrade the General Disclosures for each Aspect of the ESG Guide to “comply or explain”?

Yes **but see caveat.**

Caveat and reasons for my views.

While making these ‘comply or explain’ the guide should be modified such that it is not necessary to quantify impacts if they are negligible. This modification will allow organisations with immaterial activity for an Aspect to just report that fact rather than ‘non comply’.

10. Do you agree with our proposal to amend the wording of paragraph (b) under current Aspects A1, A2, A4, B1, C2 and C3, re-numbered Aspects A1, B1, B2, B4, B6 and B7, to “compliance with relevant laws and regulations that have a significant impact on the issuer...” in order to align it with the language of the relevant provisions of the Companies Ordinance?

Yes

Reasons for my views.

There should be consistency between the HKEX ESG reporting guidelines and ESG reporting requirements of the Companies Ordinance.

11. Do you agree with our proposal to revise proposed Aspect A1 (“Emissions”) by upgrading to “comply or explain” the current KPIs B1.1, B1.2, B1.4 and B1.5, re-numbered KPIs A1.1, A1.2, A1.4 and A1.5, concerning disclosure of emissions and non-hazardous waste?

Yes **but see caveat.**

Caveat and reasons for my views.

While making these ‘comply or explain’ the guide should be modified such that it is not necessary to quantify impacts if they are negligible. This modification will allow organisations with immaterial activity for an Aspect to just report that fact rather than ‘non comply’.

12. Do you agree with our proposal to upgrade to “comply or explain” the current KPIs B1.3 and B1.6, re-numbered KPIs A1.3 and A1.6, concerning disclosure of hazardous waste?

Yes but see caveat.

Caveat and reasons for my views.

While making these ‘comply or explain’ the guide should be modified such that it is not necessary to quantify impacts if they are negligible. This modification will allow organisations with immaterial activity for an Aspect to just report that fact rather than ‘non comply’.

13. Do you agree with our proposal to upgrade to “comply or explain” the KPIs under the current Aspect B2, re-numbered Aspect A2, “Use of Resources”?

Yes but see caveat.

Caveat and reasons for my views.

While making these ‘comply or explain’ the guide should be modified such that it is not necessary to quantify impacts if they are negligible. This modification will allow organisations with immaterial activity for an Aspect to just report that fact rather than ‘non comply’.

14. Do you agree with our proposal to upgrade to “comply or explain” the current KPI B3.1, re-numbered KPI A3.1, concerning disclosure of the significant impacts of activities on the environment and natural resources?

Yes but see caveat.

Caveat and reasons for my views.

While making these ‘comply or explain’ the guide should be modified such that it is not necessary to quantify impacts if they are negligible. This modification will allow organisations with immaterial activity for an Aspect to just report that fact rather than ‘non comply’.

15. Do you agree with our proposal to incorporate gender disclosure in proposed Subject Area B. Social, under the sub-heading “Employment and Labour Standards”?

Yes

Reasons for my views. None given

- End -