

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

25th September, 2015

Re: Consultation Paper on Review of the ESG Reporting Guide

Dear Sir/Madam,

On behalf of FTSE Russell, I would like to congratulate the Hong Kong Exchanges and Clearing Limited for its increased efforts to support and stimulate ESG disclosure and practices by listed companies, and support its continuous efforts to align with global standards during this process. It was a pleasure to participate in the recent event hosted by the British Consulate regarding ESG and Carbon disclosure, where co-panelist Ms. Katherine Ng kindly agreed to provide a week's extension to respond to your above consultation.

We would like to express general support to the most recent consultation in regards to the proposed amendments to the ESG Reporting Guide, with the following explicit feedback:

- Upgrade to comply or explain – we support the overall upgrading of the guide to a comply or explain approach. As some of the suggested disclosure requirements may not be relevant to all companies, we would support a comply or explain that focuses on the high level principles, rather than per guidance point, as this may lead to a tick boxing exercise
- Reporting period – we support the suggested guidance to encourage companies to use the same reporting period as their annual report. However, as companies go through an initial learning curve, we would recommend allowing flexibility in the report timing to reflect the growing and changing interests from their shareholders.
- Comply or explain, or recommended disclosure – In the Proposed New Guide section of the Consultation Paper, there are comply or explain and recommended disclosure requirements. It is slightly unclear as to whether the KPIs under the "recommended disclosure" section are voluntary, or "comply or explain". Clarification is recommended.
- Risk and opportunities – the ESG guidelines are mainly focused on the company's operational activities from a risk management perspective. In order to provide the investor with a comprehensive view of the company's value, clear disclosure of revenue derived from core businesses that provide solutions to ESG challenges may also be considered.
- Reporting method – According to the Bloomberg analysis referenced on page 52 of the Consultation Paper, only 37% of sample companies report information solely on their Annual Report. Therefore, whilst companies may be encouraged to include information in their Annual report, it may be challenging at this stage to mandate this 100%. In addition, note that companies may wish to continue to disclose a separate report for their wider non-investor stakeholder.

FTSE Russell continues to work with a wide range of exchanges and listed companies in regards to improving the disclosure and practice on ESG issues, through ESG indices and company ESG evaluation. Should there be any ways we can support the Hong Kong Exchange further in its efforts, please do not hesitate to let us know.

Yours Sincerely,

Arisa Kishigami,
On behalf of FTSE Russell ESG



Arisa Kishigami
Head of ESG, Asia Pacific
FTSE Russell
AKishigami@FTSERussell.com