



September 11, 2015

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

Dear Sirs,

Re: Consultation Paper on Review of the ESG Reporting Guide

The Chamber of Hong Kong Listed Companies (CHKLC) is pleased to respond to the consultation on “Review of the Environmental, Social and Governance Reporting Guide”. Before we answer the questions contained in the consultation paper individually, we would like to state our overall position with regard to the proposal of changing some of the existing requirements from “recommended disclosures” to “comply or explain”.

Overall position

The Chamber is always cautious of “comply or explain” requirements because of the implications it brings to compliance. Although not mandatory as code provisions, from experience, “comply or explain” requirements still impose a high responsibility on issuers to comply due to peer pressure if they do not want to be seen as below-standard. These requirements therefore shall not be taken lightly and are only for matters where such an approach is necessary and where the benefits of this approach far outweigh the costs incurred. *However, we do not see this is the case for ESG disclosure, particularly the quantitative KPI disclosure under the Environmental subject area.*

CHKLC advocates responsible and sustainable business practices. We encourage our members to commit to good ESG practices that are suitable for their own business goals and growth strategies. To this end, we have organised a series of ESG related seminars to help members implement and report their ESG measures and we prepare to continue to do so.

But, we do not underestimate the challenges faced by many issuers in collecting ESG-related data, environmental in particular, especially when it involves business operations in more than one location, including the Mainland China, for example.

As pointed out in your consultation paper, compliance should be in spirit, not just “box-ticking”. If a high number of issuers are uncomfortable about disclosing environmental KPIs, introducing a “comply or explain” requirement may only result in non-compliance or sub-standard disclosure.

- Environment KPIs not relevant for all industries

Certain industries are more environmentally sensitive, for example, power and energy, public transportation, chemicals, etc. There is a strong incentive, and much higher value to be attained, for these types of companies to monitor their environmental impact scientifically and meticulously, in response to stringent regulatory requirements and investment market scrutiny. For them, monitoring and disclosing their environmental impact is a business imperative and they would have little problem to report on the environment KPIs as proposed. In fact, many of these companies are reporting voluntarily and they will continue to do so regardless of the new “comply or explain” requirement. Besides, these companies tend to be single-industry which makes it easier to collect and report data.

But the same cannot be said for companies that are either in non-sensitive sectors or operate in multiple-businesses and multiple-markets. These companies are “low polluters” and do not face the same vigorous regulatory and market scrutiny. They also would have much difficulty in coordinating data collection if they run a large network of operation. To require them to disclose the environment KPIs (albeit on a “comply or explain” basis but in reality little option but complying) would yield no additional benefits and would be very burdensome. The required management time and resources could otherwise be spent on managing the business, monitoring risks, etc. to achieve long term value growth.

- Data disclosed amongst companies not on comparable basis

Your consultation paper stated that companies do not need to follow “hard and fast rules” when complying with the requirements. Although this provides flexibility, what we can foresee is there will be no comparable basis of the data between reporting companies, in terms of areas, scope, definition, methodology of data collection, etc. For investors or analysts who wish to do a market-wide analysis or comparison of performances between companies, these data may not be very helpful, and this calls into question the usefulness of the whole exercise.

- Quantitative KPIs disclosure not international norm

Based on the information provided in your consultation paper, even in other international markets, the requirements for ESG reporting are not as high and wide as those currently proposed for Hong Kong. For example, in Mainland China, only entities that discharge certain key pollutants are required to disclose information on their emissions, such as concentration and total volume. In the EU, the 2014 Directive required only large listed companies with more than 500 employees to disclose their policies, risks and results in ESG-related matters, and there is no mention of quantitative disclosure. In Australia, companies need only to disclose material exposure to ESG-related risks and how they are being managed; and only companies that meet certain thresholds in respect of their emissions, energy production and consumption need to report on such information. Likewise, in the U.S., disclosures are on expenditures on environmental controls and pending environment litigation as well as impact of climate change

on their business; besides, only companies with large source of emissions face disclosure obligations on greenhouse gases, and such requirements are not even imposed by the SEC or exchanges, but under a very specific Greenhouse Gas Reporting Rule from the Environmental Protection Agency.

These examples, quoted directly from your own consultation paper, suggest that the international trend is still towards qualitative disclosure and analysis. Where quantitative disclosure is deemed necessary, it is applicable only to "high polluters". We believe this is a more reasonable and measured approach that what is being proposed for Hong Kong.

### Conclusion

In view of the above, CHKLC does not, at this point in time, support upgrading environmental KPI disclosure to "comply or explain" and across the board. They should remain as recommended disclosures, just like the KPIs under the Social subject area. Issuers should be allowed to decide if it is in their business or fund raising interests to make the extra effort to disclose the KPIs. We believe this will provide the right balance between regulatory concerns and practical consideration of issuers.

If the Exchange nevertheless insists on "upgrading" any disclosures to "comply or explain", this should be limited to the General Disclosures for each Aspect of the ESG Guide. This is in tune with practices in other international markets. We believe this information is more readily available to the management, and at the same time, adequate for shareholders to make an informed assessment of the ESG commitment of their companies. If and to the extent that quantitative KPIs are subject to the "comply or explain" regime (which we do not agree as aforesaid), we propose that all insignificant subsidiaries or associated companies of the listed company will be excluded from such disclosure and reporting requirements. Furthermore, given the costs that are involved, in particular, for small and medium sized listed companies, we further propose that the "comply or explain" regime should be implemented in phases applying first to HSI companies which are in the industry with "high polluters" (as the case in Australia and US) and gradually extending to other listed companies when they are ready.

As stated in the consultation paper, the reporting bar should not be set too high and too prematurely if we do not wish to see box-ticking compliance or simply non-compliance. We believe our suggestion will set the bar at the right level for our market at present.

Yours sincerely,



Mike Wong  
Chief Executive Officer

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## QUESTIONNAIRE ON REVIEW OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

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We invite interested parties to respond to the Consultation Paper on Review of the Environmental, Social and Governance Reporting Guide (**Consultation Paper**), which can be downloaded from the HKEx website at:

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

This Questionnaire contains the Privacy Policy Statement; Part A: General Information of Respondents; and Part B: Consultation Questions.

All responses should be made in writing by completing and returning to HKEx both Part A and Part B of this Questionnaire no later than **18 September 2015** by one of the following methods:

By mail or  
hand delivery to: 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

**Re: Consultation Paper on Review of the ESG Reporting  
Guide**

By fax to: (852) 2524-0149

By e-mail to: [response@hkex.com.hk](mailto:response@hkex.com.hk)

Please mark in the subject line:

**Re: CP on Review of the ESG Reporting Guide**

Our submission enquiry number is (852) 2840-3844.

The names of persons who submit comments together with the whole or part of their submissions may be disclosed to members of the public. If you do not wish your name to be published please indicate so in Part A.

## Privacy Policy Statement

Hong Kong Exchanges and Clearing Limited and from time to time, its subsidiaries, affiliated companies controlling it or under common control with it and its joint ventures (each such entity, from time to time, being "HKEx", "we", "us" or an "affiliate" for the purposes of this Privacy Policy Statement as appropriate) recognises its responsibilities in relation to the collection, holding, processing, use and/or transfer of personal data under the Personal Data (Privacy) Ordinance (Cap. 486) ("PDPO"). Personal data will be collected only for lawful and relevant purposes and all practicable steps will be taken to ensure that personal data held by HKEx is accurate. HKEx will use your personal data in accordance with this Privacy Policy Statement.

We regularly review this Privacy Policy Statement and may from time to time revise it or add specific instructions, policies and terms. Where any changes to this Privacy Policy Statement are material, we will notify you using the contact details you have provided us with and, as required by the PDPO, give you the opportunity to opt out of these changes by means notified to you at that time. Otherwise, in relation to personal data supplied to us through the HKEx website, continued use by you of the HKEx website shall be deemed to be your acceptance of and consent to this Privacy Policy Statement.

If you have any questions about this Privacy Policy Statement or how we use your personal data, please contact us through one of the communication channels below.

HKEx will take all practicable steps to ensure the security of the personal data and to avoid unauthorised or accidental access, erasure or other use. This includes physical, technical and procedural security methods, where appropriate, to ensure that the personal data may only be accessed by authorised personnel.

Please note that if you do not provide us with your personal data (or relevant personal data relating to persons appointed by you to act on your behalf) we may not be able to provide the information, products or services you have asked for or process your request.

### Purpose

From time to time we may collect your personal data such as your name, mailing address, telephone number, email address and login name for the following purposes:

1. to process your applications, subscriptions and registration for our products and services;
2. to perform or discharge the functions of HKEx and any company of which HKEx is the recognised exchange controller (as defined in the Securities and Futures Ordinance (Cap. 571));
3. to provide you with our products and services and administer your account in relation to such products and services;
4. to conduct research and statistical analysis; and
5. other purposes directly relating to any of the above.

## **Direct marketing**

Except to the extent you have already opted out or in future opt out, we may also use your name, mailing address, telephone number and email address to send promotional materials to you and conduct direct marketing activities in relation to our financial services and information services, and related financial services and information services offered by our affiliates.

If you do not wish to receive any promotional and direct marketing materials from HKEx or do not wish to receive particular types of promotional and direct marketing materials or do not wish to receive such materials through any particular means of communication, please contact us through one of the communication channels below.

## **Identity Card Number**

We may also collect your identity card number and process this as required under applicable law or regulation, as required by any regulator having authority over us and, subject to the PDPO, for the purpose of identifying you where it is reasonable for your identity card number to be used for this purpose.

## **Transfers of personal data for direct marketing purposes**

Except to the extent you have already opted out or in future opt out, we may transfer your name, mailing address, telephone number and email address to our affiliates for the purpose of enabling our affiliates to send promotional materials to you and conduct direct marketing activities in relation to their financial services and information services.

## **Other transfers of personal data**

For one or more of the purposes specified above, the personal data may be:

1. transferred to our affiliates and made available to appropriate persons in our affiliates, in Hong Kong or elsewhere and in this regard you consent to the transfer of your data outside of Hong Kong; and
2. supplied to any agent, contractor or third party who provides administrative or other services to HKEx and/or any of our affiliates in Hong Kong or elsewhere.

## **How we use cookies**

If you access our information or services through the HKEx website, you should be aware that cookies are used. Cookies are data files stored on your browser. The HKEx website automatically installs and uses cookies on your browser when you access it. Two kinds of cookies are used on the HKEx website:

**Session Cookies:** temporary cookies that only remain in your browser until the time you leave the HKEx website, which are used to obtain and store configuration information and administer the HKEx website, including carrying information from one page to another as you browse the site so as to, for example, avoid you having to re-enter information on each page that you visit. Session cookies are also used to compile anonymous statistics about the use of the HKEx website.

**Persistent Cookies:** cookies that remain in your browser for a longer period of time for the purpose of compiling anonymous statistics about the use of the HKEx website or to track and record user preferences.

The cookies used in connection with the HKEx website do not contain personal data. You may refuse to accept cookies on your browser by modifying the settings in your browser or internet security software. However, if you do so you may not be able to utilise or activate certain functions available on the HKEx website.

## **Compliance with laws and regulations**

You agree that HKEx and its affiliates may be required to retain, process and/or disclose your personal data in order to comply with applicable laws and regulations, or in order to comply with a court order, subpoena or other legal process, or to comply with a request by a government authority, law enforcement agency or similar body (whether situated in Hong Kong or elsewhere). You also agree that HKEx and its affiliates may need to disclose your personal data in order to enforce any agreement with you, protect our rights, property or safety, or the rights, property or safety of our affiliates and employees.

## **Corporate reorganisation**

As HKEx continues to develop its business, we may reorganise our group structure, undergo a change of control or business combination. In these circumstances it may be the case that your personal data is transferred to a third party who will continue to operate our business or a similar service under either this Privacy Policy Statement or a different privacy policy statement which will be notified to you. Such a third party may be located, and use of your personal data may be made, outside of Hong Kong in connection with such acquisition or reorganisation.

## **Access and correction of personal data**

Under the PDPO, you have the right to ascertain whether HKEx holds your personal data, to obtain a copy of the data, and to correct any data that is inaccurate. You may also request HKEx to inform you of the type of personal data held by it. All data access requests shall be made using the form prescribed by the Privacy Commissioner for Personal Data ("**Privacy Commissioner**") which may be found on the official website of the Office of the Privacy Commissioner.

Requests for access and correction or for information regarding policies and practices and kinds of data held by HKEx should be addressed in writing and sent by post to us (see contact details below).

A reasonable fee may be charged to offset HKEx's administrative and actual costs incurred in complying with your data access requests.

## **Termination or cancellation**

Should your account with us be cancelled or terminated at any time, we shall cease processing your personal data as soon as reasonably practicable following such cancellation or termination, provided that we may keep copies of your data as is reasonably required for archival purposes, for use in relation to any actual or potential dispute, for the purpose of compliance with applicable laws and regulations and for the purpose of enforcing any agreement we have with you, for protecting our rights, property or safety, or the rights, property or safety of our affiliates and employees.

## **Contact us**

By Post:

Personal Data Privacy Officer  
Hong Kong Exchanges and Clearing Limited  
12/F., One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

By Email:

[pdpo@hkex.com.hk](mailto:pdpo@hkex.com.hk)

## Part A General Information of the Respondent

- (1) Please state whether your response represents your personal or your company/entity's view by checking (☒) the boxes below and filling in the information as appropriate:

☒ Company/Entity view

Company/Entity name*: The Chamber of Hong Kong Listed Companies	
Company/Entity type*: <i>HKEx Participant</i> :- <input type="checkbox"/> SEHK <input type="checkbox"/> HKFE <input type="checkbox"/> HKSCC <input type="checkbox"/> SEOCH <input type="checkbox"/> HKCC <input type="checkbox"/> Listed company <input checked="" type="checkbox"/> Professional body / Industry association <input type="checkbox"/> Market practitioner (Type: _____) <input type="checkbox"/> None of the above	
Contact person*: Mr/Ms/Mrs	Mike Wong
Title: Chief Executive Officer	
Phone no.*: 21168922	Email address: mikewong@chkclc.org

☐ Personal view

Respondent's full name*: Mr / Ms / Mrs _____	
Phone no.*: _____	Email address: _____
Among the following, please select the one best describing your position*:	
<input type="checkbox"/> Listed company staff	<input type="checkbox"/> HKEx participant staff <input type="checkbox"/> Retail investor
<input type="checkbox"/> Institutional investor staff	<input type="checkbox"/> None of the above

**Important note:** All fields marked with an asterisk (\*) are mandatory. HKEx may use the contact information above to verify the identity of the respondent. Responses without valid contact details may be treated as invalid.

- (2) Disclosure of identity

HKEx may publish the identity of the respondent together with Part B of this response to the members of public. Respondents who do not wish their identities to be published should check the box below:

☐ I/We do not wish to disclose my/our identity to the members of the public.

 

Signature (with Company/Entity Chop if the response represents company/entity view)

## 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

☐ No

Please give reasons for your views.

*Pls see supplemental sheet. We agree save that “comply or explain” be required only for General Disclosures for each Aspect of the ESG Guide but not KPIs, disclosure of which should remain recommended.*

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

☐ No

Please give reasons for your views.

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

☐ No

Please give reasons for your views.

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

☐ No

Please give reasons for your views.

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?

☒ Yes

☐ No

Please give reasons for your views.

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

☐ No

Please give reasons for your views.

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

☐ No

Please give reasons for your views.

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

☒ Yes

☐ No

Please give reasons for your views.

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

☒ Yes

☐ No

Please give reasons for your views.

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

☐ No

Please give reasons for your views.

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

☒ No

Please give reasons for your views.

*Please see supplemental sheet.*

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

☒ No

Please give reasons for your views.

*Please see supplemental sheet.*

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

☒ No

Please give reasons for your views.

*Please see supplemental sheet*

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

☒ No

Please give reasons for your views.

*Please see supplemental sheet*

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

☐ No

Please give reasons for your views.

*As long as it is recommended. Issuers can decide whether they wish to disclose this information. But in general, we believe gender is not a persuasive indicator of a company's performance or success. Employment or promotion should be based on merit. Besides, issuers in different industries may have different demographic profile that is characteristic of their business nature. For example, a construction company will have a much higher percentage of male employees but does not reflect its employment and labour standards are any poorer.*

- End -