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Corporate Communications Department  
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Dear Sirs

**Re: Consultation Paper on ESG Reporting Guide**

The Hong Kong Institute of Directors (“HKIoD”) is pleased to forward our response to the captioned consultation paper.

HKIoD is Hong Kong’s premier body representing professional directors working together to promote good corporate governance. We are committed to contributing towards the formulation of public policies that are conducive to the advancement of Hong Kong’s international status.

In developing the response, we have consulted our members and organised focused discussions.

Should you require further information regarding our response, please do not hesitate to contact me on tel no. 2889 9986.

With best regards

Yours sincerely

The Hong Kong Institute of Directors



Dr Carlye Tsui  
Chief Executive Officer

cc: Dr Kelvin Wong, Chairman of Council, HKIoD  
Mr Henry Lai, Council Member, HKIoD & Chairman,  
Corporate Governance Committee

Issued on: 25 April 2012

**HKEx Consultation Paper  
on the proposed Environmental, Social and Governance Reporting Guide**

In relation to the captioned Consultation Paper, The Hong Kong Institute of Directors (“HKIoD”) is pleased to present its views and comments.

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**General comments**

HKIoD appreciates the Exchange’s effort to raise the awareness of ESG reporting among issuers. In doing so, issuers should not be left to feel ESG reporting as yet another compliance exercise to add onto their burden.

ESG reporting, if it is to truly showcase its merits, must be understood in the context of the overriding corporate objective at maximizing long term firm value. The board’s role in the process is paramount. If done in the proper context, company boards should realize the business sense that ESG reporting can make. Just as important as it is for company boards to tap into the benefits of ESG reporting, boards must also understand the pitfalls.

***ESG reporting and the board’s role***

The widely-occurring shift towards information and service economy does suggest the increasing weight of “intangibles” in representing company value. Those intangible, extra-financial aspects, if not managed well, can become a liability for the company, knocking down company value. While traditional financial accounting and reporting can still be held out as acceptably adequate to account for tangible assets, it does fall short of capturing the value of intangibles. We can accede to the notion that there is more to business valuation than can be revealed by traditional financial reporting alone. ESG reporting is seen as one mechanism to capture and reveal some of those extra-financial aspects that may affect corporate performance and firm value.

As yet there is not enough evidence that links ESG reporting to financial performance, but it is prejudice to dismiss ESG matters as having no place at creating and adding to firm value. Whether in the older industrial-based or the newer knowledge-based economy, a firm is not likely to truly create value if has no regard to the interests and does not enlist the support of stakeholders. ESG reporting does have the utility of facilitating a fuller and more differentiated assessment of the risks and opportunities brought on by ESG factors. The ability of a company board to identify those risks and manage them, and the ability to seize opportunities in anticipation of emerging trends to keep and create competitive edge, can be a strong reflection of management quality.

But while ESG reporting can serve as a surrogate of management quality, calculating metrics and ultimately KPIs does not replace the need for risk assessments. KPIs do not tell you how ESG issues interact, and do not tell you the tradeoffs between and among issues. Having KPIs do not replace, and in fact requires more, the exercise of judgment in developing company strategy in light of those risks and opportunities.

The company's board has the task of making appropriate assessments on the relative weights of the various ESG factors confronting the company, devise a strategy to tackle those issues, and communicate that strategy. The aim of creating long term value provides the necessary criteria for weighing the competing interests in setting corporate strategy. The success or not of value creation in turn becomes a check on the performance on the company's board and management, holding them accountable.

Because ESG reporting has much value in analyzing long-term performance and risk evaluation, it should have a significant role not just in the context for responsible investment but also in the more mainstream business valuation and investment decision-making.

### ***About KPIs***

Key Performance Indicators, or KPIs, should be quantifiable measurements that reflect the critical success factors of an organization. They should be quantifiable measurements reflecting an organization's goals and for which targets can be set.

Some of the "KPIs" put forth in the Consultation Paper are calling for information that could more properly (and reasonably so) be included in the general disclosure. Some others could be useful metrics in their own right, but do not necessarily amount to be "KPIs". Wanting to have better comparability across companies may be a consideration. But as the Consultation Paper states, there is no definitive list of ESG issues, ESG issues vary by industry and vary by region, and ESG priorities shift over time.

It should be for the issuers to identify, with reference to the industries and production processes they engage in, or the geographical region or locale they operate in, those ESG issues that are important to them and report accordingly. Likewise it should be for issuers to identify and report on metrics and ultimate KPIs that are material to their business. This is a check on the ability of the issuer's board to identify risks and manage those risks, to understand the broader trends affecting the issuer's business and devise strategies to seize opportunities in anticipation of those trends. We surmise stakeholder groups' expectations will have effect in making issuers recognize the type of information and range of metrics and indicators relevant to them.

The Consultation Paper mentioned the approach taken in the U.S., to provide benchmarking tools to companies reporting on ESG matters. We think it is what the Exchange should consider doing.

### ***On external assurance***

Issuers are free to consider and seek external assurance from what is available in the market. Issuers seeking their own different level and type of assurance could result in green-washing and cherry-picking that undermines credibility and comparability. But we surmise there is still a general lack of institutional resources for ESG and sustainability assurance services. The needed competencies to provide those assurance services remain unclear, and therefore the level or standard of assurance performed remains in doubt.

### ***ESG reporting in context***

We will not be the first to make this observation: not everything that counts can be measured, and not everything that can be measured counts. Keeping track of metrics, for one, involves considerable time and costs. The aim for doing all that must be put in the perspective of the long term value of the firm, not to give the investment community or stakeholder groups some convenient and ostensibly standardized scorecards for ranking one issuer over another.

We need to guard against ESG reporting done in a manner that mistakes the context. The Consultation Paper takes the view that “a company is responsible for its impact on society and the environment, and that a company should operate in a sustainable manner and create long-term value for shareholders and other stakeholders by integrating sustainability practices into its operation.” We are for company boards to take into consideration of ESG matters in the context of creating long term value. Sustainability, however, is a societal and ecological concept. We remain in doubt whether it can actually been understood at the corporate level. It is quite possible to imagine a world that no one entity needs to be “sustainable” in its own right. And there is conceivably no just one “sustainable” position; what is supposed to be a better state, a more sustainable way of being, is fraught with personal value judgment.

We assert again, that the purpose of a firm’s ESG reporting should be to facilitate the identification of risks and opportunities, especially the more obscured risks, in the process of creating long term value for the firm, to let the firm fulfill its fundamental objective function. If the aim becomes slanted towards suiting some reporting guide’s prescription to achieve good scorecards, the focus on risks and opportunities blurs. We could end up in a trap where boards and management pursue with corporate resources their own personal favorite social causes in the name of corporate social responsibility, leading only to firms engaging in behavior in the name of increasing social welfare but that in fact undermines the value-seeking objective.

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### **Response to questions for consultation**

Subject to our general comments above, we state our responses to specific questions as set out in the Consultation Paper as follows:-

#### **Proposals**

##### *Level of issuers’ obligations*

- Q1. Should the ESG Guide be a recommended best practice appended to the Listing Rules?  
If your answer is “No”, please give reasons and alternative views.

##### HKIoD response:

- We do not have strong views. The Exchange can also consider a separate, stand-alone guide to reporting ESG issues.

*Headline categories*

Q2. 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? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.
- We note, however, that to permit issuers to report on any period of their choosing could make it more difficult to reconcile (to the extent they can be reconciled) the ESG information with financial information in the annual report.

*Content of the proposed ESG Guide*

Introduction

Q3. Do you agree with the Introduction section? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.
- We want to emphasize that the role of the board is paramount.

General Approach

Q4. Do you agree with the guidance under the General Approach section? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.
- We note, however, that in identifying subject areas, aspects and indicators that are relevant, it is important to tie those efforts into corporate strategy. See also the general comments.
- We also note that a credible set of engagement rationale and engagement practices will only lead to more credible information being reported.

Reporting guidance

Q5. Do you agree with the guidance under the Reporting Guidance section? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views. We note, however, that cherry-picking may result and the information being reported will have to be assessed accordingly.

Key ESG Subject Areas

Q6. Do you agree with the proposed ESG areas, namely: Workplace Quality, Environmental Protection, Operating Practices and Community Involvement? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views. It should be for issuers to identify, with reference to the industries and production processes they engage in, or the geographical region or locale they operate in, the ESG issues that are important to them and report accordingly.

Aspects for each ESG Area

Q7. Do you agree with the proposed aspects? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

A. Workplace quality

Aspect A1 Working conditions

Q8. Do you agree with the general disclosure for Aspect A1: Working conditions? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

Q9. Do you agree to include KPI A1.1: “Total workforce by employment type, age group and geographical region”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Subtotals by categories might be useful information to disclose. Such data do not necessarily amount to KPIs, but could be the necessary basis for calculation and reporting of certain metrics and ultimately the KPIs that are material to the issuer.

Q10. Do you agree to include KPI A1.2: “Employee turnover rate by age group and geographical region”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views. It is for issuers to consider if such metrics are material to them to warrant treating them as KPIs.

Q11. Do you have any additional KPIs for Aspect A1? Please give reasons for your proposals.

HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

Aspect A2 Health and safety

Q12. Do you agree with the general disclosure for Aspect A2: Health and safety? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

Q13. Do you agree to include KPI A2.1: “Fatality number and rate”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- For issuers engaging in certain production processes, such data could be important. But we surmise that for many other issuers, disclosing such data could be no more than disclosing insignificant trivia. Again, it is for issuers to consider if such metrics are material to them to warrant treating them as KPIs.

Q14. Do you agree to include KPI A2.2: “Lost days due to work injury”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- For issuers engaging in certain production processes, such data could be important. But we surmise that for many other issuers, disclosing such data would be no more than disclosing insignificant trivia. Again, it is for issuers to consider if such metrics are material to them to warrant treating them as KPIs.

Q15. Do you agree to include KPI A2.3: “Description of occupational health and safety measures adopted, [and] how they are implemented and monitored”? If your answer is “No”, please give reasons and alternate views.

HKIoD response:

- Description of measures adopted might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. Issuers, however, may want to consider disclosing metrics and KPIs that reflect or measure the relative success of the measures implemented.

Q16. Do you have any additional KPIs for Aspect A2? Please give reasons for your proposals.

HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

Aspect A3 Development and training

Q17. Do you agree with the general disclosure for Aspect A3: Development and training? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

Q18. 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.)”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- As to description of training activities provided, such might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. The information wanted could more properly (and reasonably so) be included in the general disclosure instead.
- As to percentage of employees trained by employee category, such data can be important metrics and may in fact be an issuer’s KPIs if accompanied by certain appropriate targets to be achieved.

Q19. Do you agree to include KPI A3.2: “The average training hours completed per employee by employee category”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Average training hours completed per employee by employee category can be important metrics and may in fact be an issuer’s KPIs if accompanied by certain appropriate targets to be achieved.

Q20. Do you have any additional KPIs for Aspect A3? Please give reasons for your proposals.

HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

#### Aspect A4 Labour standards

Q21. Do you agree with the general disclosure for Aspect A4: Labour standards? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

Q22. Do you agree to include KPI A4.1: “Description of measures to review employment practices to avoid child and forced labour”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- The information wanted here could more properly (and reasonably so) be included in the general disclosure instead. Issuers, however, may want to consider disclosing



metrics and KPIs that reflect or measure the relative success of the measures implemented.

Q23. Do you agree to include KPI A4.2: “Description of steps taken to eliminate such practices when discovered”? If your answer is “No”, please give reasons and alternate views.

HKIoD response:

- The information wanted here could more properly (and reasonably so) be included in the general disclosure instead. Issuers, however, may want to consider disclosing metrics and KPIs that reflect or measure the relative success of the steps taken.

Q24. Do you have any additional KPIs for Aspect A4? Please give reasons for your proposals.

HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

## B. Environmental protection

### Aspect B1 Emissions

Q25. Do you agree with the general disclosure for Aspect B1: Emissions? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

Q26. Do you agree to include KPI B1.1: “The types of emissions and respective emissions data”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Emissions data might be useful information to disclose. Such data do not necessarily amount to KPIs, but could be the necessary basis for calculation and reporting of other metrics and ultimately the KPIs that are material to the issuer.

Q27. 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)? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- As to greenhouse gas emissions in total, such data might be useful information to disclose. Such data do not necessarily amount to KPIs, but could be the necessary basis for calculation and reporting of other metrics and ultimately the KPIs that are material to the issuer.
- As to intensity, it is for issuers to consider if such metrics are material to them to warrant treating them as KPIs.

Q28. 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)”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- As to total waste produced, such data might be useful information to disclose. Such data do not necessarily amount to KPIs but could be the necessary basis for calculation and reporting of other metrics and ultimately KPIs that are material to the issuer.
- As to intensity, it is for issuers to consider if such metrics are material to them to warrant treating them as KPIs.

Q29. 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)”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- As to total waste produced, such data might be useful information to disclose. Such data do not necessarily amount to KPIs, but could be the necessary basis for calculation and reporting of other metrics and ultimately KPIs that are material to the issuer.
- As to intensity, it is for issuers to consider if such metrics are material to them to warrant treating them as KPIs.

Q30. Do you agree to include KPI B1.5: “Description of measures to mitigate emissions and results achieved”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Description of measures might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. Issuers, however, may want to consider disclosing metrics and KPIs that reflect or measure the relative success of the measures taken.

Q31. Do you agree to include KPI B1.6: “Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Description of waste handling approaches and reduction initiatives might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. Metrics reflecting or measuring results achieved can be the issuer’s KPIs if accompanied by certain appropriate targets to be achieved.

Q32. Do you have any additional KPIs for Aspect B1? Please give reasons for your proposals.

HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

Aspect B2 Use of resources

Q33. Do you agree with the general disclosure for Aspect B2: Use of resources? If your answer is “No”, please give reasons and alternate views.

HKIoD response:

- We do not have strong views.

Q34. 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)”? If your answer is “No”, please give reasons and alternate views.

HKIoD response:

- As to energy consumption by type, such data might be useful information to disclose. Such data do not necessarily amount to KPIs, but could be the necessary basis for calculation and reporting of other metrics and ultimately KPIs that are material to the issuer.
- As to intensity, it is for issuers to consider if such metrics are material to them to warrant treating them as KPIs.

Q35. Do you agree to include KPI B2.2: “Water consumption in total and intensity (e.g. per unit of production volume, per facility)”? If your answer is “No”, please give reasons and alternate views.

HKIoD response:

- As to water consumption in total, such data might be useful information to disclose. Such data do not necessarily amount to KPIs, but could be the necessary basis for calculation and reporting of other metrics and ultimately the KPIs that are material to the issuer.
- As to intensity, it is for issuers to consider if such metrics are material to them to warrant treating them as KPIs.

Q36. Do you agree to include KPI B2.3: “Description of energy use efficiency initiatives and results achieved”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Description of energy use efficiency initiatives might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. Metrics reflecting or measuring results achieved can be the issuer’s KPIs if accompanied by certain appropriate targets to be achieved.

Q37. 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”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Description of issues in sourcing water and water efficiency initiatives might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. Metrics reflecting or measuring results achieved can be the issuer’s KPIs if accompanied by certain appropriate targets to be achieved.

Q38. Do you agree to include KPI B2.5: “Total packaging material used (in tonnes), and if applicable, with reference to per unit produced”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Packaging materials used might be useful information to disclose. Such data do not necessarily amount to KPIs, but could be the necessary basis for calculation and reporting of other metrics and ultimately the KPIs that are material to the issuer.

Q39. Do you have any additional KPIs for Aspect B2? Please give reasons for your proposals.

HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

### Aspect B3 The environment and natural resources

Q40. Do you agree with the general disclosure for Aspect B3: The environment and natural resources? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

Q41. Do you agree to include KPI B3.1: “Total paper used”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- For issuers engaging in certain production processes, such data could be important. But we surmise that for many other issuers, disclosing such data would be no more than disclosing insignificant trivia. Again, it is for issuers to consider if such metrics are material to them to warrant treating them as KPIs.

Q42. Do you agree to include KPI B3.2: “Paper use efficiency initiatives and results achieved”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Description of paper use efficiency initiatives might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. Metrics reflecting or measuring results achieved can be the issuer's KPIs if accompanied by certain appropriate targets to be achieved.

Q43. 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"? If your answer is "No", please give reasons and alternative views.

HKIoD response:

- Description of impacts and actions taken might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. The information wanted here could more properly (and reasonably so) be included in the general disclosure instead. Issuers, however, may want to consider disclosing metrics and KPIs that reflect or measure the relative success of measures taken.

Q44. Do you have any additional KPIs for Aspect B3? Please give reasons for your proposals.

HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

## C. Operating practices

### Aspect C1 Supply chain management

Q45. Do you agree with the general disclosure for Aspect C1: Supply chain management? If your answer is "No", please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

Q46. Do you agree to include KPI C1.1: "Number of suppliers by geographical region"? If your answer is "No", please give reasons and alternative views.

HKIoD response:

- Number of suppliers by geographical region might be useful information to disclose. Such data do not necessarily amount to KPIs, but could be the necessary basis for calculation and reporting of other metrics and ultimately the KPIs that are material to the issuer.

Q47. Do you agree to include KPI C1.2: "Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, [and] how they are implemented and monitored"? If your answer is "No", please give reasons and alternative views.

HKIoD response:

- Description of practices might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. The information wanted here could more properly (and reasonably so) be included in the general disclosure instead. Issuers, however, may want to consider disclosing metrics and KPIs that reflect or measure the relative success of the practices.

Q48. Do you have any additional KPIs for Aspect C1? Please give reasons for your proposals

HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

#### Aspect C2 Product responsibility

Q49. Do you agree with the general disclosure for Aspect C2: Product responsibility? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

Q50. Do you agree to include KPI C2.1: “Percentage of total products sold or shipped subject to recalls for safety and health reasons”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Such data can be important metrics and may in fact be an issuer’s KPIs if accompanied by certain appropriate targets to be achieved.

Q51. Do you agree to include KPI C2.2: “Number of products and service related complaints received and how they are dealt with”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Narratives on the number of complaints received and how dealt with might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. Issuers, however, may want to consider disclosing metrics and KPIs that reflect or measure the relative success of the measures taken.

Q52. Do you agree to include KPI C2.3: “Description of practices relating to observing and protecting intellectual property rights”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Description of practices might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. The information wanted here could more properly (and reasonably so) be included in the general disclosure instead. Issuers,

however, may want to consider disclosing metrics and KPIs that reflect or measure the relative success of the measures taken.

Q53. Do you agree to include KPI C2.4: “Description of quality assurance process and recall procedures”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Description of process and procedures might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. The information wanted here could more properly (and reasonably so) be included in the general disclosure instead. Issuers, however, may want to consider disclosing metrics and KPIs that reflect or measure the relative success of the procedures adopted.

Q54. Do you agree to include KPI C2.5: “Description of consumer data protection and privacy policies, [and] how they are implemented and monitored”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Description of policies might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. Issuers, however, may want to consider disclosing metrics and KPIs that reflect or measure the relative success of the policies adopted.

Q55. Do you have additional KPIs for Aspect C2? Please give reasons for your proposals.

HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

### Aspect C3 Anti-corruption

Q56. Do you agree with the general disclosure for Aspect C3: Anti-corruption? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

Q57. 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”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- The information wanted here could more properly (and reasonably so) be included in the general disclosure instead.

Q58. Do you agree to include KPI C3.2: “Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- As to description of preventive measures and whistle-blowing procedures, such narrative could more properly (and reasonably so) be included in the general disclosure instead. Issuers, however, may want to consider disclosing metrics and KPIs that reflect or measure the relative success of the measures implemented.

Q59. Do you have any additional KPIs for Aspect C3? Please give reasons for your proposals.

HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

#### D. Community involvement

##### Aspect D1 Community investment

Q60. Do you agree with the general disclosure for Aspect D1: Community investment? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We do not have strong views.

Q61. Do you agree to include KPI D1.1: “Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Description of focus areas of contribution might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. Issuers, however, may want to consider disclosing information that explains how certain focus areas of contribution is believed to increase firm value.

Q62. Do you agree to include KPI D1.2: “Resources contributed (e.g. money or time) to the focus area”? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- Resources contributed might be useful information to disclose. Such information, by itself, does not necessarily amount to KPIs. Issuers, however, may want to consider disclosing information (including certain metrics if appropriate) that explains how the resources contributed add to firm value.

Q63. Do you have any additional KPIs for Aspect D1? Please give reasons for your proposals.



HKIoD response:

- Issuers can consider the merits for coming up with appropriate metrics and ultimately KPIs that are material to their business.

**Assurance**

Q64. Do you agree that we should not recommend that issuers to seek external assurance for issuers that report on ESG performance? If your answer is “No”, please give reasons and alternative views.

HKIoD response:

- We agree there is no need to specifically recommend issuers to seek external assurance. See also the general comments.

-- END --