

## Environmental, Social and Governance Reporting Guide to be Implemented After 31 December 2012

### Quick Read

The Stock Exchange of Hong Kong Limited (**SEHK**) published its “*Consultation Conclusions on Environmental, Social and Governance Reporting Guide*” (**Consultation Conclusions**) on 31 August 2012 in response to its corresponding consultation paper published on 9 December 2011. For details of the consultation paper, please refer to our previous Legal Update “[Consultation on Environmental, Social and Governance Reporting Guide](#)”.

SEHK decided to implement the Environmental, Social and Governance (**ESG**) Reporting Guide (**Guide**) which will be appended to the Rules Governing the Listing on The Stock Exchange of Hong Kong Limited (**Listing Rules**) as a recommended practice.

The Guide will apply to issuers with financial years ending after 31 December 2012. Subject to further consultation, SEHK intends to escalate the obligation level of some recommended disclosures in the Guide to “comply or explain” by 2015.

### The Guide

#### WHERE SHOULD ESG DISCLOSURE BE MADE?

An issuer can choose to make ESG disclosure in its annual report (which must be of the same period covered in the annual report) or in a separate report (free to report on any period although reporting on the same period in the annual report is encouraged). It can do so in print or on its website.

#### WHO SHOULD BE INVOLVED IN THE ESG DISCLOSURE?

The board of directors is primarily responsible for the ESG reporting although it may delegate the task of compiling the ESG report to its employees or a committee that reports to the board.

In addition, an issuer should engage stakeholders periodically to identify material aspects and key performance indicators (**KPIs**) (please see below for explanation) and understand their views.

Stakeholders include parties such as shareholders, business partners, employees, suppliers, subcontractors, consumers, regulators and the public that have interests in or are affected by the decisions and activities of the issuer.

#### WHAT ESG DISCLOSURE CAN BE MADE?

The Guide sets out subject areas, aspects, general disclosure and KPIs on a level-by-level basis which an issuer can report on. There are four ESG subject areas: Workplace Quality, Environmental Protection, Operating Practices and Community Involvement. Under each subject area, there are various aspects. For each relevant aspect, there are requirements on general disclosure and KPIs.

The Guide is not comprehensive and is designed for issuers with limited knowledge on ESG matters as a starting point for ESG reporting. Issuers are encouraged to adopt international guidelines instead if they are capable of doing so.

The subject areas, aspects, general disclosure and KPIs specified in the Guide are summarised below:

*Subject A: Workplace Quality*

ASPECT A1 : WORKING CONDITIONS	
<b>General disclosure:</b>	Information on policies and compliance with matters relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare.
<b>KPIs:</b>	Total workforce and employee turnover rate by categories.
ASPECT A2: HEALTH AND SAFETY	
<b>General disclosure:</b>	Information on policies and compliance with matters relating to provision of a safe working environment and protecting employees from occupational hazards.
<b>KPIs:</b>	Information on fatality number and rate, lost days due to work injury and occupational health and safety measures.
ASPECT A3: DEVELOPMENT AND TRAINING	
<b>General disclosure:</b>	Information on policies for improving employees' knowledge and skills.
<b>KPIs:</b>	Information on training activities provided and training hours completed by each employee.
ASPECT A4: LABOUR STANDARDS	
<b>General disclosure:</b>	Information on policies and compliance with matters relating to prevention of child or forced labour.
<b>KPIs:</b>	Information on measures to avoid child and forced labour and to eliminate those practices when discovered.

*Subject B: Environmental Protection*

ASPECT B1: EMISSIONS	
<b>General disclosure:</b>	Information on policies and compliance with matters relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.
<b>KPIs:</b>	Information on emission types and data, amounts of greenhouse gas emissions, hazardous waste produced and non-hazardous waste produced, measures to mitigate emissions and handling procedures for hazardous waste and non-hazardous waste.
ASPECT B2: USE OF RESOURCES	
<b>General disclosure:</b>	Information on policies relating to efficient use of resources including energy, water and other raw materials.
<b>KPIs:</b>	Information on energy and water consumption, energy use efficiency initiatives, water efficiency initiatives and total packaging material used.
ASPECT B3: THE ENVIRONMENT AND NATURAL RESOURCES	
<b>General disclosure:</b>	Information on policies relating to minimizing the operation's significant impact on the environment and natural resources.
<b>KPIs:</b>	Information on significant impacts of activities on the environment and natural resources.

### Subject C: Operating Practices

ASPECT C1: SUPPLY CHAIN MANAGEMENT	
<b>General disclosure:</b>	Information on policies relating to risk management of supply chain.
<b>KPIs:</b>	Information on number of suppliers by geographical region and practices relating to engaging suppliers.
ASPECT C2: PRODUCT RESPONSIBILITY	
<b>General disclosure:</b>	Information on policies and compliance with matters relating to health and safety, advertising, labelling, privacy and methods of redress.
<b>KPIs:</b>	Information on product recalls, complaints, protection of intellectual property rights, quality assurance process and consumer data protection and privacy policies.
ASPECT C3: ANTI-CORRUPTION	
<b>General disclosure:</b>	Information on policies and compliance with matters relating to bribery, extortion, fraud and money laundering.
<b>KPIs:</b>	Information on cases regarding corrupt practices, preventive measures and whistle-blowing procedures.

### Subject D: Community Involvement

ASPECT D1: COMMUNITY INVESTMENT	
<b>General disclosure:</b>	Information on policies relating to understanding the needs of the community in which the issuer operates and ensuring the issuer's activities take into consideration the community's interests.
<b>KPIs:</b>	Information on areas of contribution such as education, labour needs and culture etc. and the resources allocated to such areas.

No definition is provided for KPIs. An issuer is encouraged to explain how the KPIs are calculated and include information that is necessary for interpreting the KPIs.

#### WHAT IS THE SCOPE OF DISCLOSURE?

An issuer is not required to report on all subject areas, aspects and KPIs and is encouraged to identify and report on relevant ESG subject areas, aspects and KPIs which are material to it. It is also encouraged to prioritise ESG subject areas, aspects and KPIs and emphasize material areas in the ESG report.

Also, an issuer is not expected to make ESG disclosure on all of its operations/subsidiaries from the start and can commence reporting on its major operations/subsidiaries only. It is encouraged to explain the scope and identify which entities in the group and/or which operations have been included in the ESG report. If there is any change in the scope, the issuer is encouraged to provide explanation and reason for such change.

#### WHAT IS THE PATTERN OF DISCLOSURE?

An issuer is encouraged to report on a regular basis once it has started its reporting. The aspects and KPIs reported may be consistent for each period with explanation provided for any changes. An issuer may also explain why some aspects and KPIs are not reported.

You may download copies of the Consultation Conclusions via the link below:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201208cc.pdf>

## Contact Us

For inquiries related to this Legal Update, please contact the following person or your usual contacts with our firm.

### **Jeckle Chiu**

Partner

T: +852 2843 2245

E: [jeckle.chiu@mayerbrownjism.com](mailto:jeckle.chiu@mayerbrownjism.com)

### **Juliana Lee**

Associate

T: +852 2843 2455

E: [juliana.lee@mayerbrownjism.com](mailto:juliana.lee@mayerbrownjism.com)

---

Mayer Brown JSM is part of Mayer Brown, a global legal services organisation advising clients across the Americas, Asia and Europe. Our presence in the world's leading markets enables us to offer clients access to local market knowledge combined with global reach.

We are noted for our commitment to client service and our ability to assist clients with their most complex and demanding legal and business challenges worldwide. We serve many of the world's largest companies, including a significant proportion of the Fortune 100, FTSE 100, DAX and Hang Seng Index companies and more than half of the world's largest banks. We provide legal services in areas such as banking and finance; corporate and securities; litigation and dispute resolution; antitrust and competition; employment and benefits; environmental; financial services regulatory & enforcement; government and global trade; intellectual property; real estate; tax; restructuring, bankruptcy and insolvency; and wealth management.

OFFICE LOCATIONS    AMERICAS: Charlotte, Chicago, Houston, Los Angeles, New York, Palo Alto, Washington DC  
ASIA: Bangkok, Beijing, Guangzhou, Hanoi, Ho Chi Minh City, Hong Kong, Shanghai, Singapore  
EUROPE: Brussels, Düsseldorf, Frankfurt, London, Paris  
TAUIL& CHEQUER ADVOGADOS in association with Mayer Brown LLP: São Paulo, Rio de Janeiro  
ALLIANCE LAW FIRM: Spain (Ramón y Cajal Abogados)

Please visit [www.mayerbrownjism.com](http://www.mayerbrownjism.com) for comprehensive contact information for all Mayer Brown offices.

This publication provides information and comments on legal issues and developments of interest to our clients and friends. The foregoing is intended to provide a general guide to the subject matter and is not intended to provide legal advice or be a substitute for specific advice concerning individual situations. Readers should seek legal advice before taking any action with respect to the matters discussed herein. Please also read the Mayer Brown JSM legal publications Disclaimer.

Mayer Brown is a global legal services provider comprising legal practices that are separate entities (the "Mayer Brown Practices"). The Mayer Brown Practices are: Mayer Brown LLP and Mayer Brown Europe – Brussels LLP, both limited liability partnerships established in Illinois USA; Mayer Brown International LLP, a limited liability partnership incorporated in England and Wales (authorized and regulated by the Solicitors Regulation Authority and registered in England and Wales number OC 303359); Mayer Brown, a SELAS established in France; Mayer Brown JSM, a Hong Kong partnership and its associated entities in Asia; and Tauil & Chequer Advogados, a Brazilian law partnership with which Mayer Brown is associated. "Mayer Brown" and the Mayer Brown logo are the trademarks of the Mayer Brown Practices in their respective jurisdictions.

© 2012. The Mayer Brown Practices. All rights reserved.