



September 25, 2015

Corporate Communications Department  
Hong Kong Exchanges & Clearing Limited  
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By email ([response@hkex.com.hk](mailto:response@hkex.com.hk))

Dear Sirs,

**bcIMC's Response to the Consultation Paper on Review of the Environmental, Social and Governance Reporting Guide ("the Consultation")**

We welcome the opportunity to respond to the Consultation.

British Columbia Investment Management Corporation (bcIMC) is an asset manager with more than \$123 billion in assets under management, one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 500,000 people in our Canadian province, including university and college instructors, teachers, health care workers, firefighters, police officers, municipal and other public sector workers. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will provide strong and stable financial returns.

As a member of the Asian Corporate Governance Association (ACGA), bcIMC supports the detailed ACGA submission to the HKEx (also attached). We would like to take this opportunity to provide additional comments and highlight some areas we believe are critical for effective corporate governance and for achieving enhanced performance and increasing investor confidence.

As a large institutional investor with a long term perspective, bcIMC is supportive of enhanced reporting on environmental, social and governance (ESG) factors. It is encouraging to see that Hong Kong has concluded that it wants to align itself with international best practice in the area of ESG reporting and appreciates the benefits this will bring to the market. Our organization has a firm commitment to integrate ESG into our investment decision-making and the only way to fulfill this commitment is to have credible, reliable and comparable data across relevant peer groups.

bcIMC would like to underscore one of the points put forward by ACGA which relates to the artificial separation of environmental and social issues from those relating to governance. Based on what is being proposed investors will be presented with very distinct disclosures through those required by the ESG Guide and those required as part of the Corporate Governance Code. It is our perspective that these are in fact, closely linked, and it is beneficial for the Overall Approach section of the Guide to more explicitly link these. We see corporate governance as the foundation for the effective management of

environmental and social risks so more of a connection between these current separate disclosures would be beneficial in our view.

bcIMC is in agreement with the Reporting Principles identified: materiality; quantitative; balance; and consistency. However, the principle of materiality could provide additional clarity to ensure that investors have a comprehensive view of how issuers have decided what is material based on their unique business circumstances. This is the foundation to the remaining disclosure in our opinion as a robust process on determining what is relevant and material to the business will drive what is actually reported. bcIMC supports a stronger emphasis on this materiality process within the ESG Guide.

Related to the above, is the distinction between mandatory comply-or-explain environmental disclosures and those recommended social disclosures. In our view, what is mandatory to disclosure should largely be driven by the materiality process described above rather than an arbitrary line that is drawn between environmental and social risks. For many companies, we see social risks that are quite material to a company's operations including supply chain risk, health & safety incidents or food safety. While we appreciate the staged approach to reporting, priorities for mandatory comply-or-explain should largely be determined by what is material to investors rather than by the categorization of issues.

For example, as Canadian investors we are exposed to the mining industry and one of the key ESG issues for analyzing this sector is the quality of a company's stakeholder engagement practices. Over the last several years, this has emerged as a key operational risk for mining projects and poor stakeholder consultation practices can lead to major project delays and even cancellation in some cases. Having these risk factors as voluntary in the context of what is being proposed by HKEx, may actually leave investors with insufficient information to fully assess ESG performance.

In terms of the specific questions raised in the Consultation, bcIMC supports the points made within the ACGA submission. However, we would like to draw your attention to one final suggestion that is outside the confines of the Consultation itself.

bcIMC has been involved in the Sustainable Stock Exchanges (SSE) Initiative and we see this as a valuable tool for exchanges to learn from peers in the area of ESG disclosure. Transparency on ESG risk factors continues to evolve and having a peer-to-peer platform to explore developments can be an important resource for an exchange. We would encourage the HKEx to consider becoming a Partner Exchange of the SSE which involves making a voluntary public commitment to promote ESG disclosure among listed companies. You can find more information on this initiative at [www.sseinitiative.org](http://www.sseinitiative.org).

Thank you for your time and attention to the Consultation.

Regards,



Bryan Thomson  
Senior Vice President, Public Equities