

Environmental, Social and Governance (ESG) Comply or Explain



The Corporate Governance Code of the Stock Exchange sets out a number of "principles" followed by non-mandatory code provisions and recommended best practice. Deviations from code provisions are acceptable if the issuer considers there are more suitable ways for it to comply with the principles. When applied to ESG reports, "comply or explain" means that the issuer either makes a disclosure or provides a carefully considered reason for not disclosing. Non-compliance (i.e. non-disclosure of the requested information) without explanation would be a breach of the Listing Rules.

The following are examples of the use of "comply or explain" by public companies.

Example

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Xinyi Energy Holdings Limited - Further Explanation
Reasons of the insignificance of the relevant indicators

> For the sake of non-disclosure

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PV power generation does not require the use of water. During operation and maintenance, the Group adopts water-saving and environmental-friendly cleaning model, including the use of waterless cleaning drones or natural rainwater for cleaning, resulting in a lower reliance on water resources. Therefore, water resources would not have significant impact on the Group's operation, and the Group does not foresee or expect any difficulties in obtaining suitable water sources. The Group encourages reasonable use of water resources.

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KPI A2.4
Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.

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The main businesses of the Group, which are sales of electricity and providing solar farm operation and maintenance services for third parties, do not involve any use of packaging material.

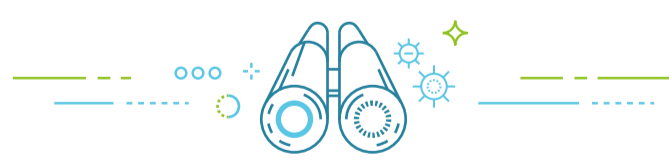
”

KPI A2.5
Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.

However, the Analysis of Environmental, Social and Governance Practice Disclosure in 2018, issued by the Stock Exchange in December 2019, mentioned that only a limited portion of content is handled in form of "explanation" in the ESG report reviewed by it, in part reflecting that the issuer only reports each clause and does not have a thorough thinking on the importance of such aspects. Hence, the Stock Exchange suggests that the issuer should not take a "routine" attitude, but properly differentiate the importance of such clauses and focus on the most relevant and preferential clauses for proper reporting.

Moreover, as ESG information has become more important, the issuer should inform its proposed receiving party that the Environmental, Social & Governance Report has already uploaded on the website. In the event that a shareholder has individually raised request, the issuer should immediately provide the printed version. In fact, besides the ESG report, the Stock Exchange always provides the guidance on whether the listed company should provide printed version on documents such as prospectuses and financial reports, and has already implemented the partial paperless arrangement.

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