

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.

This will improve transparency in the issuer’s reporting and encourage issuers to take ESG reporting requirements more seriously.

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.

Providing annual ESG reporting which aligns with the same period as its annual report provides a more holistic and comprehensive view of the issuer’s performance, encompassing both financial and non-financial information.

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.

Providing flexibility to issuers is a good idea given that they will be at different stages of sophistication in ESG reporting. The ESG report should be published shortly after the annual report in order for it to be relevant and useful.

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.

Alignment with international standards/best practice

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.

Alignment with international standards/best practice

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.

Alignment with international standards/best practice

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.

Alignment with international standards/best practice in holding companies accountable for their environmental impact. Upgrading the ESG reporting obligations will prompt issuers to assess their environmental impact and risks to their business, and take steps to address these. This will ultimately have a wider positive impact on climate change.

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.

Alignment with international standards/best practice in holding companies accountable for their environmental impact. Upgrading the ESG reporting obligations will prompt issuers to assess their environmental impact and risks to their business, and take steps to address these. This will ultimately have a wider positive impact on climate change.

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.

Alignment with international standards/best practice in holding companies accountable for their environmental impact. Upgrading the ESG reporting obligations will prompt issuers to assess their environmental impact and risks to their business, and take steps to address these. This will ultimately have a wider positive impact on climate change.

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.

Alignment with international standards/best practice in holding companies accountable for their environmental impact. Upgrading the ESG reporting obligations will prompt issuers to assess their environmental impact and risks to their business, and take steps to address these. This will ultimately have a wider positive impact on climate change.

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.

We agree with the proposal of HKEx to incorporate gender disclosure at all levels of a company in Subject Area B under the sub-heading “Employment and Labour Standards”. This will bring Hong Kong more in line with international best practice.

Our rationale is that incorporating gender disclosure obligations will raise the level of awareness and accountability of issuers and prompt them to take action to promote gender diversity in their companies.

There is a growing body of international evidence that links gender diversity with better business performance. We believe that gender diversity is not only good for business, but it is critical to Hong Kong’s competitive advantage. For Hong Kong to truly be “Asia’s world city”, Hong Kong employers must access the widest possible talent pool and create an inclusive culture for diverse talent, including women. Women are under-represented at top levels of Hong Kong companies, including at board level, and much more needs to be done to increase the pace of change.

The following provides detailed elaboration of our rationale:

- Community Business is a firm believer in meritocracy and we believe that the existing situation in Hong Kong is far from meritocratic for women. Women make up over 53.7% of tertiary education students and over 54.6% of our labour force. Yet according to our most recent research, the Women on Boards: Hang Seng Index 2015, only 11.1% of directorships at Hong Kong’s leading listed companies are held by women. Our Gender Diversity Benchmark for Asia 2014 showed that when it comes to the average representation of women in the total workforce and at junior levels, companies in Hong Kong are achieving or exceeding gender parity. However, women are underrepresented at the top levels of management, and that the ‘leaking pipeline’ is a real challenge to many companies.
- In the last 6 years since Community Business starting putting the spotlight on the issue of women on boards, the representation of women on Hong Kong’s blue chip boards has moved at a glacial pace from 8.9% in 2009 to 11.1% this year. This is despite concerted effort on a number of fronts, including the 30% Club, training programmes for aspiring female directors, the voluntary Code of Conduct adopted by leading search firms, and the Code Provision on board diversity introduced in September 2013. In the same period, the percentage of female directors has virtually doubled in the UK and Australia which had adopted similar “comply or explain basis’ approach when it comes to board diversity disclosure. In Australia, the Workplace Gender Equality Act 2012 further strengthened the disclosure obligations for companies with over 100 employees, which are now required to make annual filings on gender equality indicators. Clearly, much more needs to be done in Hong Kong which significantly lags behind other leading markets.
- The Lord Davies Report on Women on Boards (February 2011), commissioned by the UK Government, stated clearly that having more women on boards is essential for: (1) improving business performance; (2) accessing the widest possible talent pool; (3) being more responsive to the market; and (4) improving corporate governance. In the last several years, there has been a growing body of international evidence linking gender diversity to better business performance.
- We do not endorse quotas for women on boards as quotas could lead to tokenism and may be counterproductive, and other countries are making good progress without quotas. Instead, we are asking companies and their leaders to be more transparent about, and accountable for, the representation of women in their workplaces – at all levels.
- By measuring gender diversity as a tangible measure of diversity, companies will have valuable data with which to benchmark and to take action on creating an enabling environment and pipeline for female and other talent to advance. This will enable companies to reap the benefits that diversity of perspectives brings, such as greater creativity and innovation, more balanced decision-making, and enhanced corporate governance and risk management.

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