

Question 1

Do you agree with our proposal to introduce a code provision ("CP") requiring an issuer's board to set culture in alignment with issuer's purpose, value and strategy?

Please give reasons for your views.

Whilst The Women's Foundation (TWF) supports the concept that organisational culture exists and plays a crucial role however there is little consensus on what organisational culture actually is. That being the case, it is difficult, if not impossible, for a company to "introduce culture" or for the board to "set" and measure culture as is proposed by HKEX. We are concerned that issuers may have difficulty with this proposal or adopt a tick the box approach or produce perfunctory disclosures. We urge HKEX to think more broadly on this very important issue and further consider the important linkages to whistleblowing and anti corruption sections of the Corporate Governance Code.

Rather than attempting to articulate culture we recommend the Corporate Governance Code place emphasis on conduct. Misconduct is indicative of a poor culture and is able to be measured

Culture is the outcome of the effectiveness of the framework established by the board and management and communicated both internally and externally. A framework for behaviours that are aligned with these parameters is then created. When behaviours are not aligned with the predetermined parameters it can be said there is misconduct which can be viewed as indicators of a poor or ineffective culture.

To set this framework the board should establish and approve the purpose of the listed entity which should be backed up by a set of values and principles. The board approved values and principles are then reflected in a policy document or Code of Conduct. Information systems should be established to ensure the Board receives enough information to be assured that behaviours from the senior leadership level and throughout the whole organisation are aligned with the board approved Code of Conduct. By taking this step the board is setting the framework for an effective culture and in practice setting the "tone from the top".

We urge HKEX to include the following in the Corporate Governance Code ("Code"):

- Require the board to establish a framework to help determine an issuer's purpose, principles and values together with a framework for behaviours or conduct that are aligned with these values to in practice set the "tone from the top". Such framework to include requirements for the Board to:
 - o Articulate and disclose its purpose, principles and values

- o Establish and disclose a Code of Conduct to guide the behaviour of employees and directors and ensure the Board is informed of material breaches of the Code

Please also see our recommendations to Questions 2(a) and 2 (b) in relation to anti corruption and whistleblowing. These areas go to the heart of misconduct (and as such corporate culture)and as with our recommendation above for a Code of Conduct it is essential that breaches of these types of policies (as well as the Code of Conduct we recommend above) are reported to the Board.

Question 2a

Do you agree with our proposal to introduce a CP requiring establishment of an anti-corruption policy?

Yes

Please give reasons for your views.

TWF is pleased to see the inclusion of both whistle blowing and anti-corruption policies in Appendix 14 as both issues go to the heart of unethical and unlawful conduct which are not only fundamental elements of good corporate governance but, as detailed above, underpin and support the establishment and development of principles and values and a corporate culture. We support HKEX's proposal in principle but strongly recommend the following further adjustments:

- Upgrade this CP to a Mandatory Disclosure Obligation and include a requirement that the policy be communicated, implemented, reviewed and measured for effectiveness. Otherwise it is of very limited effect
- Add a requirement that material breaches of the policy be reported to the Board in order for the Board to address material issues and incidents promptly as well as assessing the effectiveness of the policy and make adjustments if required
- Add a requirement that the policy be reviewed on a regular basis and at least every 2 years

Our recommended drafting:

New MDR:

- An issuer should a) have and disclose a whistle-blower policy b) ensure that the Board or a Committee of the Board is informed of any material incidents reported under that policy.
- An issuer should have and disclose an anti bribery and corruption policy and ensure that a Board or a Committee of the Board is informed of any breaches of that policy.
- Such policies should be reviewed on a regular basis and at least every two years.

Question 2b

Do you agree with our proposal to upgrade a Recommended Best Practice ("RBP") to CP requiring establishment of a whistleblowing policy?

Yes

Please give reasons for your views.

TWF is pleased to see the inclusion of both whistle blowing and anti-corruption policies in Appendix 14 as both issues go to the heart of unethical and unlawful conduct which are not only fundamental elements of good corporate governance but, as detailed above, underpin and support the establishment and development of principles and values and a corporate culture. We support HKEX's proposal in principle but strongly recommend the following further adjustments:

- Upgrade the requirement to establish a whistleblowing policy to a Mandatory Disclosure Obligation and add a requirement that the policy be communicated, implemented, reviewed and measured for effectiveness. Otherwise it is of limited effect
- Add an obligation that the Audit Committee (or Committee comprising a majority of INEDs) receive all complaints or concerns such that material issues and incidents can be quickly addressed as well as assessing the effectiveness of various policies and make adjustments if required
- Add an additional requirement for larger issuers to establish an independent whistleblowing process whereby complaints are independently reviewed/investigated and reported to the Audit Committee (or a Committee comprising a majority of INEDs)

- Add a requirement that the policy and system be reviewed on a regular basis and at least every 2 years

Our recommended drafting:

New MDR:

- An issuer should a) have and disclose a whistle-blower policy b) ensure that the Board or a Committee of the Board is informed of any material incidents reported under that policy.
- An issuer should have and disclose an anti bribery and corruption policy and ensure that a Board or a Committee of the Board is informed of any breaches of that policy.
- Such policies should be reviewed on a regular basis and at least every two years.

Question 3

Do you agree with our proposal to introduce a CP requiring disclosure of a policy to ensure independent views and input are available to the board, and an annual review of the implementation and effectiveness of such policy?

No

Please give reasons for your views.

We do not fully understand the intention of this proposal as Independent views and input should be obtained from INEDs. We urge HKEX to continue to strengthen requirements in relation to INEDs including term limits rather than explore independent input and views from non-board members which risks diluting the role and importance of INEDs and confusing issuers.

Question 4a

Do you agree with our proposal regarding re-election of an independent non-executive director serving more than nine years ("Long Serving INEDs") to revise an existing CP to require (i) independent shareholders' approval; and (ii) additional disclosure on the factors considered, the process and the board or nomination committee's discussion in arriving at the determination in the explanation on why such Long Serving INED is still independent and should be re-elected?

Yes

Please give reasons for your views.

In addition we urge HKEX to:

- Introduce strict 9 year limits for INEDS which aligns with many jurisdictions around the world and foreshadow this will be introduced within 3 years. The 9-year rule should encourage more structured succession planning by Hong Kong companies which in turn will have a positive impact on diversity. Given the large number of Long Serving INEDS introducing stricter limits will also enhance turnover and board refreshment which will aid board diversity and improve board quality. A 9-year rule will also lead to effective succession planning, particularly for the independent directors on Hong Kong listed companies who are required to ensure that minority shareholders have a voice and therefore their demonstrable independence from the controlling shareholder is vital.
- Introduce a CP that INEDs meet on their own at least twice per year
- Introduce a new CP that issuers are required to appoint a Lead INED (who is not a Long Serving INED). This is in the context that Hong Kong companies have a large presence of block shareholders.
- The lead independent director should be responsible for:
 - o Chairing all meetings of the board at which the chair is not present, including sessions of the independent directors;
 - o Principal liaison on board-wide issues between the independent directors and the chair;
 - o Calling meetings of the independent directors;
 - o Approving the quality, quantity, appropriateness and timeliness of information sent to the board as well as approving meeting agenda items;
 - o Facilitating the board's approval of the number and frequency of board meetings, as well as meeting schedules to assure that there is sufficient time for discussion of all agenda items;
 - o Retain outside advisors and consultants who report directly to the board of directors on board-wide issues;
 - o Ensuring they be available, if requested by shareholders, when appropriate, for consultation and direct communication;
 - o They should agree to and document the split roles between a non-independent chair, the CEO and the lead independent director and have this published on the company's website so that shareholders can understand the division of responsibilities.
- Independent shareholder vote should be disclosed separately on the re-election of all NEDs. Where there is not majority support for the re-election of NEDs (by independent shareholders) a CP should require that the issuer report back to HKEX within 30 days of the meeting the Board's rationale for the

continuation of that director in office. The purpose of this recommendation is that it is important for the views of independent shareholders to be understood by issuers regarding the election of directors. NEDs (including INEDs) who can be re-elected by the significant voting power of the major shareholder (s) even if a majority of independent shareholders do not support such re-election

Question 4b

Do you agree with our proposal to introduce a CP requiring an issuer to appoint a new independent non-executive director ("INED") at the forthcoming annual general meeting where all the INEDs on the board are Long Serving INEDs, and disclosing the length of tenure of the Long Serving INEDs on the board on a named basis in the shareholders' circular?

Yes

Please give reasons for your views.

In addition we urge HKEX:

- Introduce strict 9 year limits for INEDS which aligns with many jurisdictions around the world and foreshadow this will be introduced within 3 years. The 9-year rule should encourage more structured succession planning by Hong Kong companies which in turn will have a positive impact on diversity. Given the large number of Long Serving INEDS introducing stricter limits will also enhance turnover and board refreshment which will aid board diversity and improve board quality. A 9-year rule will also lead to effective succession planning, particularly for the independent directors on Hong Kong listed companies who are required to ensure that minority shareholders have a voice and therefore their demonstrable independence from the controlling shareholder is vital.

- Introduce a CP that INEDs meet on their own at least twice per year

- Introduce a new CP requiring the Board to outline a transition plan for Long Serving INEDs within 3 years

- Introduce a CP to appoint a Lead INED (who is not a Long Serving INED) in view of the significant presence of major or block shareholders in Hong Kong

Question 5

Do you agree with our proposal to introduce a new RBP that an issuer generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to INEDs as this may lead to bias in their decision-making and compromise their objectivity and independence?

Yes

Please give reasons for your views.

We urge HKEX to introduce this proposal as a new CP rather than a new RBP.

This proposal further strengthens the independence requirements for INEDs. As we have mentioned in previous questions TWF recommends stronger provisions on director tenure and independence hence this proposal which we support should be immediately introduced as a CP.

Question 6a

Do you agree with our proposal to highlight that diversity is not considered to be achieved by a single gender board in the note of the Rule?

Yes

Please give reasons for your views.

TWF has been a staunch advocate for more diverse corporate boards since we launched the 30% Club Hong Kong in 2013. But change is not happening fast enough. In fact, progress is glacial.

As of January 2021, there are only 13.7% women on the boards of Hang Seng Index (HSI) companies. This number has only increased by 4.3% since 2013. Approximately one third of all issuers are still without a single woman on their boards. It should be a matter of deep concern that for too long Hong Kong has lagged far behind other global financial centres and increasingly behind our Asia neighbours too. There is a large body of research that a truly diverse board that reflects different perspectives and experiences has a higher probability of business success and is better positioned to navigate the serious challenges in these volatile and disruptive times.

As such diversity is a fundamental aspect of good governance and diverse boards are also a proxy for, and a visible indicator of, high quality corporate governance. In times of increased volatility due to Covid-19 and geopolitical factors it is even more important that Hong Kong embraces a strong corporate governance regime and rises to international best practice to maintain Hong Kong's position and reputation as a leading global financial centre.

Unfortunately, the previous regulatory interventions from HKEX with respect to board gender diversity under Rule 13.92 and GL86-16 have had limited impact on the overall percentages in relation to board gender diversity for both the HSI and the overall market. We support the current proposal under this section but believe bolder reform is urgently needed to achieve real progress. Without this, Hong Kong will continue to lag behind other markets with respect to board gender diversity.

We must aim for 50% women on boards. To get there, we need meaningful targets which, if not met, should be mandated through quotas.

We urge HKEX to adopt the following:

- The single gender board statement is supported however to ensure it is actually mandatory it must be included in Rule 13.92 itself rather than in the notes to the rule
 - To align with our proposal in 6(b) Rule 13.92 should be amended to require an issuer to have a diversity policy that is applicable across the issuer i.e. throughout the organisation (board, management, senior management and workforce generally) and not only in relation to the board
 - Rule 13.92 should be amended to require the board to set measurable objectives for achieving gender diversity in the composition of its board, management, senior management and workforce generally
- Rule 13.92 should also require issuers to give consideration to these requirements for other aspects of diversity including race.
- We have serious concerns that without including the above changes together with our recommendations in 6 (b) that there is a significant risk that issuers will only appoint one woman per board to meet the HKEX proposed new requirement which in effect becomes “a quota of one” and appears incredibly tokenistic. As currently proposed issuers who take a "minimal approach" to meeting HKEX requirements may take a limited approach by appointing a single female board director. This outcome would be unfortunate but should be anticipated and would mean limited impact in terms of overall percentage increase in relation to board gender diversity in Hong Kong,
 - TWF is advocating for targets in view of the lack of progress on board gender diversity over a number of years. Evidence demonstrates that 30% is the required critical mass for groups to move from thinking about having a “minority” of women and instead think inclusively about the board as a whole, operating together regardless of gender. This level of diversity helps erode homogeneity and ultimately promotes better governance. As such, we urge HKEX to set targets for all issuers of 30% within six years with an interim of 25% by 2025 (See 6(b)) which will also bring Hong Kong into alignment with other key markets such as U.K, Europe, U.S and Australia and keep pace with the progress of Asia counterparts
 - Given that HSI companies overall have a low percentage of women on boards (13.7%) far below similar indices in other global financial centres and Asia markets, as a secondary approach we urge HKEX to set these targets initially for HSI companies or large issuers. We appreciate given the large number of overall issuers in the Hong Kong market that some transition time to meet targets may be needed for some sectors of the market but large issuers should already be operating at or aiming for best practice.
 - We urge that requirements on single gender boards be effective from 2022 (or as soon as the new proposals are effective) as a transition period of 3 years is far too long given the breadth of female talent in Hong Kong (and also outside Hong Kong who may be interested to serve on Hong Kong boards)

- We only recommend a 1 year transition period if our proposal above is not accepted which must be included in Rule 13.92 or another regulation rather than a statement of intention only

Recommended drafting:

New MDR:

An issuer should:

- (a) have and disclose a diversity policy;
- (b) through its board or a committee of the board, set measurable objectives for achieving gender diversity in the composition of its board, management, senior management and workforce generally;
- (c) disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; (3) the respective proportions of men and women on the board, in management and senior management positions and across the whole workforce; and
- (d) give consideration to the requirements of (b) and (c) in relation to other aspects of diversity including race

New CP:

Issuer to achieve board gender diversity of at least 2 female directors (or 25% of the board whichever is the greater) by 2025.

Added Guidance that if 80% of all HKEX issuers fail to meet the above target by 2025 then HKEX will introduce mandatory quotas with penalties for issuers who fail to meet the above targets. Further, that in 2025 HKEX will raise the above target to at least 3 female directors (or 30% of the board whichever is the greater) with such targets to be met by 2027.

Question 6b

Do you agree with our proposal to introduce a Mandatory Disclosure Requirement ("MDR") requiring all listed issuers to set and disclose numerical targets and timelines for achieving gender diversity at both: (a) board level; and (b) across the workforce (including senior management)?

Yes

Please give reasons for your views.

Please also see our response to 6(a).

TWF remains very concerned with the extremely low number of women on boards in Hong Kong and the lack of concerted action on this issues despite Rule 13.92 and GL86-16 and additional guidance from HKEX.

We support the current proposal under this section but believe bolder reform is urgently needed to achieve real progress. Without this, Hong Kong will continue to lag behind other markets with respect to board gender diversity.

We must aim for 50% women on boards. To get there, we need meaningful targets set by HKEX which, if not met, should be mandated through quotas.

We urge HKEX:

- To set targets via a new CP for board level targets for gender diversity. Given the lack of action and impact on board gender diversity overall in Hong Kong following the implementation of Rule 13.92 we are extremely concerned that issuers will take a similar "lack of action" approach under this proposal and either set ,limited targets or timelines or both. Similarly, in HKEX's proposal there is no requirement for an issuer to disclose how it is performing as against targets it has set or its measurable objectives to meet such targets. As we have noted in 6(a) we are concerned that without HKEX setting overall targets for all issuers, issuers may seek to comply with Rule 13.92 by appointing one female director and under this proposal set a target of one or similarly few female directors over a long time period. As such we urge HKEX to introduce a new CP requiring issuers to achieve board gender diversity of at least 25% by 2025.
- Based on our reasoning outlined in 6(a) we urge HKEX to add Guidance that if 80% of all issuers fail to meet the above target by 2025 then HKEX will introduce mandatory quotas with penalties for issuers who fail to meet the above targets. Further, that in 2025 HKEX will raise the above target to 30% to be met by 2027
- Given that HSI companies overall have a low percentage of women on boards (13.7%) far below similar indices in other global financial centres and Asia markets, as a secondary approach we urge HKEX to set these targets (new CP) initially for HSI companies or large issuers. We appreciate given the large number of overall issuers in the Hong Kong market that some transition time to meet targets may be needed for some sectors of the market but large issuers should already be operating at or aiming for best practice.

- We appreciate and support the inclusion of workforce diversity in this new MDR. TWF has long advocated that board diversity is interlinked with overall diversity within an issuer, In order to develop the pipeline of future directors the overall market needs to commit to and ensure diversity across its workforce and develop the leadership pipeline.

- However, inclusion of workforce diversity targets in this MDR without associated changes to Rule 13.92 in relation to actual diversity policies is concerning. In order to actually promote diversity within a workforce the first step is to have a policy - without it and associated measurable objectives and reporting requirements risks issuers simply being unable to set any meaningful targets let alone reach them. As such an issuers diversity policy should be applicable across the issuer (board, management, senior management and workforce generally) and not only in relation to the board and applicable changes should be made to Rule 13.92.

- Require the issuer to set measurable objectives for implementing its diversity policy for workforce and board level

- As mentioned above this MDR and Rule 13.92 do not provide sufficient accountability to the market on how an issuer is performing against these requirements. We urge HKEX in addition to the current proposals to require issuers to disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; (3) the respective proportions of men and women on the board, in management and senior management positions and across the whole workforce

Recommended drafting to combine Rule 13.92 and this new MDR:

New MDR:

An issuer should:

(a) have and disclose a diversity policy;

(b) through its board or a committee of the board, set measurable objectives for achieving gender diversity in the composition of its board, management, senior management and workforce generally;

(c) disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; (3) the respective proportions of men and women on the board, in management and senior management positions and across the whole workforce; and

(d) give consideration to the requirements of (b) and (c) in relation to other aspects of diversity including race

New CP:

Issuer to achieve board gender diversity of at least 2 female directors (or 25% of the board whichever is the greater) by 2025.

Added Guidance that if 80% of all HKEX issuers fail to meet the above target by 2025 then HKEX will introduce mandatory quotas with penalties for issuers who fail to meet the above targets. Further, that in 2025 HKEX will raise the above target to at least 3 female directors (or 30% of the board whichever is the greater) with such targets to be met by 2027.

Question 6c

Do you agree with our proposal to introduce a CP requiring the board to review the implementation and effectiveness of its board diversity policy annually?

Yes

Please give reasons for your views.

We support this proposal but in line with our recommendations under questions 6(a) and 6(b) we urge HKEX to amend Rule 13.92 to ensure that an issuer's diversity policy is applicable not just to the board but across the issuer (board, senior management and workforce generally).

Question 6d

Do you agree with our proposal to amend the relevant forms to include directors' gender information?

Yes

Please give reasons for your views.

We further urge HKEX to:

- Set up a public database that includes analysis updated biannually to include: percentage of women on boards on HSI; percentage of women on boards across all issuers; the number of single gender boards on HSI and across the overall market, percentage of women appointed to new IPO issuers and the number and percentage of women appointed to boards in the foregoing period in comparison to men
- Include a summary of background and skill set of the director in addition to gender

-Ensure that gender information of directors includes non-binary gender options

Question 7

Do you agree with our proposal to upgrade a CP to Rule requiring issuers to establish a nomination committee chaired by an INED and comprising a majority of INEDs?

Yes

Please give reasons for your views.

Question 8

Do you agree with our proposal to upgrade a CP to a MDR to require disclosure of the issuer's shareholders communication policy (which includes channels for shareholders to communicate their views on various matters affecting issuers, as well as steps taken to solicit and understand the views of shareholders and stakeholders) and annual review of such policy to ensure its effectiveness?

Yes

Please give reasons for your views.

Question 9

Do you agree with our proposal to introduce a Rule requiring disclosure of directors' attendance in the poll results announcements?

Yes

Please give reasons for your views.

Question 10

Do you agree with our proposal to delete the CP that requires issuers to appoint non-executive directors for a specific term?

Yes

Please give reasons for your views.

Question 11

Do you agree with our proposal to elaborate the linkage in the Code by (a) setting out the relationship between corporate governance and environmental, social and governance ("ESG") in the introductory section; and (b) including ESG risks in the context of risk management under the Code?

Yes

Please give reasons for your views.

This is supported and we welcome the addition on ESG risk which we advocated in the ESG Consultation.

However we urge HKEX to continue its work on the elaboration on governance and ESG and overall risk and recommend that the Board also be required to disclose its material risks (including ESG risks) and how it manages or intends to manage such risks.

Question 12

Do you agree with our proposal to amend the Rules and the ESG Guide to require publication of ESG reports at the same time as publication of annual reports?

Yes

Please give reasons for your views.

Question 13

Do you have any comments on how the re-arranged Code is drafted in the form set out in Appendices III and IV to the Consultation Paper and whether it will give rise to any ambiguities or unintended consequences?

No

Please give reasons for your views.

Question 14

In addition to the topics mentioned in the Consultation Paper, do you have any comments regarding what to be included in the new guidance letter on corporate governance (i.e. CG GL) which may be helpful to issuers for achieving the Principles set out in the Code?

Yes

Please give reasons for your views.

TWF welcomes HKEX's considered proposals and efforts to develop and improve corporate governance standards in Hong Kong including the important issue of gender diversity on boards. We are further pleased to see that a number of our recommendations in previous submissions to HKEX over a number of years are being addressed. We are also pleased to see detailed drafting changes including the changes to ensure non gender specific language is used in the Code and Listing Rules.

For this particular question we refer to our recommendations below generally for the Guidance Letter as well as additional areas for HKEX to consider including in the Code and other sections of the Listing Rules.

We also refer specifically to our recommendations in the earlier questions to this Consultation.

Our primary recommendation in this Consultation is for HKEX to set overall board gender diversity targets for issuers by introduction of a new CP (as outlined specifically above).

However, board diversity cannot be considered in isolation or separate to diversity issues across an organisation. Companies must take a wholesale approach to promoting and committing to diversity, equity and inclusion (DE&I) across their businesses at all levels, and foster an understanding of how DE&I contributes to business success. Not only do we need to build a strong pipeline of female talent and provide women with the enabling workplace environment to reach the top, but also create the demand for such talent in senior levels of management, including at the board level. Unless both the supply and demand sides are addressed, efforts to achieve greater gender diversity will be undermined.

As noted in the earlier questions, whilst we welcome the addition of targets and timelines for workforce diversity without associated policies there is a substantial risk that issuers may not be able to achieve any targets they set.

If Hong Kong is to continue to build a deep talent pool of female candidates for board roles across the city it must also commit to developing this female talent pipeline in its workforce. As such we strongly urge HKEX to give more detailed guidance to issuers in its Guidance Letter.

Workforce Gender Diversity – Hong Kong Continues to Lag Behind

Gender equality is globally recognised as a priority but many organisations struggle to put this recognition into practice. Hong Kong lags behind not only in terms of board diversity but also on gender equality in the workforce overall:

- **Low numbers of women in the workforce:** Despite Hong Kong women graduating from universities in record numbers (54%) and the fact that women are entering the workforce in near equal numbers to men, we have a low female workforce participation rate of only 55% which is lower than many of our neighbours
- **Burden of care:** 30% of Hong Kong working women drop out of the workforce due to caring responsibilities.
- **“Motherhood penalty” at work:** According to a study released by the Equal Opportunities Commission in 2018, more than 50% of employers surveyed in Hong Kong stated they would not hire women with children. Due to caring responsibilities, lack of flexible work and gender biases, we see a significant drop off in women as they move through the workforce pipeline.
- **Gender Pay Gap:** Hong Kong’s gender pay gap is 20% and wider than ten years ago and higher than Singapore and Malaysia.

Sexual violence - 1 in 7 women in will experience sexual assault in her lifetime either at or outside the workplace. Rates for women who experience sexual harassment at work range from 10%-80% depending on the industry with the F&B industry at the higher end of the spectrum. TWF remains concerned about the level of underreporting by victims due to limitations in legal remedies, paucity of workplace policies and procedures in place to support victims and also prevent cases of sexual harassment. As a result of the global #MeToo movement, this issue is remains high on Government, corporate, investor, civil society and employees agendas.

For issuers, sexual harassment and assault in the workplace is a significant risk issue as it can significantly damage employees and wider employee morale. Sexual harassment cases can also raise significant reputational risk to issuers (including loss of shareholder value) particularly if an issuer has deficient policies and practices or if it does not treat complainants with fairness or takes no action against perpetrators.

Lack of flexible work in Hong Kong has been cited as one of the key barriers to developing the pipeline of female talent and leaders and despite flexible work being adopted during Covid-19 it remains to be seen if companies will adopt wholesale changes. Women have been disproportionately impacted by Covid-19 from additional care responsibilities, job losses in female dominated sectors and rising reports of domestic and sexual violence.

With increased focus and expectations by the community, investors and stakeholders on overall workplace diversity, board diversity and a rising focus on the role of companies in society and increased focus on ESG issues, these statistics highlight a significant risk to Hong Kong issuers. This is not only in terms of human capital risk but includes diversity and social risk overall which we believe should be addressed by the boards of Hong Kong issuers through the establishment of overall diversity policies, setting measurable objectives to achieving greater workforce diversity, and disclosing the make-up of their workforce at general, management, senior management and board level by gender. Other markets such as the U.K. and Australia have implemented similar wholesale approaches, guided by regulation, which has led to board gender diversity levels in both markets reaching approximately 30% without the need for quotas.

Ageing Population and Eldercare Risk

As Hong Kong's population is set to age dramatically in the next few years and its workforce decrease, the ability to attract and retain talent as well as manage the escalating costs of eldercare will pose significant business risks to companies. TWF, in conjunction with the Sau Po Centre on Ageing at The University of Hong Kong and HSBC Life, conducted a pioneering study in 2019 to understand and quantify the need and cost of eldercare in Hong Kong today and in just over 40 years' time.

The study aimed to understand how many Hong Kong people are giving and receiving eldercare now and in the future, and the subsequent costs to society, employers and individuals. The results are significant for Hong Kong, among them:

- With the population of eldercare recipients set to more than double from 5% to 11% by 2060, the cost to society will increase by 6 times from HK\$39 billion to HK\$222 billion.

- The cost of eldercare to employers is anticipated to grow approximately five times from 2018 to 2060.
- The overall cost of eldercare to individuals will quadruple from HK\$1.8 billion to HK\$7.2 billion, with women bearing a disproportionate share of this burgeoning cost as 62% of caregivers are expected to be women in 2060.

The study recommends urgent action by employers and the Hong Kong SAR Government to implement policies and practices to alleviate the financial and human resources burden on companies, and to support employees with eldercare responsibilities. Many of the solutions to mitigate the eldercare risk will also support greater diversity in Hong Kong's workforce.

TWF has highlighted above some of the systemic issues and challenges Hong Kong is facing in relation to its aging population including the cost to Hong Kong, companies and individuals associated with eldercare; Hong Kong's low female workforce participation rate and the significant drop out rate of women as they progress through the workplace due to caring responsibilities, the "Motherhood Penalty", the lack of flexible work and the overall significant gender pay gap in Hong Kong and challenges arising from Covid-19. TWF considers these to be significant risks and social issues that should be managed and addressed by all issuers. In order to address, manage and mitigate these issues the first step is disclosure and transparency. We recommend that these issues be considered for inclusion in the Guidance Letter, the Code and further expansion of Appendix 27 relating to ESG.

We further recommend disclosures on:

- turnover and attrition rates by gender at each of general, management and senior management levels
- ratio of new job applications to new employment contracts signed by gender
- percentage of promotions in the issuers main employee categories by gender
- targets for achieving gender diversity at each of general workforce, management, senior management and Board level
- Disclosure on it's anti discrimination policies in relation to gender, age, race, marital status and sexual identity
- Gender pay gap: Issuer to disclose its policies in relation to fair and equal payment of employees including a disclosure on the ratio of the remuneration by employee category by gender and disclosure of the mean and median pay gap across an issuer by gender.
- Flexible Work Practices: Issuer to disclose its approach to flexible work schedules and the extent to which these are offered to employees by the issuer and the uptake rate of flexible working arrangements by gender.

- Caring responsibilities: Issuer to disclose its initiatives and policies on maternity/paternity/parental/eldercare leave and other policies it has to support caregivers such as eldercare support. Issuer to also disclose its maternity/paternity/parental/eldercare and other leave return rates by gender.

-Sexual harassment: Issuer to disclose its initiatives to provide information, education and training on sexual harassment in the workplace and to disclose the total number of incidents of sexual harassment by gender and associated action taken.

- Suppliers/Products: Issuer to disclose its approach to assessing diversity and equality considerations including gender diversity in its supplier or procurement practices as well as product development and advertising including: a) the percentage of suppliers that have diversity particularly gender diversity policies or programmes b) the percentage of suppliers that report on their diversity policies and practices c) gender composition of supplier workforce including at management and Board level d) policies and practices the issuer has implemented in relation to non discriminatory products, services and advertising.

We would be pleased to meet with HKEX and discuss any of these proposals in more detail. We appreciate the opportunity to submit our views on this important Consultation to strengthen and improve corporate governance standards including diversity and enhance Hong Kong's overall position as a leading global financial centre.

Question 15a

Do you agree with our proposed implementation dates for all proposals (except the proposals on Long Serving INED): the financial year commencing on or after 1 January 2022?

Yes

Please give reasons for your views.

Question 15b

Do you agree with our proposed implementation dates for proposals on Long Serving INED: the financial year commencing on or after 1 January 2023?

Yes

Please give reasons for your views.