

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

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.

The Association of Executive Search and Leadership Consultants (AESC) recognizes that diversity is a business imperative with direct implications for organizational success. As trusted advisors to those companies that drive economies, lead innovation, and compete across vital sectors and geographies, we know first-hand the power of diverse corporate leadership. Our member firms are uniquely positioned to advise our clients on the talent that will give them a competitive edge.

Hong Kong lags behind other global markets when it comes to the representation of women on boards and in senior executive roles. The inclusion of gender disclosure requirements into the ESG reporting guide is an important step in encouraging businesses to better consider issues relating to gender and diversity in their organisation.

The business case for diversity is not new, but research continues to support the premise that leading employers have known for decades: that diversity and inclusion are directly related to higher-achieving teams, innovation, better access to key markets, improved recruiting and retention, and healthier organizations. Multiple sources point to several compelling conclusions:

- Diverse organizations are more successful in recruiting and retaining top talent.*
- Organizations that harness the unique leadership styles related to different demographic groups tend to bring about improvements in organizational health, financial performance, risk management, and ethical standards. In 2015 McKinsey predicted that diverse companies will significantly outperform non-diverse companies, identifying diversity as a competitive advantage over time.*
- The collective process of discovery from different points of view leads to more innovation, and more business success. Research published in 2013 by the Harvard Business Review reports that diverse “employees in a ‘speak up’ culture are 3.5 times as likely to contribute their full innovative potential.”*
- A leadership team that is reflective of a business’ major customer base, likely provides key insight and strategies.*
- Customers and clients prefer to work with businesses that reflect the customer base.*

Additional pressure to diversify comes from mandatory and voluntary government interventions. Several European countries have imposed mandatory quotas for female representation on boards, and the European Parliament voted for and is pressing the Council of the EU to adopt a directive calling for a minimum 40% representation of each gender among non-executive board directors by 2040. Outside of Europe, certain governments, including Australia, India, Israel and Kenya, have enforced legislative requirements for women on boards.

If Hong Kong is serious about bringing greater diversity to the boardroom, then its institutions, such as HKEx, need to encourage business to bring greater diversity to their boards and senior management teams. Incorporating gender disclosure into the ESG reporting guide is an important step.

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