## 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/-/media/HKEX-Market/News/Market-Consultations/2016-Present/May-2019-Review-of-ESG-Guide/Consultation-Paper/cp201905.pdf.

Where there is insufficient space provided for your comments, please attach additional pages.

Timeframe for Publication of ESG Reports

1. Do you agree with our proposal to amend Main Board Listing Rule 13.91 and GEM Listing Rule 17.103 to shorten the time required to publish an environmental, social and governance ("**ESG**") report from three months after the publication of the annual report to within four months for Main Board issuers or three months for GEM issuers from the financial year-end date?

   ☒ Yes

   ☐ No

   Please give reasons for your views.

   We agree with this proposal as shortening the time to publish ESG reports will encourage issuers to embed ESG considerations more closely into strategic and annual operational plans.

Printed Form of ESG Reports

2. Do you agree with our proposal to amend the Listing Rules and the Guide to clarify that issuers are not required to provide printed form of the ESG report to shareholders unless responding to specific requests, but are required to notify shareholders that the ESG report has been published on the Exchange's and the issuer's websites?

   ☒ Yes

   ☐ No

   Please give reasons for your views.

   We have no particular comments on this suggested amendment.

## Introducing Mandatory Disclosure Requirements

General

3. Do you agree with our proposal to amend the Guide to introduce Mandatory Disclosure Requirements ("**MDR**")?

   ☒ Yes

   ☐ No

   Please give reasons for your views.

TWF agrees with these suggestions and also refers to our additonal comments in the additional pages attached which form a response to this question as well as our overall commentary on the Consultation.

We are concerned that HKEX is introducing MDRs in relation to ESG reporting without consideration of how the changes relate to fundamental corporate governance of an issuer as well as linkages to the requirements under Appendix 14 and recommended associated changes that could be made to link these sections. The fundamental role of the Board is to guide strategy and identify and manage material risk as well as ensuring good foundations for oversight and management of the issuer (which includes principles of diversity). From the risk perspective, the assessment of risk exposure, including the level of materiality and mitigation plans, is a fundamental role of the Board as part of effective corporate governance. The management of ESG risk within an issuer is the responsibility of executive management (with Board oversight).

The MDRs in Appendix 27 require the Board to have greater oversight of management's role in identifying, evaluating and managing ESG issues (and risks) which itself risks becoming a process that the Board simply reviews. The MDRs do not include a clear obligation on the Board to assess overall ESG risk or level of materiality. Nor does it include any obligation for the issuer to actually disclose material ESG risks and how it manages such risks vis a vis the Environmental and Social KPIs. In fact an issuer's material risks may include other areas that are not included in the Environmental or Social KPIs. Further, requiring disclosures against the KPIs in Appendix 27 does not include any disclosure on level of materiality, impact to the business or exposure and risks perpetuating a tick the box approach for both the Board and management which is of limited relevance to investors and stakeholders. The material issue for the Board, investors and stakeholders is the extent to which the Board "itself" has identified material ESG risk, and if so how it manages or intends to manage such risks. As such the proposed amendments are not very clear in this regard. In our view this should be the fundamental disclosure requirement that should be appropriately made in the Corporate Governance Report. The requirements of Appendix 27 including the new amendments governing the ESG Report would then support the overall Board and governance focus and disclosures.

As such we strongly recommend that the Corporate Governance Code/Report in Appendix 14 be amended at the same time as these proposals for Appendix 27 to include a new MDR that "An issuer should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks."

As further elaborated in our additional pages TWF also recommends that Rule 13.92 and HKEX GL86-1 in relation to Board diversity be upgraded and aligned with a new mandatory disclosure requirement to be included in the Corporate Governance Code/Report to include that an issuer have a diversity policy applicable across the issuer, measurable objectives for achieving gender diversity and reporting of key workplace stats by gender and grade including at board level.

Governance Structure

4. If your response to Question 3 is positive, do you agree with our proposal to introduce an MDR requiring a statement from the board containing the following elements:

   (a) a disclosure of the board's oversight of ESG issues?

   (b) the process used to identify, evaluate and manage material ESG-related issues (including risks to the issuer's businesses); and

   (c) how the board reviews progress made against ESG-related goals and targets?

☒ Yes

☐ No

Please give reasons for your views.

We agree with the proposal subject to our recommendations above in Section 3 in relation to associated amendments to the Corporate Governance Code/Report where we would like to see an obligation on the issuer via the board to actually disclose whether it has any material exposure to ESG risks and if so how it manages or intends to manage such risks.

5. Do you agree with our proposal to set out in a note that the board statement should include information on the issuer's current ESG management approach, strategy, priorities and goals/targets and an explanation of how they relate to the issuer's businesses?

☒ Yes

☐ No

Please give reasons for your views.

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| We agree with this proposal subject to our recommendations above in Section 3. |

Reporting Principles

6. Do you agree with our proposal to amend the Guide to introduce an MDR requiring disclosure of an explanation on how the issuer has applied the Reporting Principles in the preparation of the ESG report?

☒ Yes

☐ No

Please give reasons for your views.

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| We agree with the proposal subject to our recommendations above in Section 3. |

7. Do you agree with our proposal to amend the Reporting Principle on "materiality" to make it clear that materiality of ESG issues is to be determined by the board and that the issuer must disclose a description of significant stakeholders identified, the process and results of the issuer's stakeholder engagement (if any), and the criteria for the selection of material ESG factors?

☒ Yes

☐ No

Please give reasons for your views.

We agree with the proposal subject to our recommendations above in Section 3 in relation to associated amendments to the Corporate Governance Code to require a clear disclosure on material ESG risk. There appears to be no actual MDR in this section of Appendix 27 that the

issuer actually disclose material ESG risk (whether they be in categories articulated in the Environmental and Social KPIs or not).
We recommend that HKEX give consideration to providing issuers with examples of stakeholders including investors, NGOs, Government, community groups, consumers, customers and including by diversity and equality groups.

8. Do you agree with our proposal to amend the Reporting Principle on "quantitative" to:

(a) require disclosure of information on the standards, methodologies, assumptions and/or calculation tools used, and source of the conversion factors used for the reporting of emissions/energy consumption (where applicable); and

(b) clarify that while key performance indicators (**"KPIs"**) for historical data must be measurable, targets may be expressed by way of directional statements or quantitative descriptions?

☒ Yes

☐ No

Please give reasons for your views.

In relation to item (b) we agree that historical data must be measurable but would recommend that targets be more clearly expressed through quantitative descriptions that are measurable as well as a statement from the Board on how the issuer plans to measure its targets. Our view is that allowing issuers to apply directional statements is not strong enough and does not provide a clear plan on how material risk issues will be addressed or mitigated. For example, gender diversity targets for senior management should be expressed by a clear percentage target, e.g.30% together with disclosure on how the issuer plans to achieve that target and how it will measure its success. A directional statement whereby an issuer states an intention to increase the number of women in senior management positions without a target or means of measuring that target is relatively meaningless.

Reporting Boundary

9. Do you agree with our proposal to amend the Guide to include an MDR requiring an explanation of the ESG report's reporting boundary, disclosing the process used to identify the specific entities or operations that are included in the ESG report?

☒ Yes

☐ No

Please give reasons for your views.

Some Social KPIs may still apply to entities where Environmental KPIs do not and we recommend this be made clear.

**Introducing Aspect on Climate Change and Revising the Environmental KPIs**

Climate Change

10. Do you agree with our proposal to introduce a new Aspect A4 requiring:

    (a) disclosure of policies on measures to identify and mitigate the significant climate-related issues which have impacted, and those which may impact the issuer; and

    (b) a KPI requiring a description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them?

☒ Yes

☐ No

Please give reasons for your views.

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| We have no specific comments on climate change KPIs but recommend that the approach to identify and mitigate issues as well as actions taken to manage issues be mirrored in the Social KPI requirements. The current drafting appears to place greater obligations for disclosure on Environmental KPIs than Social KPIs and we recommend consideration be given to aligning approaches. |

Targets

11. Do you agree with our proposal to amend the Environmental KPIs to require disclosure of a description of targets set regarding emissions, energy use and water efficiency, waste reduction, etc. and steps taken to achieve them?

☒ Yes

☐ No

Please give reasons for your views.

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| We have no specifc comments but recommend that the principle suggested here that issuers set targets and report on actions taken to achieve such targets be also mirrored for Social KPIs particularly those relating to gender diversity. |

GHG Emissions

12. Do you agree with our proposal to revise an Environmental KPI to require disclosure of Scope 1 and Scope 2 greenhouse gas ("**GHG**") emissions?

☐ Yes

☐ No

Please give reasons for your views.

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| We have no comment on this proposed amendment. |

**Upgrading the Disclosure Obligation of the Social KPIs**

13. Do you agree with our proposal to upgrade the disclosure obligation of all Social KPIs to "comply or explain"?

☒ Yes

☐ No

Please give reasons for your views.

An

TWF agrees with the proposals that all Social KPIs be upgraded to "comply or explain" as Social KPIs are of equal importance to investors and stakeholders as Environmental KPIs.

However, TWF is concerned that without the associated recommendations we have made in Section 3 and in our additional pages in relation to amending the Corporate Governance Code/Report, the additional requirements under "comply or explain" still risk being a largely tick the box exercise and is a missed opportunity that does not recognise the importance of diversity as a fundamental corporate governance imperative and a non financial risk issue that should be addressed by all issuers.

Hong Kong is not only lagging behind in terms of board gender diversity but also workforce gender diversity. Board gender diversity cannot be considered in isolation to overall gender diversity and issues and companies must take a wholesale approach to promoting and committing to diversity and inclusion across their businesses to build a strong pipeline of female talent and enabling work environments to allow women to reach management, senior management and board level.

As noted in our additional pages, TWF recommends that additional disclosures relating to gender diversity (including workplace statistics by grade and by gender) be upgraded to MDRs in the Corporate Governance Code/Report to reflect the overall importance of gender diversity and to align with the obligation in LR13.92 that issuers are required to have a Board Diversity policy and the recently issued Guidance Letter HKEX-GL86-16. We recommend the new requirement should read as follows:

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; and

(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.

## Revising the Social KPIs

Employment Types

14. Do you agree with our proposal to revise a KPI to clarify "employment types" should include "full- and part-time" staff?

☒ Yes

☐ No

Please give reasons for your views.

We agree with the amendment but recommend that disclosures under B1 be extended to further address diversity issues. As noted in our additional notes, Hong Kong lags significantly behind its regional and international neighbours not only in relation to Board gender diversity but overall gender diversity in the workplace. We recommend disclosure of key workplace and Board gender statistics such as the breakdown by gender in general workforce, management, senior management and board level. As reporting on these statistics is a fundamental component of a diversity policy as well as measurable objectives to address gender diversity we recommend these be mandatory disclosures be requirements of the Corporate Governance Report rather than under "comply or explain" provisions of the ESG Report.

TWF has highlighted in our additional pages 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. 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. As such, TWF recommends the following additional disclosures be included in this section B1:

That KPIB1.2 also be extended to include:
- 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

- 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 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.

Rate of Fatalities

15. Do you agree with our proposal to amend the KPI on fatalities to require disclosure of the number and rate of work-related fatalities occurred in each of the past three years including the reporting year?

☒ Yes

☐ No

Please give reasons for your views.

TWF agrees with this amendment but recommends disclosures under B2 be extended to address other risk issues associated with employee occupational health and safety, specifically sexual harassment.

In Hong Kong 1 in 7 women 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 now 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.

We recommend the following new disclosure be included in B2.
- 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.

Other measures to address this issue include our wider recommendations on diversity above in Section 3 and in relation to ethical and lawful conduct in Section 17 which we strongly recommend be included in the Corporate Governance Code/Report requirements in Appendix 14 on an MDR basis.

Supply Chain Management

16. Do you agree with our proposal to introduce the following new KPIs in respect of supply chain management?

    (a) Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.

    (b) Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.

☒ Yes

☐ No

Please give reasons for your views.

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| TWF agrees with these proposals but recommends they be expanded to include:<br>- Issuer to disclose its approach to assessing diversity and equality considerations including gender diversity in its supplier or procurement practices 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.<br><br>In addition to Supply Chain Management TWF recommends the inclusion in Social KPIs of additional disclosures relating to Community Investment (B8) and Product Responsibility (B6) Specifically:<br><br>B8 Community Investment:<br><br>KPIB8.1 be amended to include the example of equality in the community including gender equality, ethinic minority groups, LGBTQI+ and youth and aged care needs.<br><br>B6 relating to Product Responsibility:<br><br>TWF is concerned about the level of discriminatory and gender stereotyping advertising for goods and services in Hong Kong and notes these issues continue to be of concern to customers, stakeholders and the community at large. As well as addressing diversity issues within an issuer, issuers should ensure that these considerations are included in the way its overall business is managed.<br><br>We therefore recommend that Disclosure B6 to be extended to Service responsibility as well as Product, and that the following new disclosures be included in this section:<br>- Issuers to disclose policy and mechanisms in place to avoid gender and other forms of discrimination in marketing and advertising materials.<br>- Issuers to disclose the number of complaints regarding gender and other forms of discrimination in marketing and advertising materials.<br>- Issuers to disclose number of customer complaints by type and by gender of complainant. |

<u>Anti-corruption</u>

17. Do you agree with our proposal to introduce a new KPI requiring disclosure of anti-corruption training provided to directors and staff?

☒ Yes

☐ No

Please give reasons for your views.

TWF agrees with this proposal but recommends the new KPI be broadened to require disclosure of initiatives to provide information, education and training on anti-corruption in the workplace and a disclosure of the percentage of directors and employees who have completed such training.

We recommend KPIB7.1 be revised and broadened to disclose the total number of incidents of anti-corruption and action taken by gender and not simply the number of concluded legal cases against the issuer or employees.We make this recommendation in order to be consistent with our recommendations in Section 15.

Subject to the below, we also recommend that KPIB7.2 be revised as preventive measures and whistleblowing procedures for employees should not be limited to cases of bribery, extortion, fraud and money laundering but can include a wide range of workplace issues including discrimination and sexual harassment.

In keeping with our recommendations above in relation to improving the overall standards of corporate governance in Hong Kong we consider that disclosures in this section B7 go to the heart of ethical and lawful conduct overall for an issuer. This is a fundamental element of good corporate governance and must therefore be the responsibility of the Board and not simply considered in relation to ESG. In addition to the requirements in Appendix 27, we strongly recommend that this issue be included in the Corporate Governance Code/Report in Appendix 14 following the below principles on an MDR basis:

- An Issuer should articulate and disclose its values.
- An Issuer should: a) have and disclose a Code of Conduct for directors, senior executives and employees and that the Board or a Committee of the Board is informed of material breaches of the Code of Conduct.

An Issuer should: a) have and disclose a whistleblower policy b) ensure that the Board or a Committee of the Board is informed of any material incidents reported under that policy.

In addition, the Corporate Governance Code should include a requirement that an issuer have and disclose an antibribery and corruption policy and ensure that the Board or Committee of the Board is informed of any breaches of that policy.

## Encouraging Independent Assurance

18. Do you agree with the proposal to revise the Guide's wording on independence assurance to state that the issuer may seek independent assurance to strengthen the credibility of ESG information disclosed; and where independent assurance is obtained, the issuer should describe the level, scope and processes adopted for assurance clearly in the ESG report?

    ☒ Yes

    ☐ No

    Please give reasons for your views.

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| We agree with this proposal. |

- End -

**Additional Pages to The Women's Foundation Submission (19 July 2019):**

**Cover Note and additional answers to Question 3**

**Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules – Submission by The Women's Foundation**

**Gender Diversity on Hong Kong Boards – More Needs to Be Done**

The Women's Foundation (TWF) is pleased to note the continuing focus of Hong Kong Exchanges and Clearing Limited (HKEX) on developing and improving corporate governance standards in Hong Kong including the important issue of gender diversity on boards.

We agree with the sentiments expressed by Mr. David Graham that board diversity promotes effective decision-making and enhances corporate governance and that considerations of diversity are an increasingly important factor when investors make their investment decisions. There is a growing body of research that a diverse board that reflects different perspectives and experiences has a higher probability of business success, and is better positioned to navigate challenges in these volatile and disruptive times.

It should thus be a matter of deep disappointment and concern to HKEX and to the business and investment community that the percentage of women on boards in Hong Kong is very low - the current representation of women on HSI boards is only 13.5%. Only 3 women have been appointed to HSI boards so far in 2019, compared to 42 male appointments. The number of all male boards remains at 12, from a low of 10 last year. As HKEX has previously noted, approximately one third of all issuers in Hong Kong are without a single woman on their boards. Hong Kong lags behind most Asian markets (and far behind other international financial centres) in this regard. In times of increased market volatility due to geopolitical factors, it is all the more important that Hong Kong rises to international best practice.

TWF hopes that new issuers will respond positively to the guidance now provided in Guidance Letter GL86-16 that, in addition to the main board Listing Rule 13.92, not only should new issuers have a diversity policy but if they propose to list with a single gender board, they must disclose and explain how and when gender diversity of their board will be achieved, what measures they will adopt to develop a pipeline of potential successors, and what measurable objectives have been set.

If insufficient progress is made, there should be an expectation that more stringent rules will be imposed.

For both newly listed and currently listed companies, an all-male board should be a matter of considerable embarrassment and will be increasingly seen as indefensible to investors and governance bodies. TWF stands ready to recommend suitable female candidates to the Chairman or Nomination Committee of any such board.

TWF strongly recommends that the earliest opportunity is taken to align the principles outlined in GL86-16 with main board Rule 13.92 and make this a new Mandatory Requirement in the Corporate Governance Code and Mandatory Disclosure Requirement for the Corporate Governance Report for all issuers as further outlined below.

TWF supported the introduction of the new LR 13.92 as a measure to improve gender diversity at board level. 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 and inclusion (D&I) across their businesses at all levels, and foster an understanding of how D&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.

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.

**Workforce Gender Diversity – Hong Kong Lags 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, only 29% of women are in management positions compared to 38% in Malaysia and 37% in Mainland China. Hong Kong's female workforce participation rate is only 55% compared to 70% in Japan and nearly 60% in Singapore and Australia.
- **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 22% and wider than ten years ago and higher than Singapore and Malaysia.

With increased focus and expectations by the community, investors and stakeholders on overall workplace diversity as well as board diversity, 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.

As diversity is also a fundamental principle of good corporate governance as well as oversight and management of an issuer, we recommend that these key requirements be outlined in the Corporate Governance Report as mandatory disclosure requirements.

## 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, recently conducted a pioneering study 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. As such, we have made some associated recommendations to the Social KPIs in Appendix 27.

## Consultation Paper on the Review of the Environmental, Social and Governance Reporting Guide

We are pleased to respond to HKEX's Consultation Paper on Review of the Environmental, Social and Governance (ESG) Reporting Guide and Related Rules (ESG Consultation). Whilst we welcome the proposals to introduce Mandatory Disclosure Requirements outlining the Board's governance role in ESG issues and that Social KPIs are proposed to be amended from voluntary disclosure to "Comply or Explain", we consider the overall approach to be a missed opportunity that does not recognise the importance of diversity as either a fundamental aspect of corporate governance or a wholesale non-financial risk issue to be mitigated by issuers for the reasons outlined above.

As such, we would like to see a far stronger link (and associated amendments) between the requirements of the Corporate Governance Code – Appendix 14, the Board Diversity rule in LR13.92, Guidance Letter GL86-16 and the ESG requirements in Appendix 27.

In addition to our specific comments in response to the ESG Consultation, we recommend that the current requirements of LR13.92 and of Guidance Letter GL86-16 be combined together with a wider focus on diversity across an issuer's organisation into a new section that be set out in the Corporate Governance Code – Appendix 14 as a new Mandatory Requirement and, additionally, as a Mandatory Disclosure Requirement for the Corporate Governance Report, rather than as additions to LR13.92. We propose that the new requirement should read as follows:

*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; and*

*(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.*

**Urgent Review of Appendix 14 Corporate Governance Code**

As the ESG Consultation has highlighted a number of inconsistencies between the ESG Reporting Guide in Appendix 27, the Corporate Governance Code in Appendix 14, LR13.92 as well as other areas, we strongly recommend that HKEX commences a comprehensive review of Appendix 14 with a view to incorporating our recommended changes, further integrating the various requirements across Appendices 14 and 27 as well as considering others that can assist in improving corporate governance standards in Hong Kong. A strong corporate governance regime would help maintain Hong Kong's position and reputation as a leading global financial centre.