

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.

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.



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.

I agree with the suggestion subject to the below.

The primary role of the board is to guide strategy and risk and provide oversight of an issuer. Diversity is a key part of oversight as well as a social risk issue and as such should be at the heart of corporate governance considerations.

The suggested MDRs are largely focused on the board's oversight role of management in relation to ESG. They do not include any clear obligation on the board itself to identify and disclose material risk or how the issuer plans to mitigate such risk. As this is the fundamental role of the Board and a key element of good corporate governance I 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."

The ESG Consultation is also a missed opportunity to address overall diversity concerns. Hong Kong lags behind regional and international financial centres with respect to board gender diversity. A paltry 13.5% of women are on HSI boards. Hong Kong also lags behind on overall workforce gender equality with low workforce participation rate and only 29% of women in management positions. 30% of women in Hong Kong drop out of the workforce due to caring responsibilities. If Hong Kong wishes to increase the number of women on boards it must also commit to developing the female talent pipeline.

To address the above I recommend 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.

I with the proposal but recommend an obligation be placed 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. This requirement should be an MDR in Appendix 14

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.

See my comments 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.

See my comments 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.

I recommend a requirement that the board identify and disclose material risk and how it will mitigate such risk and this be included in Appendix 14 as an MDR.

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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.

Do not agree with directional statements but clear and measurable targets.

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.

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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.

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.

Suggest environmental and social KPIs be aligned in relation to reference to targets and mitigation

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.

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.

Without additional amendments I have recommended in section 3 this requirement may not address "tick the box concerns.

Diversity issues should be further considered including 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. I recommend 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.



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.

This should be extended but workforce gender stats should be included in Appendix 14 Corporate Governance Code/Report.

Hong Kong lags behind overall on workplace gender diversity which represents a significant risk to issuers and the city overall.

. 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:

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.

- 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.

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.

I recommend broadening to include other OHS issues such as sexual harassment which is a significant risk issue both for employees and issuers.

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. . As a result of the global #MeToo movement, this issue is now high on Government, corporate, investor, civil society and employees agendas.

I recommend the following 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.

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.

<p>Recommend this be expanded to include:</p> <ul style="list-style-type: none">- 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. <p>Other changes</p> <p>B6 relating to Product Responsibility. Recommend extend to disclose discrimination in products and services provision. Issuers face internal risks in relation to diversity but also external in the way they run their businesses</p> <ul style="list-style-type: none">- Extend to cover services- Issuers to disclose policy and mechanisms in place to avoid gender and other forms of discrimination in marketing and advertising materials.- Issuers to disclose the number of complaints regarding gender and other forms of discrimination in marketing and advertising materials.- Issuers to disclose number of customer complaints by type and by gender of complainant.
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Anti-corruption

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.

Include percentage of employees and directors who have completed training.

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.

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.

Wider changes should be included regarding ethical and lawful conduct 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.

- End -