

## 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.

Renders the information more relevant and up to date.

### 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.

1 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”.

2 We note the recent changes to Appendix 13 Rule 13.92 which requires issuers to have a Board Diversity Policy. We further note the new mandatory guidance to IPO applicants HKEX-GL86-1 requiring applicants for listing to make a range of disclosures on board diversity, measurable objectives, etc.

3 We strongly recommend that the earliest opportunity is taken to upgrade main board Rule 13.92 with the guidance HKEX-GL86-1 and make this a requirement for all existing listing companies in Appendix 14 and include requirements that a company have a diversity policy applicable across the company, measurable objectives to implement the policy and report on workplace statistics by grade and by gender.

### 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 would like to see an obligation on the issuer via the board to disclose whether it has any material exposure to ESG risks and how it proposes 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.

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.

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 recommend that the Corporate Governance Code require a clear disclosure on material ESG risk.

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.

We recommend targets be expressed by specific reference to percentages

### 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.

## 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.

Climate change is of utmost concern. According to recent research in the UK, the decisions we take collectively in the next 10 years will determine the future of the planet and mankind for the next 10,000 years. Regulators must take action now.

### 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.

See q10

## 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.

See q10

## **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.

We agree with the proposals that all Social KPIs be upgraded to "comply or explain". WILHK 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

## 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 amendment but recommend that disclosures under B1 be extended to further address diversity issues.

- we recommend disclosure of key workplace diversity stats, including breakdown by gender in general workforce, management, senior management and board level be included in Appendix 14 as mandatory disclosures.

- Hong Kong faces challenges with its low female workforce participation rate and the drop-out rate of working women due to caring responsibilities - the “Motherhood Penalty”

- KPIB1.2 should be extended to include:

o Turnover and attrition rates by gender at all levels.

o Ratio of new job applications to new employment contracts signed by gender.

o Percentage of promotions in the issuer’s main employee categories by gender.

o Targets for achieving gender diversity at each level of general workforce.

- Gender pay gap – issuer should disclose its policies in relation to gender pay gap and equal payment of employee category by gender and disclosure of the mean and median pay gap across an issuer by gender.

- Flexible work practices – issuer should disclose its policies on flexible work schedules – the extent to which they are offered and the uptake rate by gender.

<p>- 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.</p>
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### 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.

- We recommend disclosures under B2 be extended to address other issues, specifically sexual harassment.

- We recommend the following new disclosure to be added 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.

- Expand recommendations – issuer to disclose its approach to assessing diversity and equality considerations including gender diversity in its supplier or procurement practices.
- Recommend that Disclosure B6 is extended to service responsibility as well as Product and that new disclosures are included in this section:
  - o Issuers to disclose policy and mechanisms in place to avoid gender and other forms of discrimination in marketing and advertising materials.
  - o Issuers to disclose the number of complaints regarding gender and other forms of discrimination in marketing and advertising materials.

<ul style="list-style-type: none"><li>o Issuers to disclose the number of customer complaints by type and gender of complainant.</li></ul>
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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.

- New KPI should be broadened to include disclosure of such initiatives and the percentage of directors and employees that have completed the training.
- KPIB7.2 should be revised as preventative measures and whistleblowing procedures should not be limited to cases of bribery, extortion, fraud and money-laundering, but can include a wide range of issues including discrimination and sexual harassment.
- Recommend that disclosures in B7 are included in the Corporate Governance Code Appendix 14 following the below on an MDR basis:
  - o An issuer should articulate and disclose its values.

- o An issuer should have and disclose a Code of Conduct for directors, senior executives and all employees.
- o An Issuer should have and disclose a whistle-blower policy and ensure that the Board or any committee of the Board is informed of incidents.

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## 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 -