

THE WOMEN'S FOUNDATION (TWF) SUBMISSION

HKEX CONSULTATION ON THE REVIEW OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE AND RELATED LISTING RULES

Deadline for submission: Friday, 19 July, 2019.

Below is a summary of TWF's proposals and submission in reply to the Consultation Questions.

TWF has indicated no comment to a number of questions in the Consultation that are not directly relevant to our mission. However, we encourage others to answer all questions in the Consultation based on your views.

In particular, we believe the following questions are the most important and we would ask that you please answer them with our suggested answers:

General

Question 3 – Answer Yes

Amend the Guide to introduce Mandatory Disclosure Requirements (MDR)

In addition (add to 'give reasons for your views' section), **we urge HKEX to:**

- 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".
- 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.
- 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.

Question 4 – Answer Yes

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
- (c)** How the board reviews progress made against ESG related goals and targets.

In addition (add to 'give reasons for your views' section), **we suggest:**

- 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

Question 5 – Answer Yes

Set out a note in the board statement to include information on the issuer's current ESG management approach, strategy, priorities and goals/targets and how they relate to the issuer's businesses

In addition (add to 'give reasons for your views' section), **we suggest:**

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

Reporting Principles

Question 6 – Answer Yes

- We agree with the proposal subject to our recommendations above in Section 3 **Question 7 – Answer Yes**
- Recommend that the Corporate Governance Code require a clear disclosure on material ESG risk.

Question 8 – Answer Yes

Proposal to amend the Reporting Principal on “quantitative” to:

- We recommend targets be expressed by specific reference to percentages

Question 13 – Answer YES

Upgrade the disclosure obligation of all Social KPIs to 'comply or explain'

In addition (add to 'give reasons for your views' section), **we suggest:**

- We agree with the proposals that all Social KPIs be upgraded to "comply or explain" 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 **Question 14 – Answer YES**

Revise a KPI to clarify 'employment types' that should include full- and part-time staff

In addition (add to 'give reasons for your views' section), **we suggest:**

- Agree with amendment but recommend that disclosures under B1 be extended to further address diversity issues.
- 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.
- 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.

Question 15 – Answer YES

In addition (add to ‘give reasons for your views’ section), **we suggest:**

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

Question 16 – Answer YES

In addition (add to ‘give reasons for your views’ section), **we suggest:**

- 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:

- 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 the number of customer complaints by type and gender of complainant.

Anti-corruption

Question 17 – Answer YES

In addition (add to 'give reasons for your views' section), **we suggest:**

- 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:
 - An issuer should articulate and disclose its values.
 - An issuer should have and disclose a Code of Conduct for directors, senior executives and all employees.
 - 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.