



PUBLIC HEARING No. 01/2022-DIE

Re.: **ESG Annex to the Regulations for the Listing of Issuers and for the Admission of Securities for Trading**

1. Introduction

B3 submits to public hearing the proposal for an Annex to the Regulations for the Listing of Issuers and for the Admission of Securities for Trading (“Issuers Regulation” and “Annex”) ([Annex I](#)) with the purpose of gathering contributions from market players, companies, investors, regulators, associations, and other interested parties.

The Annex is intended to align B3 rules with recent regulatory changes – both Brazilian and international – relating to Environment, Social, and Corporate Governance (“ESG”) themes.

Under the terms set out below, B3’s listed companies must adopt measures on a “comply or explain” basis, except those expressly exempted.

Among the proposed measures are, for example, the (i) election of at least one woman and one underrepresented minority member as effective members of the board of directors or executive committee; and (ii) inclusion of diversity criteria on the procedure for nominating members of the board of directors and the executive committee and of ESG guidelines in the company documents.

For the respondents who will send their contributions at this public hearing, questions have been included throughout this notice highlighting the subjects for which B3 is most interested in gathering impressions (consolidated in [Annex II](#)). Without prejudice thereto, respondents may submit their comments on aspects of the Annex not addressed in the questions.

2. Context

In recent years, there has been a trend in the international and Brazilian markets to implement ESG standards and to disseminate ESG-related recommendations. Thus, a legislative and regulatory movement was noted in this regard in several

countries, such as the United States (California), the Netherlands, France, Germany, and Brazil.

In the Brazilian context, stands out the regulatory changes of the Central Bank of Brazil with the approval of Resolution BCB No. 139¹ and of the Securities and Exchange Commission ("CVM"), through CVM Resolution No. 59 ("RCVM 59")². The latter proposes a more robust disclosure regarding ESG information and, thus, introduces demand for data related to diversity and inclusion scenario in publicly held companies.

RCVM 59 requires that the Reference Form ("FRe") indicates the number of company's administrative bodies and audit committee members **grouped by self-declared gender, color or race identity and by other diversity attributes** that the issuer deems relevant. Thus, the rule allows access to valuable information to the discussion about diversity in the management of publicly held companies and development of ESG strategies.

In parallel to this movement, initiatives intended to include ESG measures focused on diversity aspects, can be seen in stock exchange regulations and regulators from other jurisdictions. In this context, B3 analyzed the amendments made by the Financial Conduct Authority ("FCA"), the competent body to draft listing rules in the United Kingdom; Nasdaq Stock Market ("Nasdaq"); Australian Securities Exchange ("ASX"); Hong Kong Exchanges and Clearing Market ("HKEx"); Tokyo Stock Exchange, Inc. ("TSE"); and Singapore Exchange ("SGX") ([Annex III](#))³.

Most of the rules are applied on a "comply or explain" basis from which the issuer shall present evidence of compliance with the practice described in the rule or, in case of non-adoption or partial adoption of the practice, indicate the

¹ On September 15, 2021, Resolution BCB No. 139, which provides for the Social, Environmental, and Climate Risks and Opportunities Report (GRSAC Report), was released in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

² On December 12, 2021, RCVM 59 was released, which amended CVM Instruction No. 480/2009, implementing, among other aspects, changes to the FRe to include ESG matters. The FRe, along the lines of RCVM 59, will come into force on January 2, 2023.

³ The synthesis of the research can be found in form of the table attached hereto.

corresponding explanation. Among the stock exchanges researched, only two opted to adopt mandatory rules (SGX and HKEx⁴).

As a common point among all the rules researched, it was noted the aim to promote gender diversity in boards and senior management positions by establishing goals for the inclusion of women by the regulatory authority or by the issuer. In addition, some exchanges have also addressed diversity in other areas, such as race and ethnicity, nationality and sexual orientation.

In this context, B3 proposes the establishment of the Annex to the Issuers Regulation, to induce ESG measures with emphasis on diversity and inclusion among listed companies, in accordance with the international practice.

3. Proposal | General Aspects

3.1. Scope

B3 proposes that the Annex, once linked to the Issuers Regulation, should be observed by all listed companies. As it should be applied on the “comply or explain” basis, the provisions shall be observed by all listing segments of B3 – Basic Segment, Corporate Governance Level 1, Corporate Governance Level 2, Novo Mercado, Bovespa Mais and Bovespa Mais Level 2.

However, in line with international practice and due to the Brazilian regulatory context, specific exceptions were established based on the characteristics of certain issuers.

In fact, the following companies are exempted from the Annex: **(i)** registered as Category B company with CVM; **(ii)** smaller reporting companies, under Article 294-B of Law No. 6,404/1976; **(iii)** beneficiaries of funds from tax incentives as regulated by CVM Resolution No. 10/2020; and **(iv)** issuers of Sponsored Brazilian Depositary Receipts (“BDR”)⁵.

⁴ It should be mentioned that despite providing for a mandatory rule, HKEx provides for several exceptions.

⁵ Only reference to Sponsored BDRs was included, as only Level II and Level III Sponsored BDR companies are listed with B3 and may be subject to the proposed rule.

The first three exemptions are intended to align the Annex with the simplified information requirements applicable to such issuers, while the latter is intended to mitigate any rule overlapping considering that similar rules aligned with the purpose of this proposal can be noted in other jurisdictions, and to preserve, at this point, the definition of underrepresented minority from adaptations to the demographic and cultural realities of each country.

QUESTION 1

What is your opinion on the exclusion of smaller reporting companies (Article 294-B of Law No 6,404/1976) from the scope of the Annex? Would it be appropriate to include smaller reporting companies listed in Level 1, Level 2, or Novo Mercado within the scope of the Annex? Explain your answer.

QUESTION 2

What is your opinion about the exclusion of Sponsored BDR issuers from the scope of the Annex? Explain your answer especially if you are against the exclusion.

3.2. Model | Comply or Explain

As abovementioned, B3 proposes that the Annex should be applied on a “comply or explain” basis. This approach requires the issuer to present evidence of adoption of the practice established in the rule and, in the case of total or partial non-execution, indicate the explanation for such conduct.

This model preserves transparency and accountability for the market, allowing access to information on corporate governance and practices so that investors and other stakeholders may engage in dialogue with the issuer’s senior management on ESG matters, and taking the information provided into account for their investment decision-making.

This approach encourages market familiarization with ESG aspects and does not adversely affect a possible proposition, in the future, of mandatory rules in special segments.

3.3. Submission of Evidence | FRe

On the “comply or explain” model, issuers will have to provide evidence under specific sections on **FRe** of the compliance or explanation for total or partial non-adoption of each ESG measure, as indicated in the Annex ([Annex IV](#)).

The timeframes for submission of evidence or explanations set out in the Annex will be aligned with the mandatory annual presentation deadline of the FRe (Article 25, Paragraph 1 of CVM Resolution No. 80 – “RCVM 80” – which revoked CVM Instruction No. 480/2009).

In the event of any change after such presentation, which may adversely affect the adoption of the measure set out in the Annex resulting in the mandatory re-presentation of evidence under FRe (RCVM 80, Article 25, Paragraphs 2 and 3), the issuer shall have the same timeframe to comply or explain the non-compliance of the measure.

4. Proposal | Content

In this item, the content of the Annex proposal, which is divided into four ESG measures organized in two sections, will be presented and detailed: (i) Board and Senior Management Structure; and (ii) Company Documents.

4.1. Section 1 | Board and Senior Management Structure

Section 1 of the Annex refers to the board and senior management structure and contains **ESG Measure 1**, which consists of electing as an effective member of the board of directors or the executive committee, at least **(i)** one woman; and **(ii)** one member of an underrepresented minority. Alternatively, the company may elect the same member that accumulate both characteristics.

For the purposes of the Annex, a woman is understood to be any person who identifies as a female regardless of the sex assigned to her at birth, and a member of an underrepresented minority is understood to be any person who **(a)** self-declares to be “black” or “brown” according to the classification by the Brazilian Geography and Statistics Institute - IBGE, **(b)** identifies as a part of the LGBTQIA+ community, or **(c)** is considered to be a person with disabilities under Law No.

13,146/2015. It should be emphasized that in all these cases the right to intimacy must be preserved, and the criterion of self-declaration must be prioritized.

As a rule applicable on a “comply or explain” basis, evidence of compliance with ESG Measure 1 should be indicated in the FRe items (as per Annex A to RCVM No. 59/21) outlined in the table below. If the company does not adopt ESG Measure 1, the corresponding explanation shall be presented in item 7.1, Letter “e” of the FRe.

Diversity criterion	FRe Item (Resolution CVM 59)
Women	Item 7.1, Letter “d”, “i”
Black or brown	Item 7.1, Letter “d”, “ii”
LGBTQIA+	Item 7.1, Letter “d”, “iii”
Persons with disabilities	Item 7.1, Letter “d”, “iii”

It is understood that the presentation of diversity data in management proposed by CVM based on the indication of the **total number of members in each body grouped by diversity criteria** is sufficient to show compliance with ESG Measure 1 without compromising the board members’ privacy.

Regarding the timeframes for the implementation of e ESG Measure 1, it is proposed that the evidence or explanations for non-compliance be progressively disclosed in the **mandatory annual FRe presentation** (Article 25, Paragraph 1 of CVM 80) for the years indicated in the table below:

Company Status	1 member or explanation	2 members or explanation
Listed while the Annex is effective	2nd year following the start of the Annex effectiveness	3rd year following the start of the Annex effectiveness
IPO	Year following the listing	2nd year following the listing
SPAC	Year following the business combination	2nd year following the business combination

Therewith, B3 intends to give companies a reasonable period to adapt to the rule in order to allow for electing new board members.

QUESTION 3

ESG Measure 1 proposes the election as an effective member of the board of directors **or** of the executive committee of at least (i) one woman and (ii) one member of an underrepresented minority. In this respect, such two members may be distributed among the bodies as appropriate for the company. Do you deem this approach to be appropriate or would you suggest any modification, particularly regarding the number of board members and bodies covered? Explain your answer.

QUESTION 4

In your opinion, should any group be included in (or excluded from) the definition of underrepresented minority? Explain your answer.

QUESTION 5

Do you deem the proposed timeframes for phasing-in to ESG Measure 1 adequate? Explain your answer.

4.2. Section 2 | Company Documents

Section 2 of the Annex presents **ESG Measures 2, 3 and 4** which deal with adjustments in company documents to reflect ESG practices.

Such measures will also be applied on a “comply or explain” basis, so that evidence of their implementation or explanations for their total or partial non-adoption shall be presented in the FRe sections indicated in the table below.

Practice	FRe Item (Resolution CVM 59)
ESG Measure 2	Item 7.1, Letter “a”
ESG Measure 3	Item 8.1, Letter “c.i”
ESG Measure 4	Item 1.9

Furthermore, it is proposed that ESG Measures 2, 3 and 4 be applied from the second year following the start of the Annex effectiveness. And, in the cases of an IPO or SPAC, the measures should be applied in the year following the listing or business combination, so that the same rationale used in the previous section is preserved as for the event that triggers the timeframe counting.

4.2.1. ESG Measure 2

ESG Measure 2 refers to the establishment, in the articles of incorporation or in the Nomination Policy, of a **procedure for the nomination of members of the board of directors and of the executive committee**, including at least the following criteria: **(i)** complementarity of experiences; and **(ii)** diversity in gender, sexual orientation, color or race, age, and inclusion of disabled people. A nomination procedure that covers these criteria enables the company to commit more effectively to working on diversity issues in the structure of its management bodies.

It is thus possible to incorporate this practice into the issuer's governance and to encourage a reflection on the implementation of diversity and inclusion targets in addition to those proposed through the ESG Measure 1 of the Annex.

In some jurisdictions, there was a tendency to demand from issuers the drafting of a diversity policy with measurable internal diversity and inclusion targets for the management and for other positions, also detailing strategies and means to achieve them⁶.

Similarly, the Annex proposes based on the definition of nomination criteria, the introduction of a diversity and inclusion practice in listed companies, starting with the definition of means to work on this issue within the board and senior management structure.

4.2.2. ESG Measure 3

ESG Measure 3 relates to the company's management compensation. It is established that, when there is variable compensation of members of the board of directors or the executive committee, the company shall define in

⁶ As well as the due model distinctions ("comply or explain" or mandatory), the TSE, ASX, HKEx, and SGX rules contain provisions related to diversity policy.

compensation practice or policy the performance indicators relating to ESG topics or targets.

The Global Benchmark Policy Survey, a survey published in 2021 by Institutional Shareholder Services (“ISS”)⁷, showed that 86% of responding investors and 73% of non-investors understand that the establishment of non-financial ESG-related metrics is an appropriate way to incentivize executives⁸.

However, it should be noted that respondents expressed the need to define such metrics correctly. With this regard, more than half of investors (52%) responded that ESG metrics should be specific and measurable, and targets communicated to the market transparently. Another part (34%) responded that, when chosen well, even ESG-related metrics that are not financially can be an effective way to incentivize positive outcomes that may be important for a company. And only a lower percentage (4%) was favorable to the maintenance of traditional metrics without association to ESG topics⁹.

The ISS survey shows the receptiveness of investors at international level regarding ESG metrics and targets associated with executives’ compensation, with due emphasis on the correct use of such elements.

In this regard, B3 understands that it will encourage, through ESG Measure 3, discussions about this topic on the local market, and it will define targets that may bring concrete benefits to the companies’ ESG initiatives.

It should be emphasized that metrics and targets must be carefully outlined and in line with the company's strategy and its business model¹⁰. As it is a “comply or

⁷ ISS is a provider of solutions for corporate governance, responsible investments, market intelligence, and content for institutional investors and companies globally. Available on <https://www.issgovernance.com/about/about-iss/>

⁸ Available on <https://www.issgovernance.com/file/publications/2021-global-policy-survey-summary-of-results.pdf>

⁹ Survey results can be found on pages 9 and 10 of the 2021 Global Benchmark Policy Survey available on <https://www.issgovernance.com/file/publications/2021-global-policy-survey-summary-of-results.pdf>

¹⁰ The article *The Evolving Role of ESG Metrics in Executive Compensation Plans*, which was published in the Harvard Law School Forum on Corporate Governance, addresses the

explain” rule, it will be possible to present an explanation in the appropriate FRe section, for example, if the company is not found to be at an adequate maturity stage for incorporating ESG goals.

Finally, it should be borne in mind that RCVM 59 included mandatory disclosure of performance indicators related to ESG issues, if any, in the compensation of the board of directors, executive committee, audit committee and certain other bodies. In fact, compliance with this measure should be accomplished by completing Item 8.1, Letter “c.I” of the FRe.

4.2.3. ESG Measure 4

The last practice proposed in the Annex **ESG Measure 4** consists of the drafting and disclosing of documents approved by the board of directors on ESG guidelines and practices, considering a minimum content.

Such content should cover issues related to socio-environmental responsibility, including (a) combat to discrimination, (b) respect for human rights and labor relations, (c) animal protection against cruelty, (d) environment protection against harmful activities, (e) treatment of solid waste and chemical and hazardous products, as well as corporate governance and compliance mechanisms that indicate how such ESG guidelines and practices are implemented in the company.

The document referred to in **ESG Measure 4** may have various forms, provided that the establishment of ESG guidelines and practices is shown, as well as the approval by the board of directors.

In this regard, as applicable, the themes listed above may be worked on, for example, in the: **(i)** Code of Conduct; **(ii)** Sustainability Policy (or a policy addressing ESG themes); and/or **(iii)** Sustainability Report or Annual Report.

Besides the examples above, the company may implement ESG Measure 4 by using another document that best suits its context with due regard for the

implementation of ESG goals as an executives’ compensation element and reflects on quality when setting targets and on the company’s maturity to implement them. <https://corpgov.law.harvard.edu/2022/03/19/the-evolving-role-of-esg-metrics-in-executive-compensation-plans/>

minimum requirements mentioned. In any case, ESG Measure 4 shall be informed in Item 1.9 of the FRe.

QUESTION 6

In your opinion, should ESG Measure 4 be associated to a specific document or would it be appropriate for each company make their own choice? Explain your answer.

QUESTION 7

Is there any ESG issue that should be included in or excluded from the minimum content of ESG Measure 4? Explain your answer.

4.3. Conclusion

The public hearing stage about the Annex to the Issuers Regulation represents a moment of interaction with the market and entities engaged in ESG-related topics. In this stage, B3 will receive by email at sre@b3.com.br comments on the proposals contained in this notice **by September 16, 2022**.

B3 will assess each contribution received while seeking to harmonize, as far as possible, the various suggestions in this process, reaching a final text to be submitted to the approval of its internal bodies and of CVM.

The contributions received during the public hearing period will be disclosed in full on B3's portal in due course.

Further clarification may be obtained from the Issuers' Regulation, Guidance and Enforcement Team by telephone on +55 11 2565-4514 and +55 11 2565-7003 or by email at sre@b3.com.br.

ANNEX I
DRAFT OF AN ANNEX ON ESG ISSUES

AMENDMENTS TO ISSUERS REGULATION

IBGE – Brazilian Institute of Geography and Statistics.

SPAC – Special Purpose Acquisition Companies.

(...)

Art. [=] Listed companies shall comply with the “comply or explain” measures relating to Environmental, Social, and Corporate Governance topics – ESG set out in Annex [=], except for the following companies:

- I.** Registered as category B company with CVM;
- II.** Smaller reporting companies under Article 294-B of Law No. 6,404/1976;
- III.** Beneficiaries of funds from tax incentives under CVM Resolution No. 10;
and
- IV.** Sponsored BDR issuers.

ANNEX [=]
ESG MEASURES

Article 1. This Annex establishes measures relating to Environmental, Social and Corporate Governance topics – ESG, which **B3** listed companies shall address on a “comply or explain” basis described in Article [=] of the Rule.

Paragraph 1. The provision herein does not prejudice ESG-related measures set forth in other **B3** regulations.

Paragraph 2. For the purposes of this Annex, the term ESG includes, in its social dimension, diversity, inclusion, and equity criteria.

Article 2. The “comply or explain” model shall be complied with by providing evidence in the reference form of the adoption or explanation for a total or partial non-adoption of each measure, with due regard for the timeframes set out in this Annex.

Sole Paragraph. In the event of an amendment which might later prejudice the adoption of the measure provided for herein, the corresponding

explanation shall be presented together with the mandatory update of the reference form by virtue of the regulations to reflect the amendment in question.

Section 1 – Board and Senior Management Structure

Article 3. ESG measure 1¹¹: Elect as effective member of the board of directors or of the executive committee at least:

- I. One (1) woman, understood as any person who self-identifies as female, regardless of the sex assigned to her at birth; and
- II. One (1) member of an underrepresented minority, understood as any person who (a) self-declares “black” or “brown”, according to the classification presented by IBGE, (b) identifies as an integral part of the LGBTQIA+ community, or (c) is considered a disabled person under Law 13,146/2015.

Sole Paragraph. The same member could accumulate both characteristics set out in sections I and II of the *caput*.

Article 4. The measure provided for in the previous article shall be adopted or the explanation for its non-adoption shall be presented until the mandatory annual update period of the reference form:

- I. Of the year following the listing for at least one of the sections; and
- II. Of the second year following the listing for both sections.

Sole Paragraph. The years mentioned in the sections of the *caput*:

- I. For companies already listed on B3 when this Annex enters into force, the years 2025 and 2026 are hereby established respectively¹²; and
- II. In the case of a SPAC, the reference will not be the issuer’s listing date but the date of the business combination with the target company.

Section 2 – Company Documents

Article 5. ESG Measure 2¹³: Establish, in the articles of incorporation or in the Nomination Policy approved by the board of directors, ESG requirements for the

¹¹ The information shall be provided, as the case, in Item 7.1, Letters “d” and “e” of the reference form (Annex A to CVM Resolution No. 59/21).

¹² The dates set out in this provision consider the starting date of the Annex in 2023.

¹³ The information shall be provided in Item 7.1, Letter “a” of the reference form (Annex A to CVM Resolution No. 59/21).

nomination of members of the board of directors and of the executive committee, including at least a nomination procedure that considers the following criteria:

- I. Complementarity of experiences; and
- II. Diversity in gender, sexual orientation, color or race, age, and inclusion of disabled people.

Article 6. ESG Measure 3¹⁴: Establish in the compensation practice or policy performance indicators relating to ESG-related topics or targets when there is variable compensation of the management.

Article 7 ESG Measure 4¹⁵: Draft and disclose a document approved by the board of directors on ESG guidelines and practices, including at least:

- I. Issues related to socio-environmental responsibility including (a) combat to discrimination, (b) respect for human rights and labor relations, (c) animal protection against cruelty, (d) environment protection against harmful activities, (e) treatment of solid waste and chemical and hazardous products; and
- II. Corporate governance and compliance mechanisms that ensure implementation of such ESG guidelines and practices.

Article 8. The measures set out in Articles 5, 6 and 7 of this Annex shall be adopted or the explanation for their non-adoption shall be presented until the mandatory annual update period of the reference form of the year following the listing.

Sole Paragraph. The year referred to in the *caput*:

- I. For companies already listed on B3 when this Annex enters into force, the years 2025 is hereby established ¹⁶; and
- II. In the case of a SPAC, the reference will not be the issuer's listing date but the date of the business combination with the target company.

¹⁴ The information shall be provided in Item 8.1, Letter "c.i" of the reference form (Annex A to CVM Resolution No. 59/21).

¹⁵ The information shall be provided in Item 1.9 of the reference form (Annex A to CVM Resolution No. 59/21).

¹⁶ The date set out in this provision considers the starting date of the Annex in 2023.

ANNEX II

QUESTIONS FOR CONTRIBUTIONS

General Aspects

- **QUESTION 1:** What is your opinion on the exclusion of smaller reporting companies (Article 294-B of Law No 6,404/1976) from the scope of the Annex? Would it be appropriate to include smaller reporting companies listed in Level 1, Level 2, or the Novo Mercado within the scope of the Annex? Explain your answer.
- **QUESTION 2:** What is your opinion about the exclusion of Sponsored BDR issuers from the scope of the Annex? Explain your answer, especially if you are against the exclusion.

ESG Measure 1

- **QUESTION 3:** ESG Measure 1 proposes the election as an effective member of the board of directors **or** of the executive committee of at least (i) one woman and (ii) one member of an underrepresented minority. In this respect, such two members could be distributed between both bodies, as appropriate for the company. Do you deem this approach adequate, or would you suggest any modification? Explain your answer.
- **QUESTION 4:** In your opinion, should any group be included in the definition of an underrepresented minority or excluded? Explain your answer.
- **QUESTION 5:** Do you deem the proposed timeframes for phasing-in to ESG Measure 1 adequate? Explain your answer.

ESG Measure 4

- **QUESTION 6:** Should in your opinion ESG Measure 4 be associated to a specific document or would it be appropriate for each company to keep their own choice? Explain your answer.
- **QUESTION 7:** Is there any ESG issue that should be included in or excluded from the minimum content of ESG Measure 4? Explain your answer

ANNEX III

INTERNATIONAL INITIATIVES

The survey carried out by B3 addressed some stock exchanges and regulatory authorities responsible for drawing up listing rules with the most relevant international projection and that communicated the amendment or creation of rules relating to diversity in recent years.

The following table briefly organizes the terms and conditions of such rules highlighting the establishment of inclusion target in management. It should be noted that some of such regulatory initiatives are broader and involve requirements, for example, for additional ESG disclosure or for the creation of diversity policies. However, the objective of this table is to emphasize measures directly intended to increase diversity in listed companies' management.

Finally, it should be noted that in cases of the "comply or explain" model in any scenario, the company may choose to provide explanation for non-compliance with the practice or target proposed by the stock exchange or regulatory authority.

Entity	Rule model	Approval year	Approach	Inclusion target	Exemptions
FCA	Comply or explain	2022	Gender (women) and ethnicity.	<u>General rule:</u> 1) 40% women in the board of directors 2) At least 1 of the senior board positions (Chair, Chief Executive Officer (CEO), Senior Independent Director (SID) or Chief Financial Officer (CFO)) should be a	This rule does not apply to open-ended investment companies, shell companies, issuers of debt securities, securitised derivatives, or miscellaneous securities.

				woman (including those self-identifying as a woman); 3) At least 1 member of the board of directors should be from a non-White ethnic minority background.	
Nasdaq	Comply or explain	2021	Gender (women), LGBTQ+; and race and ethnicity.	<p>1) <u>General Rule</u>: target of electing 1 woman + 1 member of an underrepresented minority (ethnic and racial groups set forth in Rule 5605(f)) or LGBTQ+ as a member of the board of directors.</p> <p>2) <u>Smaller reporting companies</u>: may choose to elect 2 women as a member of the board.</p> <p>3) <u>Foreign issuers</u>: may choose to elect (a) 2 women as a member of the board or (b) 1 woman + 1 member of an underrepresented minority (considering ethnic and racial minority groups <u>in the country where the company's headquarters are located</u>) or LGBTQ+.</p>	The rule does not apply to Special Purpose Acquisition Companies (SPACs) – before the business combination –; issuers defined in Rule 5615(a)(1) – asset-backed issuers, Rule 5615(a)(2) – cooperatives, Rule 5615(a)(4) – limited partnerships, Rule 5615(a)(5) – management investment companies; issuers of non-voting preferred securities, debt securities, and derivatives securities, that do not have equity securities listed on Nasdaq; and issuers of securities listed under the Rule 5700 Series.

				4) <u>Companies with board of directors of less than 5 or fewer members</u> : may choose to elect only 1 “diverse” member (woman, member of an underrepresented minority or LGBTQ+).	
HKEx	Mandatory	2021	Gender	<p><u>General rule (main board and GEM)</u>: disclose and explain: (i) how and when gender diversity will be achieved in respect of the board; (ii) the numerical targets and timelines set for achieving gender diversity on its board; and (iii) what measures the issuer has adopted to develop a pipeline of potential successors to the board to achieve gender diversity targets defined by the issuer. Also, HKEx will not consider diversity to be achieved for a single gender board.</p> <p>Moreover, there is additional disclosure of diversity required by the Corporate Governance Code.</p>	<p>No exceptions to the applicability of the rule have been identified.</p> <p>However, foreign issuers requesting secondary listing with the HKEx Main Board are not required to observe the additional disclosure of diversity required by the Corporate Governance Code.</p>

TSE (rule drafted by the FSA – Financial Services Agency + TSE)	Comply or explain	2021	Gender (women), nationality, professional experience and age.	The board of directors’ structure should consider diversity regarding gender, international experience, work experience, and age. There is no mention of the need to establish a specific diversity target for the board or executive committee, either by the issuer or by the stock exchange.	“Comply or explain” is not mandatory for listed foreign companies. Regarding domestic companies listed on the Growth Market, it is only necessary to comply with “comply or explain” regarding the General Principles of the Japan Corporate Governance Code (a document containing ESG practices applied by TSE).
SGX	Mandatory	2021	Gender, skills, experience, and other diversity criteria.	<u>General rule:</u> measurable targets defined by the issuer admitted to the Mainboard or to the Catalist to achieve diversity on the board of directors.	The rule applies to equity issuers. Within this scope, no express exemptions have been identified.
ASX	Comply or explain	2019	Gender (women).	1) <u>General rule:</u> measurable objectives defined by the issuer to achieve gender diversity in the composition of the board of directors. 2) <u>For S&P/ASX 300 entities,</u> this objective should be not less than 30% of directors of each gender.	This does not apply to entities admitted to the ASX official list as ASX Debt Listings or ASX Foreign Exempt Listing.

ANNEX IV

SECTIONS FOR “COMPLY OR EXPLAIN” COMPLIANCE

Practice	Content	FRe Section	
ESG Measure 1	Board and Senior Management Structure (elect 1 woman + 1 member of an underrepresented minority)	Woman	Item 7.1, Letter “d”, “i”
		Black or Brown	Item 7.1, Letter “d”, “ii”
		LGBTQIA+	Item 7.1, Letter “d”, “iii”
		Person with disabilities	
ESG Measure 2	Articles of incorporation or nomination policy (diversity criteria)	Item 7.1, Letter “a”	
ESG Measure 3	Management variable compensation (ESG targets)	Item 8.1, Letter “c.i”	
ESG Measure 4	Document on ESG guidelines and practices	Item 1.9	