

Part B Consultation Questions

Please reply to the questions below that are raised in the Consultation Paper downloadable from the HKEX website at: <https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/March-2021-Listing-Regime/Consultation-Paper/cp202103.pdf>. Please indicate your preference by ticking the appropriate boxes.

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

We encourage you to read all of the following questions before responding.

1. Do you agree with our proposal to introduce a code provision ("CP") requiring an issuer's board to set culture in alignment with issuer's purpose, value and strategy?

Yes

No

Please give reasons for your views.

We believe the board of an issuer should play a pivotal role in establishing and promoting good governance. The board shall set the code and define the issuer's purpose, value and strategy. The new CP will provide clear and practical guidance for all issuers' boards to set culture in alignment with their purpose, value and strategy.

- 2(a). Do you agree with our proposal to introduce a CP requiring establishment of an anti-corruption policy?

Yes

No

Please give reasons for your views.

Anti-corruption is key for establishing a healthy corporate culture. The new CP will provide a clear and practical guidance for the market to comply with.

2(b). Do you agree with our proposal to upgrade a Recommended Best Practice ("RBP") to CP requiring establishment of a whistleblowing policy?

Yes

No

Please give reasons for your views.

Similar to the proposed new CP regarding anti-corruption policy as discussed above, we agree that a new CP regarding establishing whistleblowing policy would help establish a healthy corporate culture and provide a clear and practical guidance for the market to comply with.

3. Do you agree with our proposal to introduce a CP requiring disclosure of a policy to ensure independent views and input are available to the board, and an annual review of the implementation and effectiveness of such policy?

Yes

No

Please provide these other standards with reasons for your views.

We believe such disclosure requirement would help enhance board independence.

4(a). Do you agree with our proposal regarding re-election of an independent non-executive director serving more than nine years ("**Long Serving INEDs**") to revise an existing CP to require (i) independent shareholders' approval; and (ii) additional disclosure on the factors considered, the process and the board or nomination committee's discussion in arriving at the determination in the explanation on why such Long Serving INED is still independent and should be re-elected?

Yes

No

Please give reasons for your views.

There is certain concern on Long Serving INEDs' independence if they serve on the boards for long time. The revised CP would help mitigate such concern as well as board refreshment and effectiveness.

4(b). Do you agree with our proposal to introduce a CP requiring an issuer to appoint a new independent non-executive director ("INED") at the forthcoming annual general meeting where all the INEDs on the board are Long Serving INEDs, and disclosing the length of tenure of the Long Serving INEDs on the board on a named basis in the shareholders' circular?

Yes

No

Please give reasons for your views.

We believe the appointment of a new INED and relevant disclosure would help to ensure a healthy turnover of the board members.

5. Do you agree with our proposal to introduce a new RBP that an issuer generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to INEDs as this may lead to bias in their decision-making and compromise their objectivity and independence?

Yes

No

Please give reasons for your views.

Equity-based remuneration with performance-related element may affect INEDs' objectivity and independence when they are involved in board matters. We believe this new RBP is fair and sensible to mitigate such impact.

6(a). Do you agree with our proposal to highlight that diversity is not considered to be achieved by a single gender board in the note of the Rule?

Yes

No

Please give reasons for your views.

We believe that the proposed note will give the market a clear guidance on the regulators' expected standard regarding "board diversity".

6(b). Do you agree with our proposal to introduce a Mandatory Disclosure Requirement ("MDR") requiring all listed issuers to set and disclose numerical targets and timelines for achieving gender diversity at both: (a) board level; and (b) across the workforce (including senior management)?

Yes

No

Please give reasons for your views.

We believe that the requirement helps issuer to figure out how to achieve its board diversity policy.

6(c). Do you agree with our proposal to introduce a CP requiring the board to review the implementation and effectiveness of its board diversity policy annually?

Yes

No

Please give reasons for your views.

Review process is helpful for issuer to identify inefficiency, if any, of its board diversity policy for improvement.

6(d). Do you agree with our proposal to amend the relevant forms to include directors' gender information?

Yes

No

Please give reasons for your views.

Gender is one of the key factors for diversity consideration. This requirement is good for enhancing transparency of the board and diversity information.

7. Do you agree with our proposal to upgrade a CP to Rule requiring issuers to establish a nomination committee chaired by an INED and comprising a majority of INEDs?

Yes

No

Please give reasons for your views.

We believe this helps to enhance the independence of NC and thus in turn would help to promote the transparency and independence of the INED nomination and appointment process.

8. Do you agree with our proposal to upgrade a CP to a MDR to require disclosure of the issuer's shareholders communication policy (which includes channels for shareholders to communicate their views on various matters affecting issuers, as well as steps taken to solicit and understand the views of shareholders and stakeholders) and annual review of such policy to ensure its effectiveness?

Yes

No

Please give reasons for your views.

We believe that the requirement would be good for establishing an effective communication channel with shareholders.

9. Do you agree with our proposal to introduce a Rule requiring disclosure of directors' attendance in the poll results announcements?

Yes

No

Please give reasons for your views.

We believe that disclosing timely attendance record would help promote better corporate governance and enhance transparency of information regarding directors' commitment in the issuer's affairs.

10. Do you agree with our proposal to delete the CP that requires issuers to appoint non-executive directors for a specific term?

Yes

No

Please give reasons for your views.

The intended purpose of this existing requirement is practically achieved by the rotation requirement and also the deletion is in line with practice of other markets.

11. Do you agree with our proposal to elaborate the linkage in the Code by (a) setting out the relationship between corporate governance and environmental, social and governance ("ESG") in the introductory section; and (b) including ESG risks in the context of risk management under the Code?

Yes

No

Please give reasons for your views.

We support the proposal as it helps promote better corporate governance and governance of ESG.

12. Do you agree with our proposal to amend the Rules and the ESG Guide to require publication of ESG reports at the same time as publication of annual reports?

Yes

No

Please give reasons for your views.

We believe that the proposal would help promote better disclosure on ESG matters. We also suggest give some flexibility to the issuers to publish ESG report later than the required timeframe by publishing an announcement to explain the reasons for delay in publishing ESG report as required.

13. Do you have any comments on how the re-arranged Code is drafted in the form set out in Appendices III and IV to the Consultation Paper and whether it will give rise to any ambiguities or unintended consequences?

Yes

No

Please give reasons for your views.

14. In addition to the topics mentioned in the Consultation Paper, do you have any comments regarding what to be included in the new guidance letter on corporate governance (i.e. CG GL) which may be helpful to issuers for achieving the Principles set out in the Code?

Yes

No

Please give reasons for your views.

Suggest include some examples which SEHK considers are up to their expected standard, for the issuers to apply the CG Code easily.

15(a). Do you agree with our proposed implementation dates for all proposals (except the proposals on Long Serving INED): the financial year commencing on or after 1 January 2022?

Yes

No

Please give reasons for your views.

15(b). Do you agree with our proposed implementation dates for proposals on Long Serving INED: the financial year commencing on or after 1 January 2023?

Yes

No

Please give reasons for your views.

The issuers would have more time to identify new and suitable INEDs for replacement.

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