

Thomson Reuters Response to Consultation Review of the Corporate Governance Code and Related listing Rules

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central, Hong Kong

Date: December 8th, 2017

Re: CP on CG Review

Thomson Reuters welcomes the opportunity to respond to this consultation and thanks the Stock Exchange of Hong Kong Limited and the Hong Kong Stock Exchange (HKEX) for facilitating a public discussion regarding changes to their Corporate Governance Code and listing rules.

We welcomed the introduction of the Environmental, Social and Governance (ESG) reporting Guide in 2012 and are encouraged to hear that the level of compliance with the Code and related Rules is consistently high. We agree that it is important that corporate governance is not treated as a “box-ticking” exercise. This is not only because we believe in the value of diversity to Hong Kong society but because if Hong Kong wants to remain competitive the ability of its companies to incorporate diversity into their workforce will play an important role.

Thomson Reuters launched its Diversity and Inclusion (D and I) index in 2016. The D and I index ranks the top 100 publicly traded companies globally that have the most diverse and inclusive workplaces, as measured by 24 metrics across four key categories: Diversity, Inclusion, People Development and News Controversies. The Index is then calculated by weighing each metric based on importance in the market and how each company compares with its peers. The index ratings are informed by Thomson Reuters environmental, social, and governance (ESG) data, designed to transparently and objectively measure the relative performance of more than 6,000 companies and provide clients with differentiated insight.

The evidence from the first two years of our index is clear: diversity is increasingly becoming a performance issue, a growth engine, and companies can no longer afford to ignore it. Debra Walton, Thomson Reuters Managing Director, Customer Proposition, Financial & Risk recently stated that “Our research shows that over 1, 3, and 5-year periods companies that make investments and focus on ESG metrics can have a stronger stock performance and better long-term profitability.”¹ By taking action now to ensure companies create a workplace culture that is inclusive and embrace diversity of thought, age, ethnicity, gender and sexual orientation the HKEX will help put Hong Kong companies on the road to better decision making and improved performance.

Please find below responses to the specific questions in the consultation that relevant to our submission:

Question #2: *Do you agree with our proposals to upgrade CP A.5.6 to a Rule (Rule 13.92) requiring issuers to have a diversity policy and to disclose the policy or a summary of it in their corporate governance reports? Please give reasons for your views.*

¹<https://www.thomsonreuters.com/en/press-releases/2017/october/thomson-reuters-di-index-reveals-2017-top-100-most-diverse-inclusive-organizations-globally.html>

We agree with the proposal to update CP A.5.6 to a Rule because we feel that this is a minimum standard for transparency that companies should follow regarding the diversity of their board. We would also encourage HKEX to include provisions where companies should include specifics in their policies regarding gender diversity with measurable objectives.

Question #3: *Do you agree with our proposal to amend CP A.5.5 that it requires the board to state in the circular to shareholders accompanying the resolution to elect the director: (i) the process used for identifying the nominee; (ii) the perspectives, skills and experience that the person is expected to bring to the board; and (iii) how the nominee would contribute to the diversity of the board. Please give reasons for your views.*

We agree with the proposal to amend CP A.5.5., as it would ensure that the board selection is transparent and also that thought is given to how the elector would contribute to the diversity of the board. We believe this would improve the functioning of boards in Hong Kong and as a result the competitiveness of companies that are members of HKEX.

Question 4 – *Do you agree with our proposal to amend Mandatory Disclosure Requirement L.(d)(ii) as described in paragraph 52? Please give reasons for your views.*

We agree with the proposal to amend the Mandatory Disclosure Requirement L.(d)(ii). HKEX should ask listed companies to disclose their nomination policies and focus on an established process for effective evaluation of incumbent directors, especially those due for re-election. We believe this would further reinforce the efforts by HKEX to effectively include diversity in board nomination decisions.

Question 11 – *Do you agree with our proposal to amend Mandatory Disclosure Requirement L.(d)(ii) of Appendix 14 to require an issuer to disclose its nomination policy adopted during the year? Please give reasons for your views.*

We agree with to the proposal to amend Mandatory Disclosure Requirement L.(d)(ii). We would also encourage HKEX to add language regarding the importance of including numerical and graphical information on diversity in the circular to shareholders. This would provide objective points of reference as to the impact of the diversity policy and the composition of the board.

In submitting our response, we draw upon Thomson Reuters' global experience and expertise as a company active in over 100 markets globally. Should you have any questions concerning our response, we would be delighted to make ourselves available to discuss in more detail.

Sincerely,



Kimberley Cole
Head of Solutions Sales, Asia
Thomson Reuters – Hong Kong


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:

<https://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017111.pdf>.

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



PART I: INDEPENDENT NON-EXECUTIVE DIRECTORS

Overboarding and INED's time commitment

1. Do you agree with our proposed amendment to Code Provision ("**CP**") A.5.5 (on a "comply or explain" basis) so that in addition to the CP's current requirements, the board should also explain, if the proposed independent non-executive director ("**INED**") will be holding his seventh (or more) listed company directorship, why he would still be able to devote sufficient time to the board?

Yes

No

Please give reasons for your views.

Board diversity

2. Do you agree with our proposals to upgrade CP A.5.6 (on a "comply or explain" basis) to a Rule (Rule 13.92) requiring issuers to have a diversity policy and to disclose the policy or a summary of it in their corporate governance reports?

Yes

No

Please give reasons for your views.

We agree with the proposal to update CP A.5.6 to a Rule because we feel that this is a minimum standard for transparency that companies should follow regarding the diversity of their board. We would also encourage HKEX to include provisions where companies should include specifics in their policies regarding gender diversity with measurable objectives.

3. Do you agree with our proposal to amend CP A.5.5 that it requires (on a “comply or explain” basis) the board to state in the circular to shareholders accompanying the resolution to elect the director:

- (i) the process used for identifying the nominee;
- (ii) the perspectives, skills and experience that the person is expected to bring to the board; and
- (iii) how the nominee would contribute to the diversity of the board.

Yes

No

Please give reasons for your views.

We agree with the proposal to amend CP A.5.5., as it would ensure that the board selection is transparent and also that thought is given to how the elector would contribute to the diversity of the board. We believe this would improve the functioning of boards in Hong Kong and as a result the competitiveness of companies that are members of HKEX.

4. Do you agree with our proposal to amend Mandatory Disclosure Requirement L.(d)(ii) to reflect the upgrade of CP A.5.6 (on a “comply or explain” basis) to a Rule (Rule 13.92) requiring issuers to have a diversity policy and to disclose the policy or a summary of it in their Corporate Governance Reports?

Yes

No

Please give reasons for your views.

We agree with the proposal to amend the Mandatory Disclosure Requirement L.(d)(ii). HKEX should ask listed companies to disclose their nomination policies and focus on an established process for effective evaluation of incumbent directors, especially those due for re-election. We believe this would further reinforce the efforts by HKEX to effectively include diversity in board nomination decisions.

Factors affecting INED's independence

A. Cooling off periods for former professional advisers

5. Do you agree with our proposal to revise Rule 3.13 (3) so that there is a three-year cooling off period for professional advisers before they can be considered independent, instead of the current one year?

Yes

No

Please give reasons for your views.

6. Do you agree with our proposal to revise CP C.3.2 (on a "comply or explain" basis) so that there is a three-year cooling off period for a former partner of the issuer's existing audit firm before he can be a member of the issuer's audit committee?

Yes

No

Please give reasons for your views.

B. Cooling off period in respect of material interests in business activities

7. Do you agree with our proposal to revise Rule 3.13(4) to introduce a one-year cooling off period for a proposed INED who has had material interests in the issuer's principal business activities in the past year?

Yes

No

Please give reasons for your views.

C. Cross-directorships or Significant Links with other Directors

8. Do you agree with our proposal to introduce a new Recommended Best Practice A.3.3 (i.e. voluntary) to recommend disclosure of INEDs' cross-directorships in the Corporate Governance Report?

Yes

No

Please give reasons for your views.

D. Family ties

9. Do you agree with our proposal to introduce a Note under Rule 3.13 to encourage inclusion of an INED's immediate family members in the assessment of the director's independence?

Yes

No

Please give reasons for your views.

10. Do you agree with our proposal to adopt the same definition for "immediate family member" as Rule 14A.12(1)(a) which defines an "immediate family member" as "his spouse, his (or his spouse's) child or step-child, natural or adopted, under the age of 18 years"?

Yes

No

Please give reasons for your views.

PART II: NOMINATION POLICY

11. Do you agree with our proposal to amend Mandatory Disclosure Requirement L.(d)(ii) of Appendix 14 to require an issuer to disclose its nomination policy adopted during the year?

Yes

No

Please give reasons for your views.

We agree with the proposal to amend Mandatory Disclosure Requirement L.(d)(ii). We would also encourage HKEX to add language regarding the importance of including numerical and graphical information on diversity in the circular to shareholders. This would provide objective points of reference as to the impact of the diversity policy and the composition of the board.

PART III: DIRECTORS' ATTENDANCE AT MEETINGS

Directors' attendance at general meetings

12. Do you agree with our proposal to amend CP A.6.7 (on a "comply or explain" basis) by removing the last sentence of the current wording (i.e. they should also attend general meetings and develop a balanced understanding of the views of shareholders.)?

Yes

No

Please give reasons for your views.

Chairman's annual meetings with INEDs

13. Do you agree with our proposal to revise CP A.2.7 (on a "comply or explain" basis) to state that INEDs should meet at least annually with the chairman?

Yes

No

Please give reasons for your views.

PART IV: DIVIDEND POLICY

14. Do you agree with our proposal to introduce CP E.1.5 requiring (on a “comply or explain” basis) the issuer to disclose its dividend policy in the annual report?

Yes

No

Please give reasons for your views.

PART V: ELECTRONIC DISSEMINATION OF CORPORATE COMMUNICATIONS – IMPLIED CONSENT

15. Do you think that the Rules should be amended to allow shareholders' consent to be implied for electronic dissemination of corporate communications by issuers?

Yes

No

Please give reasons for your views.

- End -