

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.

INEDs need to be held responsible for holding their positions and account for any conflicts that may arise from so many different interests, which may or may not be competing.

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.

- First off, HKEX must lead by example and change ALL of its references in the CPs and the Rules from "he", "him" and "his" to gender-neutral language (e.g. "s/he", "him/her", "his or hers", etc.). It is quite unbelievable that all the proposed amendments in the Consultation Paper still contain these male references despite trying to address board diversity as one of the changes.
- The Consultation Paper only refers to "board diversity" but needs to also refer specifically to gender. The Rule needs to require that the company's diversity policy includes a specific focus on gender diversity.
- The diversity policy should also contain measureable objectives to achieve gender diversity and HKEX should give specific guidance on the process for board nomination and board diversity review, such as providing recommended best practices and guidelines.
- Hong Kong is so far behind other financial markets in gender diversity that it is embarrassing. We need to modernise and get with the times. The greatest conductor of change must come from legislation and governmental bodies. Please be a leader!

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.

Boards need to be held accountable to more than the controlling shareholder(s). Specifications in relation to the identification and appointment process of directors, including how the nominee would contribute to the diversity of the board and what

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.

In addition to having a mandatory diversity policy with specific references to gender diversity, companies should also be required to report on that financial year's progress based on measurable objectives, including setting out the proportion of males and females at every level of the company.

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.

No comment

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.

No comment

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.

No comment

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.

The nominee should disclose any potential conflicts of interest, including other positions s/he holds or intends to hold. This really should not be voluntary, but mandatory.

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.

Please replace the references to "his" with more gender inclusive language such as "his/her" or "his or her".

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.

Companies should report on the composition of the board by reference to gender and also evaluate the performance of each director and whether the board has met the measureable objectives as set out in the diversity policy, with specific reference to gender diversity (at board, senior executive positions and across all levels of the company) and if not, what the progress is and how this can be improved.

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.

No comment

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.

No comment

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.

No comment

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.

Electronic communication is a very common mode of written communication in Hong Kong, and is a much more efficient and environmentally responsible method of communication than dissemination of information through paper. Hong Kong needs to modernise and use technology to move forward. Singapore exceeds Hong Kong in this manner in practically every way.

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