

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.

Good corporate governance requires sufficient investment of time to not only read through the board papers and prepare for the meetings but also requires the INED to meet with the business, the staff, executives etc in order to get a better understanding of the business and its challenges and opportunities. This is not possible if the INED is serving on 7 boards or more, they are unable to be effective in ensuring they have invested their time in getting to know the business, its current and future competitors and it certainly doesn't leave any time for the INED to learn about how the business can prepare for what's potentially around the corner...this is a serious and important role, the INED's must be accountable for the impact they have on the executives and the future strategic direction on of the company.

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.

Since the original code provision, we have seen very little improvement on the diversity of board appointments. We have also seen very few women being appointed onto boards. The amendment will mean companies will need to proactively start to think what diversity means and spell it out. I feel we need to go one step further and insist every listed company appoints a minimum of 2 women board directors.

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.

Since the code amendment, although women and other board directors who have been deemed to be diverse, have been appointed onto some HK boards, most have appointed board members who are already on many other boards. The same people are being appointed onto these boards rather than looking more proactively for other possible candidates. Many chairman have opted to appoint from their own network and therefore have never had the opportunity to assess the quality and diversity of high calibre board directors available, of which HK has many. My recommendation, as we currently do on the FTSE index is to always use a third party (headhunter ideally) to assess the market and recommend a diverse slate of candidates. If the current board members feel they have the ideal candidate, these individuals should also be benchmarked against the external market to ensure there is a fair and thorough process of consideration. We should also be considering first time INED's, not just plural board directors. This would enable HK to increase the pool of board directors, have a stronger pipeline of candidates to consider in the future also and most importantly to be offering a developmental opportunity to some of the best executives we have in HK.

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.

Transparency is always best.

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.

If the professional advisor has retired and is no longer practicing and advising that company then I do not believe there is a conflict of interest. However to be seen truly independent, joining a former client within a year after retiring maybe seen as conflicting and would possibly change to 2 years rather than extend to three.

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.

same as above

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.

This will encourage the appointment of the best person for the job rather based on who know who!

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 will have a very clear understanding of how appointments are made and start to work towards a FTSE model of best practice, ie using external advisors to help attract, assess the potential candidates.

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.

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