

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/cp20171111.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.

I agree with the proposed amendment to CP A.5.5 to require the board to provide an explanation why a proposed INED would still be able to devote sufficient time to the board if he/she will be holding his/her seventh or more listed company directorship. Given the amount of information that an INED has to review in relation to the company's business in order to properly discharge his/her duties as a member of the board, and a minimum number of sub-committees of the board that an INED is expected to sit on, an INED will probably find it difficult to devote sufficient time to all his/her directorship duties if he/she were to accept more than six INED positions.

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.

Various research studies indicate that board diversity enhances corporate governance, improves board transparency, and promotes effective decision making by boards. Board diversity is also becoming an important factor that influences investment decisions made by institutional investors.

I agree with the proposal to upgrade CP A.5.6 to a rule requiring issuers to have a diversity policy and to disclose the policy or a summary of it in their corporate governance reports.

Furthermore, the nomination committee of a listed company's board should have a policy on gender diversity of board members, and should disclose that gender diversity policy in its corporate governance report.

I believe that having gender diverse boards would also improve the competitiveness of Hong Kong companies. The best teams are teams that have diverse talent which should include an appropriate balance of skills, experience, a range of different perspectives appropriate to the business of the company, and diversity of gender. If Hong Kong companies do not promote diversity (especially diversity of gender), we run a serious risk of falling behind other cities in Asia which are now beginning to recognize the beneficial effect that a diverse board has on the performance of companies.

I also believe that every listed company's board should conduct a formal and structured evaluation of its own performance on an annual basis.

Diversity of views and ideas will be undermined if board members have been entrenched as INEDs for a long period of time. I believe that limiting the tenure of INEDs to a certain period (say 9 years) is critically important in ensuring that independent directors remain independent, and is also essential for rejuvenating the board with fresh ideas and new strategies on a regular basis.

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.

I agree with the proposal to amend CP A.5.5 in order to improve the transparency of the process for appointing independent directors.

Listed companies are required to review the size, composition, and skills of their board on a regular basis. Therefore, the nomination committee of a board should determine the balance of skills, knowledge, experience and diversity that the board needs to oversee the company's business and strategies. A skills matrix is a useful framework, and its content can be disclosed in the company's annual report.

I recommend that the following should be included in the circular to shareholders accompanying the resolution to elect a new director.

- . The process for identifying, evaluating, and selecting the nominee, including whether an external party such as an executive search firm was involved
- . The perspective, skills, experience, and other characteristics that the nominee is expected to bring to the board.
- . How the nominee complements the existing board and contributes to its diversity, with reference to the company's board diversity policy.

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.

I agree with the proposal to amend Mandatory Disclosure Requirement L.(d)(ii) to reflect the upgrade of CP A.5.6 to a Rule (Rule 13.92).

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.

I have no comment on this proposal.

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.

I have no comment on this proposal.

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.

I have no comment on this proposal.

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.

I have no comment on this proposal.

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.

I have no comment on this proposal.

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.

I have no comment on this proposal.

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.

I agree with the 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.

The nomination committee of a board plays a critically important role in driving the diversity of the board and in ensuring a transparent and robust process for the recruitment of INEDs, selection of candidates, and succession planning. The nomination committee itself should be diverse and of an appropriate size to discharge its mandate effectively.

As part of good corporate governance, I propose that every nomination committee should have clear terms of reference which should follow best practice. The nomination committee's terms of reference should include the following:-

- determining board size and composition***
- developing a skills matrix defining the skills, competencies, experience, personal attributes, and diversity required for the board that aligns with business needs - and on a regular basis, reviewing this as business needs change***
- formulating a rigorous process for recruiting, selecting and appointing new directors, including the engagement of external parties such as search firms***
- on a regular basis, assessment of the independence of each non-executive director***
- succession planning of directors, the CEO and other senior executives***
- formulating a process to review the performance of individual directors and effectiveness of the board as a whole***
- induction of new directors and ongoing professional development so that directors develop and maintain the skills and knowledge required to perform their roles effectively***
- taking ownership of the board diversity policy, setting measurable objectives for diversity parameters such as gender, and reporting on how the board is progressing against these objectives***

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.

I have no comment on this proposal.

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.

I agree with the proposal to revise CP A.2.7 so as to provide that INEDs should meet at least annually with the chairman. Such meeting, in the absence of the executive directors and the company's management, is an useful forum for the chairman to listen to the views of the INEDs, the observations of the INEDs about the effectiveness of the board, and any other issues that the INEDs may wish to raise confidentially with the chairman.

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.

I have no comment on this proposal.

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.

I have no comment on this proposal.

- End -