

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.

<p>While we agree to the Exchange's suggestion to enhance transparency, it would be difficult for the board to form a view on the INED as to whether he would still be able to devote sufficient time to the board while holding seven or more listed company directorships as the demands of each directorship differs. We suggest that, given that the INED owes a fiduciary duty to the issuer to devote sufficient attention to the issuer's matters, the INED should instead be asked to confirm to the issuer that he would still be able to devote sufficient time to the board, with such INED's confirmation being set out in the circular for shareholders' consideration.</p>
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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 that this will help to improve issuer's performance and transparency in this area.

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 that this proposal will provide shareholders with more information regarding the proposed election and enable them to make better voting decisions.

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 support these consequential amendments to Mandatory Disclosure Requirement L.(d)(ii).

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.

The pool of available and capable INEDs is small in Hong Kong and the independence of a candidate should require factual analysis on a case-by-case basis. The proposal to extend the cooling-off period would further reduce the pool of available INEDs and may be overly restrictive. In addition, Mainland China and Singapore only impose an one-year ban, same as the current requirement under Rule 3.13(3).

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 reasons as set out in the response to Question 5 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.

To be more aligned with the international best practice.

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 proposal will improve transparency of INED's relationship with the issuer. However, the Exchange should provide more guidance on "cross-directorships" and "significant links with other directors through involvements in other companies or bodies".

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.

We agree that the independence criteria should also take into account the proposed INED's immediate family members.

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.

The definition for "immediate family member" under Rule 14A.12(1)(a) is appropriate for addressing the issue.

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.

Though there is no similar requirement for disclosure of a listed entity's nomination policy in the jurisdictions reviewed, we agree that the proposal will help to promote transparency on the issuer's nomination policy and process.

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.

We agree that the proposed amendment would better reflect the intention of CP A.6.7.

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.

We agree that INEDs can serve as a more effective check on executive directors and management by meeting separately with the chairman of the board.

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.

The proposal will allow investors to make a more informed decision when investing in a public listed company, and enable Hong Kong to be more aligned with similar requirements in other jurisdictions under review.

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.

Though we agree that the proposal will help to reduce the administrative burden upon issuers, it cannot benefit Hong Kong incorporated issuers like AIA unless and until the Hong Kong's company law is amended to permit implied consent for electronic corporate communications. Accordingly, any such amendments should be made in concert with consequent amendments in the broader company law of Hong Kong.

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