

Consultation Question 1: *Do you agree with our proposal to amend the title of Section C.2 of the Code to “Risk management and internal control”?*

BlackRock supports the change of the title of Section C.2 and the term “risk management” better reflects the fact that internal controls are part of risk management.

BlackRock believes that it should be made clear to issuers that “risk management” applies to both financial and other material risks. We therefore suggest the addition of a Note, similar to what is drafted in proposed CP C 2.5 explaining the fact that “risk management” covers both financial and other material risks. The note should include a non-exhaustive list of other material risks such as operational, compliance, social, and environmental risks.

To make the Code consistent, we further suggest that under CP C.2.1, the reference to operational and compliance controls to be changed to “material controls”.

Consultation Question 2: *Do you agree with proposed amendments to Principle C.2 to define the roles of the board and management, and state that the management should provide assurance to the board on the effectiveness of these systems.*

The proposed wording fails to make it clear that the policies for risk management and internal controls should be approved by the board and also that it is management’s responsibility to report outcomes to the board. We suggest the following wording in respect of C.2 (b):

- b) The management is responsible for implementing board approved policies on risk management and internal controls and reporting outcomes to the board. The management should also provide assurance to the board on the effectiveness of the systems.

Consultation Question 3: *Do you agree with our proposal to introduce an amended RBP (C.2.6) to provide that the board may disclose in the Corporate Governance Report that it has received assurance from management on the effectiveness of the issuer’s risk management and internal control systems? Is the intention of the proposed wording sufficiently clear?*

BlackRock is supportive of the introduction of the above amended RBP.

Consultation Question 4: *Do you agree with the proposed amendments to CP C.2.1 to state that the board should oversee the issuer's risk management and internal control systems on an ongoing basis? Is the intention of the proposed wording sufficiently clear?*

BlackRock is supportive of the proposed amendments to CP C2.1.

Consultation Question 5: *Do you agree with our proposal to upgrade to a CP the existing RBP C.2.3, which sets out the matters that the board's annual review should consider?*

BlackRock supports the upgrading to a CP of the existing RBP C 2.3.

Consultation Question 6: *Do you agree with our proposal to upgrade to a CP the existing RBP C.2.4, which sets out the particular disclosures that issuers should make in their Corporate Governance Reports in relation to how they have complied with the internal control CPs during the reporting period?*

BlackRock supports the upgrading to a CP the existing RBC C 2.4.

Consultation Question 7: *Do you agree with our proposal to amend the wording of proposed CP C.2.4 to simplify the requirements and remove ambiguous language, and to make clear that the risk management and internal control systems are designed to manage rather than eliminate risks? Is the intention of the proposed wording sufficiently clear?*

BlackRock supports the wording in the proposed CP C 2.4 and believes the proposed wording is sufficiently clear.

Consultation Question 8: *In relation to proposed CP C.2.4, do you agree with our proposal to upgrade the existing recommendation that issuers disclose their procedures and internal controls for handling and disseminating inside information (Section S., paragraph (a)(ii)), and amend it to include the handling of "other regulatory compliance risks"?*

BlackRock is supportive of the inclusion of disclosure of the procedures and internal

controls for handling and disseminating inside information.

*Consultation Question 9: Do you agree with our proposal to upgrade to Mandatory Disclosures most of the existing Recommended Disclosures in relation to internal controls (Section S.), as described in paragraph 71 of this paper?*

BlackRock is supportive of the proposal to upgrade to Mandatory Disclosures most of the existing recommended disclosures in relation to Section S.

*Consultation Question 10: Do you agree with our proposal to move the existing recommendation that issuers disclose details of any significant areas of concern (Section S., paragraph (a)(ix)) to a new RBP C.2.7, and to amend the provision to widen its application by removing the reference to areas of concern “which may affect shareholders”?*

BlackRock is supportive of disclosure regarding details of any significant areas of concern to be made a RBP. However, we do not expect issuers to “air their dirty laundry” in public. Our preference is for disclosing only those “concerns” that have become material enough to have an impact on financial performance and share price.

*Consultation Question 11: Do you agree with our proposal to remove RBP C.2.5, which states that issuers should ensure their disclosures provide meaningful information and do not give a misleading impression?*

BlackRock is supportive of the proposed change to RBC C 2.5.

*Consultation Question 12: Do you agree with our proposals to remove the recommendations that issuers include in their Corporate Governance Reports: (a) an explanation of how the internal control system has been defined for them (Section S., paragraph (a)(i)); and (b) the directors’ criteria for assessing the effectiveness of the internal control system (Section S., paragraph (a)(vii))?*

BlackRock is supportive of the proposed deletions.

*Consultation Question 13: Do you agree with our proposal to upgrade RBP C.2.6 to a CP (renumbered C.2.5) and amend it to state that an issuer should have an internal audit function, and issuers without an internal audit function should review the need*

*for one on an annual basis and disclose the reasons for the absence of such function in the Corporate Governance Report? Is the intention of the proposed wording sufficiently clear?*

BlackRock is supportive of the proposal to upgrade RBP C 2.6 to a CP. We believe the wording of the proposed CP 2.5 is sufficiently clear. Perhaps some additional wording could be included to make it clear that the internal audit function can be achieved by way of an in-house internal audit function or an outsourced one.

*Consultation Question 14: Do you agree with our proposal to introduce the new Notes as described in paragraph 89 of this paper? Is the intention of the proposed wording sufficiently clear?*

BlackRock is supportive of the proposed Notes and believes the wording is sufficiently clear.

*Consultation Question 15: Do you agree with our proposal to amend the existing CP C.2.2 to state that the board's annual review should ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's internal audit function (in addition to its accounting and financial reporting functions)?*

BlackRock supports the proposed changes to CP C 2.2.

*Consultation Question 16: Do you agree with our proposal to amend Principle C.3 in respect of audit committees and CP C.3.3 in respect of their terms of reference to incorporate "risk management" where appropriate?*

BlackRock supports the proposed changes to C 3. We would like to see wording that emphasizes the fact that "risk management" covers both financial and other material risks.

*Consultation Question 17: Do you agree that the matter of establishing a separate board risk committee should be left to issuers to decide in accordance with their own circumstances?*

BlackRock supports the notion that the establishment of a separate board risk committee should be left to issuers to decide in accordance with their own

circumstances.

Consultation Question 18: *What would be an appropriate period of time between the publication of the consultation conclusions and the implementation of the amendments set out in this paper?*

- (a) Six months;*
- (b) Nine months;*
- (c) 12 months; or*
- (d) Others (please specify).*

As the proposed changes are potentially significant, particularly if they emphasize that risk management covers both financial and other material risks, issuers should be given an appropriate amount of time to implement them in a comprehensive manner. BlackRock would support a 12 month period for implementation from the date of publication of the consultation conclusions. Earlier adoption of the changes should be encouraged.

Should you wish to discuss any issues raised in this response to the consultation paper please contact the writer.

Yours sincerely,

A black rectangular box redacting the signature of the writer.A large black rectangular box redacting the contact information of the writer.

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