

### **Question 1**

**Do you agree with our proposal to introduce a code provision ("CP") requiring an issuer's board to set culture in alignment with issuer's purpose, value and strategy?**

Yes

**Please give reasons for your views.**

Unless the culture are aligned with its vision, its business strategy is almost bound to fail. The board must understand what its company believes in, and these values should then drive vision and strategy. Communication of the companies' vision, purpose, value and strategy to the stakeholders is essential. For example, if the employees do not know the culture and vision of the companies, they may not able to execute the strategy effectively.

### **Question 2a**

**Do you agree with our proposal to introduce a CP requiring establishment of an anti-corruption policy?**

Yes

**Please give reasons for your views.**

An anti-corruption policy states a company's commitment to ethical and anti-corruption practices in doing business, and its position and key measure against corruption. It sets out the basic standard of conduct expected of all staff and board members, as well as the company's stance on acceptance of advantage and handling of conflicts of interest. In order to keeping Hong Kong corruption-free, it is important to maintain a written anti-corruption policy so as to prevent, detect and deter corruption.

### **Question 2b**

**Do you agree with our proposal to upgrade a Recommended Best Practice ("RBP") to CP requiring establishment of a whistleblowing policy?**

Yes

**Please give reasons for your views.**

Having a whistleblowing policy in place can be helpful as when employees become aware of wrongdoing in a company, whether or not they will report the matter depends on whether there exists a mechanism explicitly stated in the whistleblowing policy to protect against the risk of retaliation. In addition, a clear whistleblowing policy encourages a culture where wrongdoing can be addressed quickly and potentially before any regulatory action or damage to reputation.

### **Question 3**

**Do you agree with our proposal to introduce a CP requiring disclosure of a policy to ensure independent views and input are available to the board, and an annual review of the implementation and effectiveness of such policy?**

Yes

**Please give reasons for your views.**

As independence is generally regarded as the key to fair and integrity, it is important to ensure independent views and input are available to the board. In order to avoid the self-review threat, we suggested that the annual review shall be conducted by independent party and the review result shall be stated in the Corporate Governance Report.

### **Question 4a**

**Do you agree with our proposal regarding re-election of an independent non-executive director serving more than nine years ("Long Serving INEDs") to revise an existing CP to require (i) independent shareholders' approval; and (ii) additional disclosure on the factors considered, the process and the board or nomination committee's discussion in arriving at the determination in the explanation on why such Long Serving INED is still independent and should be re-elected?**

Yes

**Please give reasons for your views.**

For those companies having Long Serving INEDs, they normally explained that INED is independent because he satisfies Rule 3.13 Independent Criteria and that Long Serving INEDs has extensive experience, skills, and knowledge. Currently, although reappointment of Long Serving INEDs is subject to shareholders approval, the controlling shareholders are allowed to vote in these elections, so they nearly always determine the outcome. Hence, it may not effectively protect interest of minority shareholders. With the proposed amendment, it is believed that Hong Kong corporate governance could be further strengthened.

#### **Question 4b**

**Do you agree with our proposal to introduce a CP requiring an issuer to appoint a new independent non-executive director ("INED") at the forthcoming annual general meeting where all the INEDs on the board are Long Serving INEDs, and disclosing the length of tenure of the Long Serving INEDs on the board on a named basis in the shareholders' circular?**

Yes

**Please give reasons for your views.**

Please refer to the reply of Question 4(a).

#### **Question 5**

**Do you agree with our proposal to introduce a new RBP that an issuer generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to INEDs as this may lead to bias in their decision-making and compromise their objectivity and independence?**

Yes

**Please give reasons for your views.**

The pay package of independent non-executive directors should not include share options or other performance related elements, as they may compromise the independence of INEDs, in which independence are fundamental issues in corporate governance.

#### **Question 6a**

**Do you agree with our proposal to highlight that diversity is not considered to be achieved by a single gender board in the note of the Rule?**

Yes

**Please give reasons for your views.**

Hong Kong is falling behind on gender diversity. In the US, all Standard & Poor's (S&P) 100 boards have at least one female director and in India it is mandatory to have at least one woman on a board.

As highlighted in the consultation paper, as of 31 December 2020, out of 2,538 issuers, around 32.1% have no female directors on their boards, whilst around 37.4% with only one female director.

Gender diversity helps companies avoid groupthink and provides diversity of ideas. Previously, people argued that the pool of potential female directors is very small and so there is a shortage of female candidates for board seats. However, in 2020, no one can seriously believe that there are not enough qualified women or that they are all already sitting on boards.

**Question 6b**

**Do you agree with our proposal to introduce a Mandatory Disclosure Requirement ("MDR") requiring all listed issuers to set and disclose numerical targets and timelines for achieving gender diversity at both: (a) board level; and (b) across the workforce (including senior management)?**

Yes

**Please give reasons for your views.**

Please refer to the reply of Question 6(a).

**Question 6c**

**Do you agree with our proposal to introduce a CP requiring the board to review the implementation and effectiveness of its board diversity policy annually?**

Yes

**Please give reasons for your views.**

The revised listing rules could state clearly the board diversity requirement. For example, at least two diverse board directors: one woman, and one person who appoint by the minority shareholder. If a company cannot meet these requirements, it will need to explain why.

**Question 6d**

**Do you agree with our proposal to amend the relevant forms to include directors' gender information?**

Yes

**Please give reasons for your views.**

With the gender information, it would be more easily to know if there is improvement on gender diversity on the board level.

**Question 7**

**Do you agree with our proposal to upgrade a CP to Rule requiring issuers to establish a nomination committee chaired by an INED and comprising a majority of INEDs?**

Yes

**Please give reasons for your views.**

The Nomination Committee is responsible for structuring executive pay, evaluating executive performance, board nomination and recruitment and diversity...etc. To best handle this role, majority of Nomination Committee should be independent. By upgrade a CP to Rule requiring issuers to establish a nomination committee chaired by an INED and comprising a majority of INEDs, it could strengthen directors' nomination and appointment process.

**Question 8**

**Do you agree with our proposal to upgrade a CP to a MDR to require disclosure of the issuer's shareholders communication policy (which includes channels for shareholders to communicate their views on various matters affecting issuers, as well as steps taken to solicit and understand the views of shareholders and stakeholders) and annual review of such policy to ensure its effectiveness?**

Yes

**Please give reasons for your views.**

The shareholders own the company and the directors are accountable to them. The companies' strategy must be in the interests of its shareholders, and it must be aligned with and meet their expectations. Short-term misalignment may not have significant issue. However, as a long run, miscommunication, misunderstandings and misalignment between the companies and shareholders are not sustainable. Therefore, the companies must develop a strategy and policy to guide them to a constructive engagement and effective communication with shareholders.

**Question 9**

**Do you agree with our proposal to introduce a Rule requiring disclosure of directors' attendance in the poll results announcements?**

Yes

**Please give reasons for your views.**

By having disclosure of directors' attendance in the poll results announcements, it could enhance the transparency. The stakeholders could know if the directors have attended the meeting and be available to respond directly to questions from shareholders.

#### **Question 10**

**Do you agree with our proposal to delete the CP that requires issuers to appoint non-executive directors for a specific term?**

Yes

**Please give reasons for your views.**

The intended purpose of the specific term (i.e. allow shareholders to vote out the “disapproved” director) is already achieved by the current rotation requirement (ie: subject to retirement by rotation at least once every three years).

#### **Question 11**

**Do you agree with our proposal to elaborate the linkage in the Code by (a) setting out the relationship between corporate governance and environmental, social and governance ("ESG") in the introductory section; and (b) including ESG risks in the context of risk management under the Code?**

Yes

**Please give reasons for your views.**

Corporate sustainability continues to improve and enhance the principles of good corporate governance (ie: transparency, accountability, responsibility and fairness).

Corporate governance and social responsibility are intrinsically linked, both helping the companies retain a healthy business balance. It also aids the companies to develop control mechanisms, which will also increase shareholder value and promote satisfaction with shareholders and stakeholders.

The relationship between corporate governance and sustainability is a profound one, which must be acknowledged and secured if the companies are to survive in a competitive business world.

In addition, shareholders recognise ESG risks could result in foreseeable financial impacts including losses and liabilities and are seeking greater transparency. Hence, we support that ESG risk and its management shall be disclosed.

**Question 12**

**Do you agree with our proposal to amend the Rules and the ESG Guide to require publication of ESG reports at the same time as publication of annual reports?**

No

**Please give reasons for your views.**

Aligning the publication timeframes of ESG reports and annual report may result in lower reporting quality as smaller size listed companies may not have sufficient resources in collecting data and preparing ESG report.

**Question 13**

**Do you have any comments on how the re-arranged Code is drafted in the form set out in Appendices III and IV to the Consultation Paper and whether it will give rise to any ambiguities or unintended consequences?**

No

**Please give reasons for your views.**

**Question 14**

**In addition to the topics mentioned in the Consultation Paper, do you have any comments regarding what to be included in the new guidance letter on corporate governance (i.e. CG GL) which may be helpful to issuers for achieving the Principles set out in the Code?**

No

**Please give reasons for your views.**

**Question 15a**

**Do you agree with our proposed implementation dates for all proposals (except the proposals on Long Serving INED): the financial year commencing on or after 1 January 2022?**

No

**Please give reasons for your views.**

**Question 15b**

**Do you agree with our proposed implementation dates for proposals on Long Serving INED: the financial year commencing on or after 1 January 2023?**

Yes

**Please give reasons for your views.**

We considered that the companies would have sufficient time to manage the changes relating to Long Serving INED given that the proposed implementation dates on or after 1 January 2023.