

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.

The guidance will be welcomed by issuers for them to implement practical elements of the rather abstract notion of culture. We welcome the proposal to introduce Code Provisions ("CPs") on anti-corruption and whistleblowing, but we also believe it is equally important to not simply focus on risk and compliance metrics. As the ultimate goal for this proposal is deliver "long-term sustainable performance", this proposal should not only address material E&S issues (e.g. climate change), but should also address the persistent valuation discounts in many Hong Kong issuers which can be attributed to the over-capitalization of their balance sheets. Based on our observations, much of this is due to un-necessarily large cash holdings which in turn could be attributed to the overly-risk averse culture of issuers rather than a focus on creating economic value for equity investors.

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.

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.

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.

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.

We support the proposals for the introduction/revisions of CPs requiring disclosure policies and to limit tenures of long-serving INEDs.

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.

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 proposal that independent directors (“INEDs”) should not be given equity-based compensation, is appropriate as equity compensation is more typical for INEDs of small & medium-sized companies with limited resources, and not for established listed companies. Corporate governance standards in most markets tend to reflect a belief that outside board members should be monitors of management on behalf of shareholders and therefore should not be financially aligned with management. The practice of providing board members with equity grants is also uncommon in the Asian markets. We believe that this should be upgraded from “recommended best practice” to a mandatory rule.

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.

Issuers will be required to set gender diversity targets and timelines for diversity in both the board and management, and boards required to review the effectiveness of their board diversity policies annually. Research shows that a gender-balanced workforce positively supports corporate performance in relation to the company’s profitability, risk reduction or share price. We firmly believe that enhanced disclosures on gender diversity within the workforce and remuneration opportunities would benefit shareholders.

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.

Issuers will be required to set gender diversity targets and timelines for diversity in both the board and management, and boards required to review the effectiveness of their board diversity policies annually. Research shows that a gender-balanced workforce positively supports corporate performance in relation to the company’s profitability, risk reduction or share price. We firmly believe that enhanced disclosures on gender diversity within the workforce and remuneration opportunities would benefit shareholders.

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.

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.

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.

Nomination Committee's ("NC"): - The proposal is to upgrade CP22 to a Rule23 requiring issuers to establish a NC chaired by an INED and comprising a majority of INEDs, The chair must be independent, and the majority of the members of the Nominating Committee should consist of independent directors. We commend and support this significant enhancement to the Code which now brings Hong Kong closer to international best practice.

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 upgrade of CP24 to a MDR25 requiring disclosure of the issuer's shareholder communication policy, is in our view insufficient as to the substance of such a "communication policy". Just having a perfunctory communication policy will not improve effective communication. Many investors including ourselves have been asking for access to a Lead/Senior Independent Director to enable us to provide our full views on the management and governance of issuers. We recommend that all issuers are mandated to appoint such a Lead Independent Director who can have regular meetings with investors and to communicate our views directly to company Boards.

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.

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.

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.

The rather disparate requirements of CG & ESG reporting and requirements in Hong Kong has been frustrating for both issuers, and any attempt to improve their unification is to be welcomed.

The plans to outline the relationship between CG and ESG should not only include ESG risks but also elaborate on ESG opportunities. We welcome the proposal requiring the publication of ESG reports at the same time as annual reports.

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?

Yes

Please give reasons for your views.

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?

Yes

Please give reasons for your views.

We note and welcome the changes to make the CG Code easier to read.

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?

Yes

Please give reasons for your views.

We support the increase in the minimum voting threshold for General Meetings from 5% to 10%. We note that secondary issuers have so many waivers to the Code that this will result in widening disparity

in the market, which could worsen rather than help the unification of good practice and enforcement. For example, the proposal on “abstaining from voting in material transactions” is welcome, but secondary issuers are already exempt from this.

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?

Yes

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.