

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.

- We support to amend the CP as such the issuer's board takes lead in actively shaping corporate culture, but
- Culture is difficult to measure and often embodied in corporate behaviour, therefore, we recommend the Hong Kong Exchange ("HKEX") to require issuers to establish and disclose Code of Conduct, which should include clear alignment of corporate purpose and value with culture, and how collectively they impact strategy.
- In light of the need on active and constructive two-way communication with shareholders and wider stakeholders, we recommend HKEX to set specific requirement for the issuers to ensure all directors, in particular the INEDs, have access to report, ideally commissioned to a third party, on the engagement with and feedback from investors and stakeholders. This should be conducted annually if not more frequent.

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.

- We recommend HKEX to provide guidance on essential elements of whistleblowing policy to set the minimum, but also provide recommendations on best practices.

- We urge HKEX to require this policy to be made public as such that investors and wider stakeholders can easily access such information and its corresponding communication channels.
- We recommend HKEX to encourage corporate-wide internal communications on such policy and relevant internal process to ensure effective execution.
- The accountability of effectiveness of the policy should be at the board level. Zero complaint recorded for a reporting period could mean a good thing or a terrible situation, therefore, we urge HKEX to provide guidance on effective measurement means, so that issuer will make meaningful disclosure on effectiveness of the policy in either the Governance Report or the ESG Report.

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.

- While on surface the intention of this proposed introduction is to ensure availability of independent views and input to the board, it could present challenge in managing the role of the INEDs, who arguably should be playing the role of offering independent views and input to the board.
- In a circumstance where all existing INEDs confirm that a particular decision-useful subject matter is out of their depth or specialty, independent input from additional sources should then be commissioned with the supervision of the INEDs.
- Given the complexity, we urge HKEX to avoid potential dilution of the INED's role by providing clear guidance should this requirement be introduced.

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 urge HKEX to set certain basic eligibility threshold for the re-election in this round of revision, i.e. missing 25% of board and committee meetings over past year or any past 2 consecutive

years. Over-boarded (more than 6 boards) Long Serving INED should not be eligible for re-election. These are straight forward requirements to be added to the revision to make meaningful changes before phasing out all Long Serving INEDs.

- We recommend HKEX to ensure: such re-election if passed will be valid for one year only, the re-elected Long Serving INED will retire at the end of the year and be subject to annual re-election as long as his/her service period with a board is over nine years.
- We also urge HKEX to require sponsors and advisors in the course of IPO to effectively educate the Chair and executives on this matter.
- HKEX should require the evaluation process when re-electing a Long Serving INED to include an effective comparison with fresh candidates presented by the issuer's Nomination Committee, and make the summary of the evaluation consideration and conclusion part of the Additional Disclosure.
- The re-election nominee (Long Serving INED to be re-elected) should make a personal statement articulating why he or she will be able to continue act independently and offer independent views and input after serving nine years on the board. This should be included in the Additional Disclosure.
- Independent shareholders voting on the re-election should be made public so that investors' actions are transparent in following their respective governance principles. To the extent, any deviation from the investor's governance principle should be explained.

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.

- We urge HKEX to introduce a requirement that the new INED should come in with an agenda or priority in addition to the general duty and care of an INED, and initiate a transition of the Long Serving INEDs, together with the Chair, within 2 years.
- We advocate for the concept of a Lead INED in general and in particular in such circumstance, who shall serve as principal liaison on board-wide issues between the independent directors and the Chair.

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.

In addition, we believe HKEX should make this requirement a CP rather than RBP.

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.

- A single gender board is not considered to be able to achieve diversity in any meaningful way by most of the established institutions, cultures and interest groups across the globe. It is embarrassing for Hong Kong business community including listed mainland Chinese Companies to have such a high percentage of single gender board.
- For IPO applicants, we strongly urge HKEX to make requirement that single gender board is NOT compliant for listing, so as to be consistent with the principle of "Single gender board is not acceptable".

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.

In addition, we urge HKEX to

- Set minimum percentage guidance at the board level. We support the 30% Club's advocacy to set the board gender diversity at 30%.
- Introduce a time frame of 1 year to appoint a director of the absent gender, and a 3 years transition to be a meaningfully diverse board. The concept of board diversity had been long advocated for in the business community, it's time to take actions.
- A diversity policy should be established and made public that applies to all workforces, with detailed plan for senior management team.

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.

We urge HKEX to require a minimum percentage of 30% gender diversity to be set in the policy, with 1 new director of the absent gender in a single gender board, and a transition period of 3 years, to be in alignment with other major International Exchanges.

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.

Director's information should be made public on HKEX website and include their tenure, number of boards they are on (INED), in addition to gender.

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.

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.

- We urge HKEX to provide in its guidance, in addition to disclosure of policy and channels, effective and practical ways for issuers to conduct meaningful communications, for instance, meetings of INEDs with shareholders or stakeholders, 3rd party feedback from shareholder or stakeholders commissioned by the INEDs.
- We welcome the addition in the Governance Report disclosure in respect of INED's contribution or work done during each reporting year.
- We also support conducting annual board performance evaluation, ideally facilitated with qualified external agency, and disclosing a summary of it in the annual report.
- These disclosures should not replace or give rise to lesser disclosure of Stakeholder Engagement required by the ESG Guide, but rather they should be consistent and coherent in both reports.

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.

- We can not emphasis more on the importance of including ESG risks in the overall risk management system of the issuer. It makes no sense if the ESG risks are analysed on stand alone basis as some issuers have been doing, while most don't even have any ESG risk analysis.
- ESG related risks analysis should be reflected coherently in both ESG report and the Governance report.

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?

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?

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.