

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.

However, the proposal is rather abstract. For Boards to function effectively it is essential that there is clear separation between the Board and the Executive. The guidance to accompany this Code Provision needs to be carefully constructed to ensure the Board are not held accountable for something they cannot reasonably be expected to influence or control.

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.

All Boards should welcome independent views. The Code Provision should be worded to make it clear that independent views are actively sought and (importantly) acted upon.

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 strongly agree that effective succession planning at Board level is essential for ensuring the long-term success of the company. We are supportive of the proposal: all directors should represent the interests of all shareholders but we think considering the ownership structure of many Hong Kong companies and the fact that independence becomes more challenging with tenure, that independent shareholders should be able to voice a view on whether the independent directors are appropriate upon their re-election.

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 are supportive of the proposal that following introduction of the new Code Provision, issuers will be required to appoint a new INED at the forthcoming AGM. Transparency is important to shareholders and the board itself.

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.

To ensure genuine independence performance related elements should be avoided.

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.

While we support the ambition to improve gender diversity, we have some important additional points to make.

For 16 years biennially, Egon Zehnder has tracked gender and international diversity on boards around the world. The results are clear – while there is progress in gender diversity globally, the rate of change is insignificant. Despite increased attention to diversity and inclusion that has sparked conversation and movement, making tangible progress is still challenging.

Indeed, our firm’s findings are reflected in the data included in your consultation document showing “there has been little improvement in terms of the percentage of female directors on the board of listed issuers”.

While we are pleased to see proposals for improving gender diversity, we do not feel the proposals go far enough, fast enough.

We are concerned that boards will be able to include only one female director to meet the Rule on single gender boards. When it comes to fully unlocking the power of diverse thinking, we believe that it takes three underrepresented voices in a boardroom to truly change internal dynamics. The drive to diversify boards does not end with the hiring of one woman. When a dominant majority remains, minority voices are too easily drowned out.

We also support the proposals for issuers to disclose targets, timelines, and gender information as well as the proposal to require the board to review their diversity policies annually. However, it is worth

noting that quotas have an impact. We encourage HKEX to reconsider whether the proposals should include ambitious targets to set minimum expectations.

We strongly agree that effective succession planning at Board level is essential for ensuring the long-term success of the company. We do not think it is necessary “to allow existing issuers with single gender boards a three-year transition period to appoint at least a director of the absent gender on their boards”. We would encourage HKEX to require issuers with single gender boards to appoint at least one new INED at the forthcoming AGM (in line with the Long Serving INED proposals). It is vital to make progress sooner rather than later.

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.

While we support the ambition to improve gender diversity, we have some important additional points to make.

For 16 years biennially, Egon Zehnder has tracked gender and international diversity on boards around the world. The results are clear – while there is progress in gender diversity globally, the rate of change is insignificant. Despite increased attention to diversity and inclusion that has sparked conversation and movement, making tangible progress is still challenging.

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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.

While we support the ambition to improve gender diversity, we have some important additional points to make.

For 16 years biennially, Egon Zehnder has tracked gender and international diversity on boards around the world. The results are clear – while there is progress in gender diversity globally, the rate of change is insignificant. Despite increased attention to diversity and inclusion that has sparked conversation and movement, making tangible progress is still challenging.

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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.

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We strongly agree that effective succession planning at Board level is essential for ensuring the long-term success of the company. We do not think it is necessary “to allow existing issuers with single gender boards a three-year transition period to appoint at least a director of the absent gender on their boards”. We would encourage HKEX to require issuers with single gender boards to appoint at least one new INED at the forthcoming AGM (in line with the Long Serving INED proposals). It is vital to make progress sooner rather than later.

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 guidance accompanying the Rule should make it clear that it is essential that the INED chairing the NC works closely with the Chair of the Board to ensure the Chair is content. This is important because the Chair must be satisfied with the skills and attributes of all of the directors on the Board.

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.

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.

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.

However, we believe the diversity proposals should be expedited.

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.

However, we believe the diversity proposals should be expedited.