

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 agree that the board should set culture in alignment with the listed issuer's purpose, value and strategy. In order to achieve a stated purpose by the listed issuer, in addition to written management policies and procedures, culture of the company is important to contribute to the achievement of these purposes. This culture should also be promoted internally and externally so as to allow stakeholders to understand more thoroughly the company's purpose, vision and how the board views particular ways of measuring success. This may impact on how investors view the investment value of the company and the views of stakeholders in dealing with the company. It is also a valuable way of allowing employees and management to understand the company's culture.

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.

It is essential to good corporate governance.

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.

It is essential to good corporate governance.

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?

No

Please give reasons for your views.

We agree that a strong independent element on the board is key. However, since dissenting views of directors (including independent directors) are required to be recorded in board minutes, we do not see any particular advantage of setting out a policy for independent views to be heard. We are mindful of extra administrative burdens this places on listed issuers, especially smaller companies.

If the Exchange believes that such a policy is required, it needs to give ample guidance as to what is expected of this policy. At the moment, there is insufficient guidance on this part.

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.

Our response is subject to some qualifications below.

This proposal assumes that all long serving INEDS are compromised in their objectivity and independence with the passing of time. It is true that in some circumstances, too many long-serving directors (or even all board members being long-serving directors) can cause compromise in independence. However, hard and fast rule for all companies may be too broad brushed and lead to the loss of valuable expertise. Different companies may have different strategies and needs and some long serving INEDs may be extremely valuable to the company. It may be a loss to the company if a Long Serving INED who has served the company well should be subject to a shareholders' vote to stay on board. It is important to take a holistic approach where disclosure of information to the public can provide the necessary transparency for public scrutiny.

If there is to be a shareholders' vote, then please clarify what is meant by "independent" shareholders. Since all shareholders are affected by the performance of directors, all shareholders (except for the director himself/herself) should be permitted to vote.

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?

No

Please give reasons for your views.

Not all companies have the financial means of increasing the number of INEDs. There should be flexibility in how companies deal with long-serving INEDs.

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?

No

Please give reasons for your views.

This proposal presumes that the enjoyment of remuneration which takes the form of equity-based remuneration will cause INEDs to lose objectivity. However, the counter-argument is that INEDs will work hard to perform well in their role so that the company will continue to do well, which will in turn increase the value of the options they hold. It appears to be contradictory that an INED would compromise his objectivity (which we presume is thought to be adverse to the interests in the company) when doing so would actually decrease the value of the options or grants which he holds.

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.

It is necessary to push for gender diversity in boards, as voluntary efforts appear not to have been completely successful.

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.

We agree with an MDR requiring disclosure.

We agree that there should be time line to achieve specific diversity targets.

At board level, achieving a 25% women on boards within three years appears to us a meaningful target for listed companies, subject to benchmarking against developed countries and major financial centres, so that Hong Kong is in the same league as such countries.

For workforce diversity, we would advocate the disclosure of a diversity policy which is measurable and transparent, and which allow investors and stakeholders to conduct their own assessment of the listed issuer.

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.

However, given the active social movements and discussions of gender neutrality, it may be necessary to allow flexibility for people who do not wish to be identified as a particular gender when completing the form.

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?

No

Please give reasons for your views.

It is sufficient that INEDs form a majority of the board. Further requirement to chair the NC will be a burden to INEDs.

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 disagree with the suggestion that INEDs should be a channel of communication for shareholders. This places too much of a burden on INEDs.

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?

Please give reasons for your views.

No comment.

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?

Please give reasons for your views.

Should align both implementation dates to financial year commencing on or after 1 January 2023