

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.

- Since the board of directors exists as a check and balance on management that represents the interests of shareholders, we agree strongly that the board has a responsibility to align culture with the company's purpose, value and strategy.
- In Teneo's day-to-day work with the executives leading the world's largest companies, we place a high degree of emphasis on authenticity and consistency. In the current environment stakeholders – including not only shareholders but also partners, clients, employees and regulators – have access to more information than ever before and are able to confirm that all corporate announcements, decisions, advertisements and public comments are consistent with each other and match the company's stated purpose, values and strategy. Stakeholders can check this by reviewing the company's annual reports, regulatory disclosures, earnings call transcripts, website content, social media posts and commentary, thought leadership and advertisements that appear across traditional and social media.
- At the same time this highlights the importance of a company confirming that its stated purpose, value and strategy align with the needs and expectations of the stakeholder groups that it serves, including shareholders, partners, clients, employees and regulators. Teneo sees an opportunity for companies to work with third parties to carry out periodic independent culture audits to ensure this alignment. This would include evaluating the company's corporate culture from the perspectives of multiple stakeholder groups and benchmarking its findings against the company's stated purpose, values and strategy.

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.

- We believe it is important to introduce a CP requiring the establishment of an anti-corruption policy as we believe that such a policy is a baseline requirement for aligning company activities with shareholder interests.

- We further believe that any cost and time committed to developing, applying, policing and updating the anti-corruption policy would be in the long-term financial best interest of the company in terms of potentially avoiding: 1) the direct financial impact of corruption via misallocation of resources or related business losses; and 2) fines and penalties associated with regulatory action that could result from those activities.
- From a reputation perspective, we see the development and application of an anti-corruption policy as the bare minimum. Reputation damage can have a significant and long-lasting impact on a company's financial performance. Thus, it is crucial to show stakeholders that the company is actively monitoring for and protecting against corrupt practices and the potential impacts to shareholder value and stakeholders such as partners, clients and employees.
- We strongly believe a company can accrue significant benefit from actively communicating its anti-corruption policy to stakeholders via its website, annual report, internal communications, commentary provided to the media and via social media, among other channels.

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 see a strong case for upgrading the RBP to a CP requiring the establishment of a whistleblowing policy as doing so will send a strong message to the market about: 1) the importance of whistleblowing as a safeguard against corruption and the complementary necessity to extend protections to ensure that whistleblowers do not suffer negative repercussions; and 2) the Exchange's commitment to effective anti-corruption measures as an integral facet of good corporate governance practices.
- We see this CP as being a natural extension of the proposed CP requiring an issuer's board to set culture in alignment with issuer's purpose, value and strategy (see Question 1), as a clear and effective whistleblower policy sends a strong signal that a company values transparency and ethical action.
- We see the potential for companies to work with an independent third party to develop their whistleblower policy and roll it out within the organisation. This would include developing the policy, ensuring that it is communicated to all relevant stakeholders in a clear manner and regularly evaluating its effectiveness.

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.

- We are strongly in favour of a CP requiring disclosure of a policy to ensure independent views and input are available to the board. In addition, we see an annual review – ideally by a third party – as being essential to effective implementation.
- As we work with clients around issues such as diversity and inclusion, we see that the diversity of a board and its level of “real world” understanding of the markets their companies operate in is often influenced by the diversity of the community of stakeholders they engage with. Many boards source members and information from relatively constrained pools of individuals, media and stakeholders, and this has the potential to limit their depth of understanding and potentially compromise their ability to make fully informed decisions.
- We consider the involvement of a third party to be essential as a means of “pushing” the board out of its comfort zone and exposing members to influences and opinions that they might not come across in their daily business, social circles and patterns. The annual review could be framed as much as a review of the board’s interaction with independent views and inputs over the past year as a process for identifying gaps and planning consultations, meetings and research that can be undertaken in the coming year to expand horizons.

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 believe the requirement for independent shareholder’s approval of the re-election of Long Serving INEDs will help to enhance corporate governance and is in the interest of shareholders and the community.
- As a CEO consultancy, we are often brought in to provide a fresh third-party perspective on significant challenges that face a business. We are often able to efficiently address these challenges in

part because our approach is not clouded by long-standing assumptions or practices. We believe that corporate boards also require regular infusions of fresh perspectives and new ideas if they are to provide guidance to the company that is in alignment with the stakeholders' needs. We believe that Long Term INEDs are capable of providing these perspectives, but that regular scrutiny of their role and records in these positions will enhance their incentive to challenge their own thinking when evaluating opportunities and challenges to the company.

- Further, we are strongly in favour of a CP requiring additional disclosure as we believe that corporate governance and transparency are inseparable. Without disclosure, which leads to shareholder and analyst scrutiny and raises questions, we do not see how stakeholders can be confident that Long Serving INEDs – or any board members for that matter – are truly acting in their best interest.

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.

As noted in question 4a, we see scrutiny of Long Serving INEDs as positively contributing to corporate governance. We do not have insight to relative merits of requiring an issuer to appoint a new INED when all the INEDs are Long Serving INEDs, but we see strong merit in requiring the board to disclose the tenures of Long Serving INEDs to ensure that the board is regularly being "shaken up" via an infusion of new perspectives, ideas and opinions on the company, the industry and the political, economic and social factors that influence its ability to do business.

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.

We see the potential to enhance the proposed RBP by also including a recommendation to disclose remuneration with performance-related elements as part of a company's annual report. We consider this to be important information that will help stakeholders – including shareholders, partners, clients,

employees and regulators – evaluate the performance of INEDs.

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.

We strongly agree that a single gender board does not meet the definition of diversity regardless of the other factors that may contribute to diversity of the board in question.

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 acknowledge that there have been strong arguments put forth for and against setting minimum thresholds for board and workforce diversity, we do not see other alternatives that have the potential to make meaningful progress on enhancing gender diversity across the board and the workforce, including management.

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.

If the HKEx is to opt for employing numerical targets and timelines for achieving gender diversity, we see it as crucial to require the board to annually review the implementation and effectiveness of the board diversity policy. We see the potential to enhance this requirement by requiring a third-party audit of the board diversity policy and its effectiveness. Third-party evaluation seems to us to be the only way to effectively ensure that these reviews are not implemented as “box checking” exercises.

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.

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.

Teneo is strongly supportive of this proposal and emphasises the importance of the statement "proactive steps should be taken to ensure the company's relationship with shareholders and stakeholders is healthy and sustainable in the long term", as:

- We believe that the both CG and ESG are responsibilities to a wide community of stakeholders - including partners, clients, employees, regulators and the communities a company operates in among other – rather than being focused on shareholders alone.
- We consider CG, ESG and communication regarding these factors to be integral to the long-term goals of the company. CG and ESG strategy need to incorporate scenario analysis, the development of a strong and aligned corporate narrative and effective crisis planning in order to contribute directly to

meeting a company's financial goals and to meet a company's responsibilities to its shareholders, clients, partners and the communities it operates in.

- We are strong proponents of two-way communication as the social media era means that there is no longer such a thing as one-way communication. This means that everything communicated externally via any communication channel will be responded to and a company needs to be prepared to engage in a conversation with stakeholders.
- This also highlights the importance of alignment across communication channels and corporate divisions/departments as the market is particularly sensitive to messaging that appears in any way less than authentic/genuine and the perception of conflicting or confusing communications has significant negative implications for a company's reputation in terms of corporate governance, connection to the community and commitment to serving the best interests of stakeholders such as shareholders, clients, partners and the communities it operates in.
- We also see the potential for companies to initiate annual third-party review of these communication policies and initiatives to ensure that they are aligned with the needs of the market as well as the letter and spirit of regulatory requirements.

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.

Teneo believes in the general benefit of clear and open communication with stakeholders and that such communication can help contribute to a company's long-term business goals. We see this proposal as an important part of ensuring alignment of interests, as we see lack of attendance of board members as potentially: 1) being indicative of lack of interest/engagement on the part of an individual board member, which could undermine faith in the board as a body that holds management to account; 2) undermining board diversity by raising the potential that the diversity present on a board will not be represented in votes actually cast at a specific meeting; and 3) undermining the spirit of CG.

Question 10

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

No

Please give reasons for your views.

We do not have enough information/insight on this question to provide a valid opinion.

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.

A) CG is an integral part of all factors of ESG and is inseparable from the governance pillar in particular. Only by providing clear guidance to elaborate how the established concept of CG fits into requirements under the relatively newer and potentially less widely understood rubric of ESG can we clearly evaluate whether or not companies and their boards are following this guidance.

B) Particularly since the COVID-19 pandemic it has become clear that companies that effectively incorporate ESG considerations within their management practices show a higher degree of resilience in challenging times. We believe that this alone is sufficient argument to require ESG risks to be included under the umbrella of risk management.

From the perspective of reputation, we are operating in an environment where a range of stakeholders are paying a high degree of attention to ESG. If a company is not able to demonstrate that ESG factors are baked into every aspect of their operations – including risk management – they open themselves to potential reputational harm and financial impact.

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.

- We consider ESG to be integral to a company's business strategy, key to their risk management practices and material to their financial performance. Essentially, ESG is at once a tool for creating value for a company and for managing risk. Only by reporting on ESG strategy and financial performance together can stakeholders evaluate the causal relationship between the two.

- From a reputation perspective, we believe it is essential that corporates be seen to be prioritising CG in particular and ESG disclosure in general. Requiring the publication of the ESG report alongside the annual report: 1) equates the importance of ESG disclosure with that of the annual report, which is a primary regulatory requirement for corporations; and 2) sets a minimum standard and makes companies answerable to shareholders for timely ESG reporting rather than allowing the report to be delayed or otherwise deprioritised.
- That being said, Teneo believes firmly that it is the provision of clear and relevant information and data that is most important. Regardless of the time requirement in place, the overarching concern is that there is regular information provided in a format that is easy to access and makes the report comparable with previous reports and with those of peers.

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.