

### **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.**

Yes, we agree with the proposal to introduce a CP requiring an issuer's board to set culture in alignment with an issuer's purpose, value and strategy.

A culture cannot be mandated, nor should it be left to define itself without a strong framework and tone that is set from the top.

It is a board's responsibility to define an organisation's 'reason for being' and the role it plays in progressing economic and social value. That defined 'purpose' then allows for a set of values to be constructed and a strategy to evolve that shifts an organisation beyond focusing solely on shareholders, to a focus on all stakeholders, internal and external. A board is responsible for setting these elements in place and providing guidance to the organisation's management.

With such defined purpose, values and strategy, a company will attract like-minded employees, customers, partners and followers that will only lead to sustainable and quality growth of the company. It supports organisational behaviour and decision making consistent with defined values and purpose that serves to operate above and beyond a control framework. Furthermore, it is our view that the board should be regularly engaging with stakeholders to ensure the culture that has manifested remains aligned to the company's purpose, value and strategy. A culture should be actively managed through regular, constructive two-way engagement with stakeholders.

### **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.**

Yes. Whistleblowing has proved to be the most effective measure of uncovering bad corporate behaviour, however it is only effective if the appropriate policies and procedures are in place to protect whistleblowers and investigate claims. In particular, these policies are required for dealing with bad

actors at the highest corporate management level.

### **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.**

Same as 2(a)

Yes. Whistleblowing has proved to be the most effective measure of uncovering bad corporate behaviour, however it is only effective if the appropriate policies and procedures are in place to protect whistleblowers and investigate claims. In particular, these policies are required for dealing with bad actors at the highest corporate management level.

### **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.**

Yes.

It is critical to a company's success and continued value creation for all stakeholders, that it is guided by an independent, sufficiently diverse and relevant set of board directors.

Companies are not static, nor are the environments in which they operate. Independent, diverse and sufficiently current perspective is critical to effective board governance and leadership. It is our view that independence and diversity – gender, age, industry experience, ethnicity and education - in board composition are critical to stakeholder value creation and preservation. We agree that the onus should be on the company and its board to regularly communicate and seek support from shareholders for the independence of its board directors, along with the diversity of its composition.

#### **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.**

Yes.

While we recognise that long-serving INED's can bring value to a company through historic understanding, we see the potential for significant downside through loss of objectivity and lack of currency in perspective. Board entrenchment also means that the INED composition may not evolve with the changes in a business's operating environment.

These factors should be judged by a company's shareholder base, with the onus on the company to communicate the case for the continued role of a long-standing INED.

#### **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.**

Yes.

We are in a new era of 'stakeholder capitalism', where a company is expected to drive value for all its stakeholders. This includes employees, partners, shareholders and communities. Equity-based incentives do not encourage a broad stakeholder focus, only a shareholder one. This model of compensation does not promote objectivity and independence, and the challenges of our time require that interests of all constituencies are served to the best of a board and company's ability.

**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.**

Yes.

In addition, we urge HKEX to:

- Include the proposed statement in Rule 13.92 rather than in the notes to this rule.
- Amend Rule 13.92 to require an issuer to have a diversity policy that is applicable across the issuer i.e. throughout the organisation (board, management, senior management and workforce generally) and not only in relation to the board (to align with proposal 6(b)).
- Amend Rule 13.92 to require the board to set measurable objectives for achieving gender diversity in the composition of its board, management, senior management and workforce generally, and consider these requirements for other aspects of diversity including race.
- Implement our recommendations in 6 (b) along with the above changes, otherwise there is a wholesale risk that issuers will only appoint one woman per board to meet the above requirement which is in effect "a quota of one" and appears tokenistic. We have serious concerns that given current proposals, the consequences will mean issuers will take a limited approach by appointing a single female board director.

- We talk about 30% diversity because evidence demonstrates that this is the required critical mass for groups to stop thinking about having a “minority” of women and instead think inclusively about the board as a whole, operating together regardless of gender. It helps erode homogeneity and ultimately promotes better governance. As such, we urge HKEX to set targets of 30% within six years with an interim of 25% by 2025 (See 6(b)) which will also bring Hong Kong into alignment with other key markets such as U.K, Europe, U.S and Australia.
- Requirements on single gender boards should be effective from 2022 (or as soon as the new proposals are effective) because a transition period of 3 years is far too long given the breadth of female talent in Hong Kong.
- If HKEX does introduce a transition period, we recommend a 1 year maximum and this must be included in Rule 13.92 or another regulation rather than a statement of intention only.

### **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.**

Yes.

In addition, we urge HKEX to:

In view of the extremely low number of women on boards in Hong Kong and the lack of action on this issue, despite the requirement for issuers to have a diversity policy and guidance from HKEX, we urge HKEX to go further to advance gender diversity in Hong Kong by:

- Requiring issuers to achieve board gender diversity of at least 25% by 2025, rather than requiring individual issuers to set their own targets.
- Providing added guidance that if 80% of all issuers fail to meet the above target by 2025, then HKEX will introduce mandatory quotas with penalties for issuers who fail to meet the above targets. Furthermore, in 2025 HKEX will raise the above target to 30% to be met by 2027.
- Issuers of a diversity policy should be applicable across the issuer (board, management, senior management and workforce generally) and not related only to the board with applicable changes made to Rule 13.92. Asking issuers to set targets and timelines for workforce gender diversity without a requirement for an associated policy applicable to the whole company will not aid issuers in reaching targets.

- Requiring issuers to set measurable objectives for implementing its diversity policy.
- Requiring issuers in addition to the current proposals to disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; (3) the respective proportions of men and women on the board in management and senior management positions, and across the whole workforce.

### **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.**

Yes.

In addition, we urge HKEX to:

- Amend the proposal so that an issuer's diversity policy is applicable across the issuer (board, management, senior management and workforce generally) and not only in relation to the board (to align with proposals in 6(a) and 6(b)).

### **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.**

Yes.

In addition, we urge HKEX to:

- Ensure that gender information includes non-binary gender options.

- Establish public database that includes analysis updated biannually to include percentage of women on boards on HSI; percentage of women on boards across all issuers; percentage of women appointed to new IPO issuers; and the number and percentage of women appointed to boards in the foregoing period in comparison to men.

- Director’s information should also include a summary of background and skill set 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.**

### **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.**

Yes.

- ESG considerations should be a board agenda item as they represent material organisational risks and opportunities.

- In addition to the board being responsible for evaluating and determining the nature and extent of risk, there should be a specific requirement for the board to disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks

- Society is now demanding equality and justice from policy makers and companies, as evidenced by movements in countries such as the United States, Australia and the United Kingdom, for example. Companies must be seen to be listening and responding to these movements by incorporating these changes into their own governance structures. Not doing so, risks value destruction.

### **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.**

Yes.

A company's ESG strategy targets and organisational infrastructure are not distinct from a company's overall strategy, risk management and financial performance. Issuer boards should be reporting on these factors at the same time to ensure necessary thought and understanding of how a company's performance and ESG strategy are integrated.

### **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.**