

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 with the proposal with elaborations followed.

In principle, we agree the company should align its culture with its purpose, value and strategy as a healthy culture is interlinked to achieving of the company's strategy and value.

We understand the Exchange will provide guidance to the company on setting the culture. As the topic of culture setting and linking to purpose, value and strategy may be relatively new and less tangible to many existing issuers, the guidance needs to be more explicit with clear examples in order to provide clear guidance and expectation.

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. We agree with the proposal as the establishment of anti-corruption policy is fundamental and essential to a good corporate governance framework and establishment of a healthy corporate culture.

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.

Yes. We agree with the proposal as the establishment of whistleblowing policy are fundamental and essential to a good corporate governance framework and establishment of a healthy corporate culture.

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. We agree with the proposal as directors' independence is vital to an effective board. Establishment and annual review of a policy could highlight the importance to the issuer on bringing independent views to the board.

The Exchange may consider providing guidance to issuer on elements to be taken into account when formulating the policy, while some issuers who had already disclosed the power of assessment in the terms of reference of responsible committee is considered as a good practice.

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.

In principle, we agree the re-election of Long Serving INEDs require independent shareholders' approval and Additional Disclosure as this approach allows more flexibility to the existing issuers, instead of adopting a hard limit on INED tenure which could result in significant impact on certain issuers to source new INEDs.

If the proposal is to proceed, we suggest the Exchange provide further guidance to issuers in (i) providing sufficient and relevant information to the independent shareholders for making informed decision, and (ii) approach to deal with situation where re-election of Long Serving INEDs is rejected by independent shareholders, which could result in the number of INEDs falling below the minimum requirement.

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.

Yes. Appointment of a new INED to the board where all the INEDs are Long Serving INEDs can bring fresh ideas and perspectives to the Board.

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 agree with the proposal as the changes made could close the gap between requirements applicable to issuers incorporated in different jurisdictions. Introducing as a new RBP can also allow time for the existing issuers to revisit the remuneration structure of the INEDs and make necessary changes gradually.

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. We agree that diversity is not considered to be achieved by a single gender board and agree to highlight it in the Rule.

With reference to the MSCI report as outlined in the consultation paper, Hong Kong appears to be lagging behind other leading markets on gender diversity in the boardroom. Gender diversity would ensure that the board tapped into a greater well of talent, particularly given that 50% of Hong Kong's labour forces are women in 2020 and 52.8% of university graduates are women in 2019.

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. We agree with the proposal on setting and disclosing the numerical targets and timelines for achieving gender diversity at both board level; and across the workforce (including senior management).

The Exchange can work with different professional organisations to promote and to provide more support to encourage building up a sufficient pool of female with appropriate knowledge, skill and expertise so that all issuers can achieve the board gender diversity within three years, as suggested in the consultation paper.

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. We agree with the proposal. Introducing a new CP requiring periodic review on board diversity policy is not expected to cause undue burden to existing issuers, as the existing issuers have established policy and disclosed the policy or its summary in the Corporate Governance report per Rule 13.92. Periodic review on the policy can also promote better governance and ensure it is in line with latest regulatory requirements.

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.

Yes. We agree with the proposal as the NC plays an important role in the process of directors' nomination and appointment and the effectiveness of the NC to a large extent depends on the effectiveness of its chairman. Objectivity of the NC chairman is integral to avoid entrenching unconscious bias in the activities taken by NC.

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 agree with the proposal. Disclosure of issuers' shareholders communication policy can enhance the transparency on the Board's performance and increase issuers' engagement with shareholders and stakeholders.

While some issuers may be required to alter the shareholders communication policy to comply with the new MDR, it is not expected to cause undue burden to existing issuers as the majority of existing issuers established the shareholders communication policy in compliance with the existing CP and the Exchange provided guidance to the issuers for the elements to be taken into account when updating the policy.

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.

Yes. Disclosure of directors' attendance in the poll result announcements enhance the transparency on the directors' commitment.

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.

Yes. The proposed deletion of relevant CP is to remove the duplication of requirements as stipulated in Specific Term CP and Rotation CP, given that (i) both Specific Term CP (A.4.1) and Rotation CP (A.4.2) require the issuers to periodically seek shareholders' re-election of director, and (ii) as observed in the market practice, the Specific Term CP could be achieved by the rotation requirement.

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. Elaborating the linkage in the Code by setting out the relationship between CG and ESG in the introductory section provides clarity to issuers and helps to promote the significance of ESG integration in the overall business management. Since the board is responsible for evaluating and determining the nature and extent of the risks and ensuring that appropriate and effective risk management and internal control systems are in place, it should include ESG risks in the context of risk management under the Code.

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. ESG information has become an increasingly important part of the investment process. Aligning the timeline for publication of ESG reports with that of the annual reports would give a better picture for investment decisions. For an effective response to the global challenges and to address stakeholder demands, ESG reporting needs to be harmonised and interconnected with financial reporting. Having both sets of information ready at the same time is a step toward this direction.

On a separate note, we would like to seek clarification from the Exchange on the ESG report publication requirement when a newly listed issuer is waived from publication of annual report under Listing Rules 13.46. Currently, the newly listed issuers are required to comply with the ESG report publication requirement no later than five months after their financial year end even in situations where they have been waived from publication of annual report under Listing Rules 13.46. Given the timeframe for publication of ESG report is proposed to be shortened to the same as publication of annual reports, we would like to seek clarification on whether the newly listed issuers will be still required to comply with the ESG report publication requirement no later than four months after the end of financial year, or a waiver from ESG report publication will be granted if the newly listed issuers can fulfil certain prescribed conditions when the waiver from publication of annual report has been granted (e.g. ESG disclosures for the latest financial year as required under Listing Rules 13.91 have been included in the listing documents).

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.

No comments.

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?

Yes

Please give reasons for your views.

The guidance that we mentioned above in responses of Question 1, 3 and 4(a).

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.

Yes. The implementation of all the proposals sooner the better thus we agree with the proposed implementation dates.

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.

Yes. We agree with the proposed implementation date.