

# Eagle Asset Management

Our Ref: CP/CS/21/01

18 June 2021

**BY EMAIL AND BY POST**

Hong Kong Exchanges and Clearing Limited  
8/F, Two Exchange Square,  
8 Connaught Place, Central,  
Hong Kong

Dear Sirs,

**Re: Consultation Paper on Review of Corporate Governance Code and Related Listing Rules**

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We refer to the Consultation Paper on Review of Corporate Governance Code and Related Listing Rules published by the Exchange in April 2021. We strongly oppose with proposal to revise an existing Code Provision to require the re-election of an independent non-executive director ("INED") serving more than nine years be subject to independent shareholders' approval. We also disagree that all listed issuers should set numerical targets and timelines for achieving gender diversity at both board level and across the workforce.

Election of directors is a general and basic right for all shareholders. Such right should be equally fair amongst the substantial and minority shareholders. Fairness achieved by One Share One Vote is always one of the core principles of a good corporate governance. Requirement of re-election of long serving INEDs be subject to independent shareholders' approval is depriving the right of the substantial shareholders and violating the principle.

A company's board of directors plays a critical role in making important strategic decision. If minority shareholders' approval of INEDs is made a requirement, we expect that they will nominate their own INEDs to the board. The impact of the possibility of INEDs nominated by activists that wish to disrupt the companies for short-term gain without regard to the sustainable long-term growth vision is unneglectable.

Furthermore, there is no empirical evidence showing that long serving INEDs would lose their independence nor be at an increased risk of complacency given their familiarity with management. Based on the details of disciplinary sanctions published by the Stock Exchange since the beginning of 2021 and up to the date hereof, we note that 96 directors were subject to public censure or public criticism of which 31 were INEDs. Among these 31 INEDs, only about six, or less than 20%, had served nine years or more on the boards of the companies concerned at the time of the relevant event.

In addition, we also do not support the proposal of setting numerical targets and timelines for achieving gender diversity at both board level and across the workforce. We consider all appointments of Directors and Senior Management should be based on merit alone. Diversity is not only about gender. The composition of a board is effective if it fits the business needs and works best for the corporate strategy. There is no one-size-fits all formula. We believe there is no resistance amongst Hong Kong listed issuers to appointing female directors. It is only a matter of finding the right director candidates with suitable background, experience, and qualifications and if the supply of capable male and female directors are the same, gender diversity should be achieved naturally. It is not necessary to try to arbitrarily set targets and timelines for gender diversity at the board level and across the workforce.

We hope that the above comments can assist the Exchange to refine the proposals. Meanwhile, if you require any clarifications on our comments, please do not hesitate to contact us. Thank you for your kind attention.

Yours faithfully,  
For and on behalf of  
**Eagle Asset Management (CP) Limited**  
(Manager of Champion Real Estate Investment Trust)

