

HKEX

18 June 2021

Dear Sir/Madam,

Re: Consultation Paper on “Review of Corporate Governance Code and Related Listing Rules” (“Consultation Paper”)

This is a joint submission prepared by the **Association of Women Accountants (Hong Kong) Limited (“AWAHK”)** and **Shenzhen Hong Kong Macau Women Directors Alliance (“SHMWDA”)**.

AWAHK is an accounting professional body of qualified accountants (both practising and non-practising accountants) set up to advance professionalism in the accountancy service by promoting development and diversity through a broad-based network and to promote work-life integration and social responsibilities.

SHMWDA aims to promote board and senior management diversity as well as inclusivity in its broadest sense, especially in terms of gender diversity, in order to foster optimal leadership and corporate governance.

We would like to provide our views on the captioned Consultation Paper below for your consideration.

First of all, we are pleased to observe progress taken by the Exchange’s proposed changes to the Code in the past years aiming at promoting good corporate governance amongst issuers. Generally speaking, we welcome the direction put forward in the Consultation Paper in the four areas namely Corporate Governance, ESG, Code Structure and Implementation Dates. We appreciate the Exchange’s effort to look into international practices of corporate governance while taking into consideration the practicality and unique business as well as cultural environment of Hong Kong.

Please refer to specific comments and concerns raised below on each of these areas.

PART 1: CORPORATE GOVERNANCE

1. Culture

A. Introduce Culture

Question 1: Introduce a CP to set culture in alignment with purpose, value and strategy

AWAHK & SHMWDA Response: We reckon the importance of setting the right tone from the top management in formulating a company’s governance culture. It is the mindset of good governance that should be communicated in all dimensions of the business. We are supportive of a new Code Provision (“CP”) be introduced to require an issuer’s board to set culture in alignment with their purpose, value and strategy. In addition, we recommend that the Exchange should play an active role in educating the market and monitoring the execution of such to ensure relevant alignments are not just done on paper or merely slogans but in actions. We recommend further guidance be provided for issuers in setting up the key elements commonly identified in a sound culture. Relevant disclosure will also facilitate stakeholders in evaluating and appraising the company.

B. Anti-corruption and whistleblowing policies

Question 2(a): New CP requiring establishment of anti-corruption policy

Question 2(b): Upgrade RBG to CP requiring establishment of whistleblowing policy

AWAHK & SHMWDA Response: We are supportive of the Exchange's proposal to further strengthen the compliance requirement of anti-corruption policy and whistleblowing policy. In addition, we suggest to upgrade the requirements to MDR in medium term taking into consistency with the ESG guide and require such policies be reviewed on a regular basis at least every two years.

2. Director's Independence

A. Enhance board independence

Question 3: Introduce a CP requiring disclosure of independence policy and annual review of such policy

AWAHK & SHMWDA Response: Yes, we consider this new CP appropriate to disclose relevant policy and such policy be reviewed on annual basis.

B. Board refreshment and succession planning

Question 4(a): Revised CP for independent shareholders' approval on Long Serving INEDs & additional disclosure

Question 4(b): New CP for appointment of new INED at the forthcoming AGM & disclosure of the length of tenure

AWAHK & SHMWDA Response: We are supportive of promoting independence views of INEDs; as well as appropriate succession plan for the board as well as across the management level. It is considered essential to strengthen the disclosure requirement and appointments of Long Serving INEDs for proper transparency and justification. Continuous effort by the Exchange and the society in promoting independence mindset for INEDs is necessary while the 9-years term limit should be reviewed for compliance in future.

C. Equity-based remuneration to INED

Question 5: New RBP to prohibit equity-based remuneration with performance-related elements to INEDs

AWAHK & SHMWDA Response: We have no objection to the proposed RBP, however we recognised mixed comments on this issue. It appears that INEDs' independence is perceived to be enhanced without equity-based remunerations. Meanwhile INED's reward should be reasonable in order to attract high calibre candidates. We also reckon it is also common practices internationally that rewards like company shares or share options form part of INEDs remuneration. One would also argue that in many occasions there are many factors contributing to business performance or share prices, such as good governance practices, ESG, diversity, etc. With the INED owning a small proportion of equity, they will act more in the interest of minority shareholders.

There are also recommendations for a review of the remuneration of INEDs. They should be properly remunerated in view of the responsibility involved and in order to attract appropriate talents. Hence, we recommend the Exchange to review this guidance in future for alignment with international practices and realistic situation of some issuer's affordability of merely cash rewards for INEDs.

3. Diversity

Question 6(a): Amend Note to the Rule highlighting "Diversity is not considered to be achieved by a single gender board".

AWAHK & SHMWDA Response: We are supportive of all kinds of diversity including gender, nationality, expertise and so forth. Such diversity should not be just on the board level but relevant grooming and promotion should also be applied across the organization including senior management.

Question 6(b): New MDR to set and disclose numerical targets and timelines for achieving gender diversity

AWAHK & SHMWDA Response: We welcome the proposal to introduce new MDR for issuers to set and disclose numerical targets and timelines. We understand gender diversity is one of the most concern in the business/community, hence the focus on this particular proposal. However, we also believe in relevant posts should be filled by capable candidates. Nonetheless we recommend the Exchange to setting a guiding target for issues' reference. It is generally acceptable internationally for such target to be 30% (be it for male or female) and we recommend such be promoted by the Exchange not just on the board level but also applicable on senior management level of the issuers.

Question 6(c): New CP to require annual review on board diversity policy

AWAHK & SHMWDA Response: Agree.

Question 6(d): Amend form to include gender information

AWAHK & SHMWDA Response: Agree.

4. Nomination Committee

Question 7: Upgrade CP to Rule to require NC chaired by INED

AWAHK & SHMWDA Response: Agree.

5. Communication with Shareholder

Question 8: Upgrade to MDR requiring disclosure of shareholders communication policy and annual review of such policy

AWAHK & SHMWDA Response: Agree.

6. Other Enhancements

A. Timely disclosure on directors' attendance at general meeting

Question 9: New Rule requiring disclosure of directors' attendance in the poll results announcements.

AWAHK & SHMWDA Response: Agree.

B. Disclosure on AC's work

AWAHK & SHMWDA Response: Agree. We welcome the Exchange's proposal to elaborate in the guidance the expected disclosure.

C. Deletion of the Specific Term CP

Question 10: Delete CP that requires specific term for NEDs

AWAHK & SHMWDA Response: No comment.

PART II: ESG

A: Elaborate the linkage between CG and ESG

Question 11: New paragraph in CG Code to elaborate linkage with ESG and inclusion of ESG risks in the context of risk management under the Code

AWAHK & SHMWDA Response: Agree.

B: Timely disclosure of ESG reports

Question 12: Timely disclosure of ESG reports

AWAHK & SHMWDA Response: Agree.

PART III: CG CODE STRUCTURE

Question 13: Re-arrangement of the Code

Question 14: Any other comments

AWAHK & SHMWDA Response: No comment.

PART IV: IMPLEMENTATION DATES

Question 15: Proposed implementation dates of 1 January 2023 for Long Serving INED; 1 January 2022 for all other proposals

AWAHK & SHMWDA Response: Agree.

Should you have any questions, please do not hesitate to contact [REDACTED] at [REDACTED]

Yours faithfully,

For and on behalf of AWAHK and SHMWDA



Margaret LEUNG KO May Yee
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