

### **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.**

Culture drives the behaviour of an organisation's members. Thus, it is the backbone to good corporate governance that should be promoted throughout the business. A sound culture should include different aspects such as tone from the top, accountability, effective communication and challenges, and incentives. As we all understand there is no "one-size-fits-all" culture that is suitable for all companies, and that makes it important for each issuer's Board to establish culture that is appropriate for its own context, in which the issuer can operate aligning with its own purpose, values, strategies and business models. These factors can never be discussed and developed in isolation. At the same time, the board should also monitor the culture with clear measures, in terms of the values and behaviours, and whether the culture and these measures are effectively communicated to all employees during their daily operation.

### **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.**

Anti-corruption is considered fundamental to a good corporate governance since it implies the integrity of the members of an organisation. As such, mechanisms/systems should be in place to govern anti-corruption, which should be documented formally in a tailored anti-corruption policy that cope with an organisation's own industry and business environment. With a clear policy providing guidelines of the definitions, principles, standards, measures, etc. regarding anti-corruption, members can be more clear about the disciplines and acceptable behaviours. It protects the interests of all stakeholders of an organisation, both internal and external, which is vitally important for listed companies that involve large number of stakeholders.

### **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.**

In line with the commitment to the highest possible standard of openness, probity and accountability, all issuers are expected to encourage employees to voice their concerns about any suspected misconduct on malpractices. As the business environment is becoming more and more complex, issuers should attach higher attention and importance to the establishment of a prudent, concrete and comprehensive whistleblowing policy, instead of just a whistleblowing procedure. With a formal whistleblowing policy, the issuer can secure and guarantee the whistleblowing system and the whistleblower with an explicit guideline, cover aspects such as reporting channel, independent investigation, whistleblower protection, etc.

### **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.**

The board plays the important role of setting the whole company's purpose, value and strategy, so that ensuring a strong independence in the board is essential to an effective board, which can effectively exercise independent judgements and make prudent and objective decisions that balance different stakeholders' needs. There's no doubt that mechanism should be in place, and at best documented as a formal policy, to ensure independent views and inputs are available to the board. At the same time, as the needs, goals and strategies of an organisation may evolve over time, the effectiveness of such established mechanism should be reviewed regularly.

### **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.**

It is generally recognised that a long serving INED's capability of bringing new and fresh perspectives and

independent judgment to the board is under question, and it also raises concern about the risk of over-reliance on long serving INED.

As this became more and more controversial, merely having the board as the decision maker on the appointment of long serving INED is no longer considered sufficient to justify his/her independence. Meanwhile, shareholders' benefits are closely related to the issuer's performance, they should all have the right to decide the further appointment of a Long Serving INED in that case. Therefore, it is reasonable to acquire independent shareholders' approval for such re-election.

To enhance the market or even the public's confidence on such mechanism, additional disclosure should be provided to allow stakeholders to better understand and acknowledge the process and rationale of such re-election.

#### **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 mentioned in the response to 4a above, as the issue is getting more controversial, if all the INEDs on the board are long serving INEDs, it may be hard to address stakeholders/public's concern regardless of the rationales. Thus, appointing a new INED would be the most appropriate and effective action that facilitate the transition. the disclosure of length of tenure of long serving INEDs also promotes transparency which could in turn help enhance public confidence.

#### **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.**

One of the key roles of INED is to safeguard against conflict of interests and ensuring internal controls and risk management, thereby protecting and balancing the interest of different stakeholders instead of

just the interest of the management. If their remuneration is equity-based/performance-related, that will definitely create incentives for them to act in favour to the management of the company. Their objectivity and independence will thus be impaired.

#### **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.**

Gender is generally accepted as the most basic metric in measuring people diversity. If the issuer has a single gender board, it doesn't meet the fundamental diversity requirements at all, not to mention other diversity aspects such as age and regions. It implies that the issuer is not following a robust diversity policy. Therefore, we support to highlight that a single gender board does not fulfil the diversity expectation. Besides gender diversity, we should also consider other diversity aspects, such as age, experience, background, etc.

#### **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.**

Generally speaking, we are supportive to boost gender diversity at board and workforce levels by setting and disclosing numerical targets and timelines.

Nonetheless, the requirements on numerical targets and timelines should be flexible such that issuers could tailor its own numerical targets and timelines having considered its industry and job nature, as some of the industries may involve employees of a particular gender more (e.g. construction, mining). Therefore, the requirements should allow flexibility across different industries.

#### **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.**

Currently, despite the fact that many of the issuers have established a board diversity policy, the implementation and results are actually not convincing according to the data provided in the consultation paper. Therefore, having a requirement on the annual review of the implementation and effectiveness of the board diversity policy is considered necessary and essential.

**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.**

This is a good way to enhance the transparency of the board diversity information and public surveillance. which provides an effective and efficient platform for HKEX and other market participants to monitor the progress of diversity achievement.

Nonetheless, there should be flexibility for individual directors to opt out for such disclosure since some people may be reluctant to disclose such information to the public.

**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.**

Given the importance of the role directors play on the governance of the company, appointments to the board should be subject to a formal, rigorous and transparent process. Objectivity and rationality is key to the effective decision making on the director nomination. The establishment of a NC that is chaired by an INED and comprises a majority of INEDs can significantly reduce of the risk of conflict of interest and increase the reliability and creditability of the nomination. This would enhance the transparency and independence of the INED nomination and appointment process to promote better practices and standards. As per the data provided in the consultation paper, there are already 95% of the sample issuers fulfilled such requirement, we believe the market also supports such move.

### **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.**

The establishment and disclosure of a shareholders communication policy testifies the issuer's commitment to communicating with shareholder/stakeholders. The policy, which should cover the aspects as stipulated in the consultation paper, defines the mechanism and requirements regarding the communication with shareholders/stakeholders that the issuer has to follow. This ensures regular and formal communications are carried out in understanding shareholders/stakeholders' needs and opinions, which allows the issuer to address accordingly. As the communication may change as the business environment and shareholders demands changes over time, it's necessary to have an annual review of the shareholders communication policy to ensure its effectiveness.

### **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.**

If directors' attendance records at general meetings are not timely available after the relevant meeting, it is hard for the stakeholders to assess and monitor the performance of the directors timely. Thus the proposal is reasonable.

### **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.**

Per information provided in the Consultation Paper, it is commonly observed in the market practices that the Specific Term CP and the Rotation CP both can serve the purpose of requiring issuers to

periodically seek shareholders' re-election of directors so as to prevent entrenchment. As such, we agree to delete the Specific Term CP to avoid redundancy.

### **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) ESG covers a wide spectrum of aspects and thus relevant to most of the functions/departments, if not all, of an organisation. Therefore, it requires the top management's attention to effectively manage ESG issues and performance and thus ESG and corporate governance have a close linkage which should be emphasised.

(b) As mentioned above, ESG risks actually exist in different functions/departments/operations of an organisation. ESG risks probably have already been considered in the risk management process of an organisation even though they may not be labelled as ESG risk explicitly. Including ESG risks in the context of risk management under the Code can help catch more attention to ESG-related risks.

### **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.**

As ESG has been a hot topic in the capital market in the past few years, regulators around the globe have been putting effort in promoting and developing green and sustainable finance. Therefore, ESG information is gaining importance as investors who perform ESG investing need the ESG information to base their investment decision on. It would indeed be beneficial to the capital market if ESG information is published simultaneously with financial information to allow timely actions and more convenient analysis by market participants. Therefore we support the alignment of ESG reporting timeline with that of annual financial reporting.

Nevertheless, such changes should be aligned with Appendix 27 ESG Reporting Guide.

### **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?**

Yes

**Please give reasons for your views.**

The re-arrangements of the Code do not create ambiguities or unintended consequences in our opinion, and can show clearer focus with better flow and readability.

### **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.**

HKEX can provide more hints on the future development of the regulatory framework regarding ESG, since some of the initiatives may take significant time and resources for issuers to get prepared, for examples, carbon assurance, full TCFD compliance including the requirements on metrics and scenario analysis.

### **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.**

With the last consultation being effective already from 1 July 2020, and the current proposals are considered reasonable and practical without significant extra effort required, it makes sense to implement those proposals for financial year commencing on or after 1 January 2022.

### **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.**

As there might be relatively big impact on issuers regarding the proposal of re-election of Long Serving INEDs, especially for issuers with a long history, it takes time for issuers to find new INED that is suitable for the company as replacement of long serving INED. So it is reasonable to postpone the implementation of the proposal on Long Serving INEDs 1 year later than the other proposals.