

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 comment that there is no "one-size-fits-all" when it comes to culture, but alignment between a company's purpose, values, strategy and business model is key. Companies that do not take a sufficiently long-term and balanced perspective risk damaging their relationships with key stakeholders, which ultimately may impact the sustainability of their business models.

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, an anti-corruption policy is designed to ensure that appropriate anti-bribery and corruption measures are in place to avoid any breaches of relevant laws and regulations. Penalties can be severe – for example individuals prosecuted under the UK Bribery Act face a maximum of 10 years' imprisonment along with an unlimited fine. In the 20 years since the OECD Anti-Bribery Convention was established, over 800 companies and individuals have received sanctions for foreign bribery, and at least 125 individuals have been jailed. Hence, it is clear that bribery and corruption is a risk which requires active management.

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, an effective whistleblowing policy makes it safe for employees to report perceived wrongdoing. It enables companies to identify emerging issues, and escalate these if appropriate to senior management and the Board.

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.

Given the risks and opportunities which the company will encounter will vary, it is important that the Board receive a suitably diverse range of inputs on relevant topics. Receiving a range of views from both internal and external sources is the best way for the Board to avoid groupthink, which should lead to better decision-making over time.

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.

We take a nuanced approach to director tenure, recognizing that independent directors who have served on the board for an extended period may have developed a deeper knowledge of the firm's business, which can allow them to more effectively challenge executives. However, given the structural features of the HK market, we support the proposed minority shareholder vote for Long Serving INEDs. Additional disclosure related to why the Long Serving INED is still considered independent would ensure the vote was used thoughtfully by investors.

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, we support this proposal. While we acknowledge the value of experienced non-executives, we also believe that regular board succession ensures the Board has access to new candidates with a diverse skillset as the needs of the business evolve. If all the INEDs on the Board are Long Serving, it can raise the question as to whether the right skills are present as well as whether whether the Board has become excessively close to management over time.

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.

In principle we agree that equity-based remuneration with performance-related elements should typically not be granted to independent non-executive directors. That said, our voting policy is case-by-case and we will consider supporting a diverse range of remuneration structures if the rationale is sufficiently well-explained.

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 would agree with this. Given there is certainly no lack of female talent to fill independent Board of Director roles in HK, we note the voluntary aspirational targets set by the 30% Club Hong Kong to achieve 25% female representation on boards of listed companies by 2025, and 30% within six years.

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 would agree with this. Experience in other markets has shown that requiring targets to be set and disclosed is an effective way to drive progress. In the UK, it has been ten years since the Davies Review was launched. At the time there were still 152 all-male boards in the FTSE 350. This year, for the first time ever, there are none. Disclosure is necessary for investors to hold companies to account for progress both at the board level and for progress within the workforce.

Focussing on the executive pipeline is key as progress here tends to be slower than seen with the non-executive appointments. In the UK, for instance, women still only represent 14% of the executive directors in the FTSE 100. Our experience is there is better female representation within the workforce in Hong Kong than in other parts of Asia, although this decreases as you move up the organization in many companies. Therefore, better internal programs to support female retention and promotion would be a welcome step.

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 support this. Making this an annual exercise would ensure diversity was considered as a material factor on an ongoing basis within the routine non-executive succession planning discussions.

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, we support this.

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.

The company should have a formal procedure for the appointment of directors, which should be well-explained and ensures a diverse range of qualified candidates are considered. We applaud the proposal to reinforce the importance of the appointment process by requiring issuers to establish a Nominations Committee (NC) chaired by an independent non-executive (INED) and comprising a majority of INEDs. The establishment of such a committee will increase the workload on the INEDs. At present a minimum of at least one-third of the board should be independent, and we would prefer to see a majority of independent directors to better support orderly succession planning, and the operation of the 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.

While we appreciate that more specific suggestions will be present in the guidance, we would like to see the recommendation that a Lead Independent Director be appointed, where the Chairman and CEO roles are combined in one individual. This provides shareholders with a clearly identified, independent senior non-executive who can be made available for engagement.

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, we welcome this change.

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.

Deletion of the specific term requirement would be in line with developments in other markets, as cited in the consultation document.

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, we welcome this change. Overseeing the management of ESG risks is a key responsibility for the Board. The TCFD Recommendations has only placed additional focus on this responsibility. We would encourage the inclusion of prompts to discuss other related topics e.g. whether sustainability should be delegated to a specific board committee and how training and expert advice could be made available to non-executives.

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, we welcome this change.

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.