

Hong Kong Exchanges and
Clearing Limited
8th Floor, Two Exchange Square
8 Connaught Place
Hong Kong

Gothenburg 2020-05-26

Dear Sir/Madam,

Corporate WVR CP

We refer to the Consultation Paper on Corporate WVR Beneficiaries published by Hong Kong Exchanges and Clearing Limited (the "HKEX") on 31 January 2020.

AP2 is a member of the Asian Corporate Governance Association ("ACGA"), and, as such, has had sight of ACGA's submission to the HKEX dated 1 May 2020. We write now to the HKEX to endorse the concerns and recommendations made by ACGA in its submission.

AP2 considers that, as a matter of principle, WVR represent an inherent risk to minority shareholders. And in relation to the specific proposals in the HKEX's consultation for a corporate WVR beneficiary regime, we agree with ACGA's analysis which identifies a wide range of both practical and conceptual difficulties with those proposals.

We agree with ACGA that a robust INED function is an important counterweight to the fundamentally inequitable nature of WVR, and we therefore support ACGA's various recommendations designed to enhance the role of the INED function. In particular, we believe that an individual should be ineligible for appointment as an INED of a WVR issuer if that individual is a director of any company in the ecosystem shared by the WVR issuer and corporate WVR beneficiary.

We also strongly support an enhanced role for the issuer's corporate governance committee, including that it should be required to report periodically to shareholders, as well as to the Board, on its assessment of the value contributed by the corporate WVR beneficiary, through the ecosystem, to the WVR issuer, and that it should play a central role in oversight of related party transactions especially those between ecosystem parties.

