

Submitted via Qualtrics

ZD Proxy Shareholder Services

Company/Organisation view

Others (please specify)

Question 1

Do you agree with our proposal to introduce a new Code Provision (CP) under the Corporate Governance Code (CG Code) requiring issuers without an independent board chair to designate one independent non-executive director (INED) as a Lead INED to enhance engagement with investors and shareholders?

Yes

Please provide reasons for your views.

Question 2(a)

Regarding continuous professional development for directors, do you agree with our proposal to make continuous professional development mandatory for all existing directors, without specifying a minimum number of training hours?

Yes

Please provide reasons for your views.

Question 2(b)

Regarding continuous professional development for directors, do you agree with our proposal to require First-time Directors to complete a minimum of 24 hours of training within 18 months following their appointment?

Yes

Please provide reasons for your views.

Question 2(c)

Regarding continuous professional development for directors, do you agree with our proposal to define “First-time Directors” to mean directors who (i) are appointed as a director of an issuer listed on the

Exchange for the first time; or (ii) have not served as a director of an issuer listed on the Exchange for a period of three years or more prior to their appointment?

Yes

Please provide reasons for your views.

Question 2(d)

Regarding continuous professional development for directors, do you agree with our proposal to specify the specific topics that must be covered under the continuous professional development requirement?

Yes

Please provide reasons for your views.

Question 3

Do you agree with the proposed consequential changes to Principle C.1 and CP C.1.1 of the CG Code?

Yes

Please provide reasons for your views.

Question 4

Do you agree with our proposal to upgrade the current Recommended Best Practice (RBP) in the CG Code to a CP requiring issuers to conduct regular board performance reviews at least every two years and make disclosure as set out in CP B.1.4?

Yes

Please provide reasons for your views.

Question 5

Do you agree with our proposal to introduce a new CP requiring issuers to maintain a board skills matrix and make disclosure set out in CP B.1.5?

Yes

Please give reasons for your views.

Question 6(a)

In relation to our proposal to introduce a “hard cap” of six listed issuer directorships that INEDs may hold, do you agree with the hard cap to ensure that INEDs are able to devote sufficient time to carry out the work of the listed issuers?

Yes

Please provide reasons for your views.

Question 6(b)

In relation to our proposal to introduce a “hard cap” of six listed issuer directorships that INEDs may hold, do you agree with the proposed three-year transition period to implement the hard cap?

Yes

Please provide reasons for your views.

Question 7

Do you agree with the proposal to introduce a new Mandatory Disclosure Requirement (MDR) in the CG Code to require the nomination committee to annually assess and disclose its assessment of each director’s time commitment and contribution to the board?

Yes

Please provide reasons for your views.

Question 8(a)

In relation to our proposal to introduce a “hard cap” of nine years on the tenure of INEDs, beyond which an INED will no longer be considered to be independent, do you agree with the proposed hard cap to strengthen board independence?

Yes

Please give reasons for your views.

The board of directors, as a bridge connecting shareholders and management, has the power to grasp the company's business strategy and the function of representing shareholders to supervise the management. Maintaining good independence is crucial for the board to balance its operational and supervisory functions. The term of office of INEDs is an important reflection of the board's independence.

ZD Proxy believes that the HKEX's proposal to set a mandatory requirement of a nine-year maximum consecutive term for INEDs of H-share companies is a strong measure to further enhance the independence of the board. According to ZD Proxy's observations, the China Securities Regulatory Commission in Mainland China stipulates that the consecutive term of office for independent directors shall not exceed six years, the Singapore Exchange stipulates that "a director will not be independent.....if he has been a director of the issuer for an aggregate period of more than nine years", and the Bursa Malaysia Berhad limits the tenure of an independent director to not more than a cumulative period of 12 years. In addition, the UK Corporate Governance Code states that if a non-executive director has served for more than nine years, one's independence is likely to impair, or could appear to impair. Australia has similar regulations. The Australia Corporate Governance Principles and Recommendations indicate that, when any director has served for more than 10 years, the board should assess their independence. Therefore, setting a hard cap of nine years on the tenure for INEDs is a leading practice in the global capital market.

Question 8(b)

In relation to our proposal to introduce a "hard cap" of nine years on the tenure of INEDs, beyond which an INED will no longer be considered to be independent, do you agree that a person can be re-considered as an INED of the same issuer after a two-year cooling-off period?

No

Please provide reasons for your views.

According to the consultation paper, we understand that if an INED stops serving for more than two years, the nine-year term limit will be recalculated. This means that the same INED can serve for nine consecutive years, retire for two years, then serve for another nine years, retire for another two years, and so on. ZD Proxy has concerns that nine years of consecutive service is not that short, two years of cooling-off is not that long, and the effect of the cooling-off period on the recovery of the independence of INEDs is questionable. According to our observations, large asset management institutions such as Blackrock, JPMorgan AM, and international mainstream

voting advisory institutions ISS, and Glass Lewis, expect the term of office for INEDs to be between 9-12 years. ZD Proxy also believes that when the cumulative term of office exceeds 12 years, the independence of INEDs will be compromised to a certain extent. Therefore, ZD Proxy suggests adding a regulation on the maximum cumulative term of office for INEDs, thereby more substantially improving the independence of INEDs and the board.

Question 8(c)

In relation to our proposal to introduce a “hard cap” of nine years on the tenure of INEDs, beyond which an INED will no longer be considered to be independent, do you agree with the proposed three-year transition period in respect of the implementation of the hard cap?

No

Please provide reasons for your views.

ZD Proxy believes that a three-year transitional period is too long. According to the statistics of HKEX, approximately 31% of the H-share listed companies have Long Serving INEDs. In the H-share listed companies covered by ZD Proxy for global institutional investor clients in 2024, nearly 37% of the companies have INEDs who have served for more than nine consecutive years, and these companies are all ranked in the top 25% in market value, including NetEase, Tencent, Li-Ning, China Unicom, Samsonite, and other companies with high market value and high visibility. As one of the most important international capital markets, the H-share market is highly concerned by global investors. If the independence of the board of H-share companies is poor, it could deter investor attraction and simultaneously tarnish the collective reputation of the H-share market. ZD Proxy suggests that the independence issue of INEDs of H-share listed companies should be resolved as soon as possible, and the transitional period for the new policy should be shortened to one year, which can more effectively promote the listed companies to solve the problem of poor independence of some INEDs.

Question 9

Do you agree with the proposal to require all issuers to disclose the length of tenure of each director in the CG Report?

Yes

Please provide reasons for your views.

Question 10

Do you agree with our proposal to introduce a CP requiring issuers to have at least one director of a different gender on the nomination committee?

Yes

Please provide reasons for your views.

Question 11

Do you agree with our proposal to introduce a Listing Rule to require issuers to have and disclose a diversity policy for their workforce (including senior management)?

Yes

Please provide reasons for your views.

Question 12

Do you agree with our proposal to upgrade from a CP to a MDR the requirement on the annual review of the implementation of an issuer's board diversity policy?

Yes

Please provide reasons for your views.

Question 13

Do you agree with our proposal to require as a revised MDR separate disclosure of the gender ratio of: (i) senior management; and (ii) the workforce (excluding senior management) in the CG Report?

Yes

Please provide reasons for your views.

Question 14

Do you agree with our proposal to codify the arrangements during temporary deviations from the requirement for issuers to have directors of different genders on the board as set out in draft Main Board Listing Rule 13.92(2) in Appendix I?

Yes

Please provide reasons for your views.

Question 15(a)

Do you agree with our proposal to emphasise in Principle D.2 the board's responsibility for the issuer's risk management and internal controls and for the (at least) annual reviews of the effectiveness of the risk management and internal control systems?

Yes

Please provide reasons for your views.

Question 15(b)

Do you agree with our proposal to upgrade the requirement to conduct (at least) annual reviews of the effectiveness of the issuer's risk management and internal control systems to mandatory and require the disclosures set out in MDR paragraph H?

Yes

Please provide reasons for your views.

Question 16

Do you agree with our proposal to refine the existing CPs in section D.2 of the CG Code setting out the scope of the (at least) annual reviews of the risk management and internal control systems?

Yes

Please provide reasons for your views.

Question 17

Do you agree with our proposal to introduce a new MDR requiring specific disclosure of the issuer's policy on payment of dividends and the board's dividend decisions during the reporting period?

Yes

Please provide reasons for your views.

The dividend payment policy is closely related to shareholder returns. A clear and explicit dividend payment policy helps give shareholders a stable

expectation and is also a manifestation of maintaining positive dialogue between the listed company and the shareholders. Therefore, ZD Proxy believes that it is a better corporate governance practice to require H-share companies to disclose the dividend payment policy and the board of directors' dividend decision.

From the perspective of better protecting the interests of minority shareholders, ZD Proxy has two further suggestions on the disclosure of dividend payment policy. First, ZD Proxy hopes that the HKEX will provide a disclosure template for the dividend payment policy and the board's dividend decision and fix the items that minority shareholders concern the most, such as dividend payment conditions, payment ratio, situations where dividends could not be paid, and so on. Second, in the consultation paper, if the board decides not to distribute dividends, the HKEX suggests but does not require them to disclose the reasons. ZD Proxy believes that not distributing dividends will affect the interests of shareholders, and shareholders have the right to know the considerations of the board for making this decision. Therefore, ZD Proxy hopes that the HKEX could list the rationale for not distributing dividends as a mandatory disclosure requirement.

Question 18

Do you agree with our proposal to introduce a Listing Rule requirement for issuers to set a record date to determine the identity of security holders eligible to attend and vote at a general meeting or to receive entitlements?

Yes

Please provide reasons for your views.

Question 19

Do you agree with our proposal to codify our recommended disclosures in respect of issuers' modified auditors' opinions into the Listing Rules?

Yes

Please provide reasons for your views.

Question 20

Do you agree with our proposal to clarify our expectation of the provision of monthly updates in CP D.1.2 and the note thereto?

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Yes

Please provide reasons for your views.

Question 21

Do you agree with our proposal to align requirements for the nomination committee, the audit committee and the remuneration committee on establishing written terms of reference for the committee and the arrangements during temporary deviations from requirements as set out in draft Main Board Listing Rules 3.23, 3.27, 3.27B, 3.27C and 8A.28A in Appendix I?

Yes

Please provide reasons for your views.

Question 22

Do you agree with the proposed implementation date of financial years commencing on or after 1 January 2025, with transitional arrangements as set out in paragraphs 182 to 183 of the Consultation Paper?

Yes

Please provide reasons for your views.