

Submitted via Qualtrics

(Anonymous)

Company/Organisation view

Listed Company

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?

No

Please provide reasons for your views.

We suggest adopting the concept of Lead INED on a voluntary basis, allowing issuers to determine whether to have one based on their own circumstances. While the role of Lead INED is intended to address concerns regarding inadequate communications between shareholders and directors, it places undue burdens to the corporate governance practices in several practical ways.

Procedural Concerns

1. Provision of Contact Information: it is difficult, if not impossible, to ensure that only shareholders (but not other stakeholders including suppliers, customers or other interested parties) could access to the contact information of the Lead INED. As INEDs are not responsible for the issuer's day-to-day operations, public available contact information of the Lead INED could lead to too much disturbance among valuable communications, and the Lead INED is very likely to be overwhelmed.

2. Allocation of Responsibilities: if the Lead INED is to serve as a special and standalone communication channel with the shareholders, it is unclear whether the Lead INED bears ALL the responsibilities to manage the communications on a daily basis (which is contradictory to his INED role) and ensure that his channel is effective and operating smoothly, or otherwise the issuer (and its management) has to make sure that such channel is functioning properly. We find it difficult to understand the intention of the

Exchange which sets out in paragraph 28 that the Lead INED designation is not intended to create a separate responsibility or liability relative to other INEDs on board. If the Lead INED does not have extra obligation by taking the role, the conclusion will be that no one (if not the issuer and its management) will be accountable to the shareholders if their voice is ignored or dealt with improperly via this channel, which could hardly achieve the real intention of the proposal.

3. Types and Management of the Communications: traditional investor relations methods to engage shareholders include emails, hot-line phone calls, physical meetings, and video conferences etc. The Lead INED is just an alternative to the management who sits behind and responds to the shareholders. All the flaws accompanying the traditional channels will not be eliminated by designating a Lead INED. Instead, when too much information is flooded in the Lead INED's channel, it comes natural for a responsible Lead INED to seek assistance from the management to screen and submit certain important or valuable information for his consideration, while leave others to be handled by the management. In the end, the role of Lead INED will add burden to both the INED and the management, without providing much extra value to the shareholders.

4. Impairment of Independence: INED should maintain his independence and appearance of independence. However, the role of Lead INED requires his daily attention to shareholders' feedback, creating more opportunities for him to interact, communicate and stand side-by-side with the management, which may compromise his independence more quickly.

5. Board Dynamics: as a special communication channel, the Lead INED could overshadow other directors because of information asymmetry, and result in imbalances and confusion among board members, in particular the responsibilities and power dynamics between the Lead INED, board chairman and committees' chairs.

Substantive Concerns:

1. Power to Screen Questions and Escalation: the Lead INED serves as the access to hear voices from shareholders and escalate to the board when necessary. However, the key lies in the discretion of the Lead INED and the

substance of this proposal is to rest more confidence in the Lead INED than the management. We are afraid that such confidence lacks basis. The Lead INED is inevitably subject to his own biases and may bring in unimportant or unnecessary voices to the board and management because of his unfamiliarity with the issuer's business, which may disrupt normal operation of the issuer. Moreover, the issuer may find it difficult to refuse the request from the Lead INED for more market researches, third-party professional advices or a justification/explanation of existing practices (due to his own interests, shareholders' voices or other reasons), which would add extra managerial, administrative and communication costs to the issuer, and in turn be borne by the shareholders in an implicit way.

2. Responsibility for the Responses: the proposal aims to facilitate two-way communication which enables more voices from minority shareholders to be reached to the board, while more insights from corporate governance practices of the issuer be understood. However, we are concerned about the implications arising from the interactions between the Lead INED and the shareholders. On the one hand, if the information communicated is later found to be inside information, the Lead INED and the issuer may be exposed to the risk of selective disclosure. On the other hand, it will be out of the issuer's control if the Lead INED is allowed to talk to the shareholders without proper supervision of the issuer, and it will make the issuer in an embarrassing and more conservative position when determining what to discuss in the boardroom. It is agreed that not all matters considered by the board could be publicly disclosed (especially for commercially sensitive issues). The proposal creates a dilemma for the Lead INED to balance his confidentiality obligations and the expectations from the shareholders.

3. Quality for the Responses: the Lead INED may not be able to represent the board and the issuer, and due to his own biases, the information communicated may not be true, accurate and non-misleading in all sense. In fact, the board may delegate most powers to the management for the efficient operation of the business, and only retain the most material issues for its own decision. Such material issues are very likely to also be subject to disclosure obligations under the Listing Rules. We consider that a high quality disclosure could benefit the market in a more useful, reliable and well-rounded way compared with a misplaced hope on a responsive and helpful Lead INED.

In view of the above, we don't think that designating a particular INED as the Lead INED will solve the problem of shareholders' lacking access to the

board, if an issuer's current channel of communication is already inadequate. For most of the issuers who provide multiple channels of communications to the stakeholders (including IR contact, general meetings, website dissemination, corporate communications etc.), a "comply or explain" standard for a Lead INED is too burdensome and not expected to worth the cost.

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.

We are delighted to see a proposal to make continuous professional development mandatory for all existing directors. We believe that all directors should keep abreast of the latest regulatory developments to ensure that they can properly discharge their role and duties.

However, we would suggest to remove the requirement to disclose the names of relevant training providers (if external) under the new B(i)(iv) as it does not add extra value to the shareholders, but (i) place unnecessary burden to the issuers to verify such information provided by the directors before putting it in the corporate governance report, (ii) may require the consent from the relevant training providers to allow such disclosure, and (iii) imply a support from an issuer or a director (which may not be true) to the relevant training providers, most of whom are commercial institutions.

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?

No

Please provide reasons for your views.

We fully understand the original intention of this proposal. Nevertheless, we are concerned with its effectiveness as in practice due to unclear assessment standards and procedures, such review is easily manipulated and difficult to be impartial. We are afraid that the new CP will be handled by another

boilerplate disclosure which may not contain much meaningful information to the investors and shareholders.

Therefore, we would suggest the Exchange to maintain such requirement in the current RBP. Issuers who wish to present a good image of the board may choose to do so by adopting a series of measures to present it on a voluntary basis.

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?

No

Please give reasons for your views.

We trust that requiring issuers to maintain a board skills matrix and make disclosure will be quite straightforward for the issuers to check their board compositions.

However, we also wish to point out that the composition of the board of an issuer may not merely depend on the skills or experience of the directors, but may also be subject to other complicated practical factors (such as financing history when the pre-IPO investors appointed directors to the board who remain as directors upon listing, personal trust, pressure and influence from substantial shareholders etc.), which may not be suitable to disclose and also difficult to change even if there is any gap.

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?

No

Please provide reasons for your views.

We truly agree with the rationale listed in paragraph 93 and 94 and may consider that such circumstances still exist in the present. What's more, a hard cap of six seems like a hard-and-fast rule which may not be applicable to all issuers taking into account their scale, complexity and nature of different kind of business and operations. The hard cap is arbitrary in nature and

should be better determined by the issuers instead of the regulator. Thus, we propose to keep current rule B.3.4 (b), giving the issuers flexibility to clarify reasons in the circular and/or explanatory statement why the board believes the over boarding INED would still be able to devote sufficient time to the board.

It also seems to be unreasonable why the hard cap only applies to INED but not ED or NED, who is also director and subject to the same commitment concerns. It is preferable for the Exchange to clarify why INED is placed in the focus of supervision in this regard.

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?

No

Please provide reasons for your views.

Please refer to question 6 (a).

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?

No

Please provide reasons for your views.

As a follow-up to question 6, such new MDR may not function as expected because: (i) the issuer's nomination committee is required to comprise a majority of independent non-executive directors, which means the result of the assessment mentioned above would possibly be fettered by their conflict of roles; (ii) time commitment itself is not a quite scientific and useful index for the investors to evaluate the actual levels of the issuer's corporate governance while in terms of "contribution", it is too general and hollow for the issuer who might be tempted to embellish disclosures by playing on words, thus conveying no meaningful information to the public.

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?

No

Please give reasons for your views.

We trust that setting a hard cap on the tenure of INEDs would facilitate board renewal and bring new perspectives to the board. However, the length of time an INED serves does not necessarily compromise their independence. Instead, their familiarity with the issuer's operations and industry expertise often adds significant value that newer members may take years to develop. Therefore, it is better to give shareholders the decision-making power to vote on whether to refresh the board, given that:

1. essentially, the assessment of INED's independence should rely on the guidelines set out in Rule 3.13. We suggest the Exchange enhance the disclosure requirements, such as providing details on the discussions undertaken by the nomination committee and the board to determine that a long-serving INED continues to be independent, and the relevant steps taken by the issuer to ensure that such independence still exists.
2. regulators do not need to step in with a blanket rule. Rather, the decision should be left to shareholders, who are empowered to vote on the suitability of long-serving INEDs based on comprehensive disclosures with more details and reasoning provided by the issuer. Additionally, the Exchange may also consider to increase the voting threshold for passing the resolution to re-appoint the long-serving INEDs (e.g. pass by a special resolution).

In summary, allowing shareholders to decide on the tenure of INEDs based on enhanced disclosures strikes a better balance between maintaining independence and retaining valuable expertise. It respects the judgment of shareholders while avoiding the pitfalls of a rigid, one-size-fits-all rule.

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.

Please refer to question 8 (a).

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.

Please refer to question 8 (a).

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.

As stated, it's convenient for the shareholders and investors to locate information in one place.

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.

Since nomination committee plays key role in the appointment and re-appointment of directors as well as succession planning, it would definitely benefit the implementation of board gender diversity.

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.

We support the proposal. It is important for issuers to regularly monitor and review the implementation of board diversity policy. Mandatory disclosure serves as driving power to compel the issuer to enhance the diversity level of the board, thereby improving the overall performance of the issuer.

However, we wish to take this opportunity to clarify with the Exchange that if an issuer's gender diversity goal is to have ONE female director onboard at the current stage, which is already fulfilled, is it necessary to review it repeatedly every year? It may create confusion to the issuer that the Exchange appears to press for more than one female director to let the issuer show progress in this scenario.

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.

But we further propose in the event of unforeseeable circumstances that cause issuers to temporarily deviate from the requirement, a waiver upon issuer's application of an extra grace period of three months, may be granted under certain circumstances by the Exchange to avoid the hasty appointment of mismatched candidates solely for compliance purpose.

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.

We fully agree such proposal since it is not beyond the board's existing responsibilities and will remind the board that RMIC System's effectiveness is closely related to discharge of their duties and obligations thus they shall pay much more attention in this regard.

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?

No

Please provide reasons for your views.

We agree that a new MDR requiring specific disclosure of the issuer's dividend policy. However, we suggest the Exchange to clarify whether the

issuers are required to adopt a standalone written form of dividend policy by the board, or it leaves to the issuers to determine the form or format of such policy (including the extraction from the Articles, the local laws etc.).

We do not agree that when the earnings are retained, issuers are expected to explain how such earnings will be used, as this may be commercially sensitive and compromise the interests of the shareholders in the long run. The payment of dividend decision is always driven by the issuer's commitment to maintaining strategic flexibility for future opportunities. The issuer may be unable to disclose specific plans for the retained earnings as these funds may need to be allocated to various potential initiatives and projects that are subject to evolving circumstances. Qualitative and general description may be more desirable to strike a balance between the information interests of the shareholders and the flexibility of the board.

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.

We agree with the proposal to set a record date without further specifying the timing requirement of the same. But we suggest the Exchange to clarify when the record date shall be if the issuer has in place the book closure arrangement.

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?

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.

We agree with the proposed implementation date as well as the transitional arrangements, subject to our responses of disagreement submitted above.