

Submitted via Qualtrics

(Anonymous)

Company/Organisation view

Law Firm

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 do not support the proposal to appoint a Lead Independent Non-Executive Director. Communication with shareholders should be handled by investor relations. The Lead INED position is challenging to fill, and the INED would need to invest more time in understanding operational matters to ensure the accuracy of information provided to shareholders. Therefore, we oppose the proposal as it would create an additional burden for the company.

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.

The exchange has stated that disciplinary cases often arise from directors' lack of understanding of their duties, responsibilities, and Listing Rule requirements. Therefore, we disagree with the idea of not specifying a minimum number of training hours, as continuous professional development can help all registered personnel, including existing directors, reflect on, review, and document their learning. Additionally, there may be directors who are not trained to the required standard, which emphasizes the importance of continuous professional development to update their knowledge and skills. In our opinion, without specifying a minimum number of training hours, there may be inconsistencies in the extent and quality of training received by directors.

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.

We think it would be more effective to schedule 12 training hours in the first year and another 12 hours in the second year. We are concerned that the original proposed arrangement may not be effective because some first-time directors may attend training only in year 2 for compliance.

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.

Continuous professional development is essential for all directors, particularly for those who have been disengaged from the Exchange. This approach would provide them the opportunity to update their knowledge on current practices and regulations. Additionally, we advocate for the imposition of additional prerequisites for first-time directors, such as a minimum of three years of industry experience and prior experience as a director of an issuer not listed on the Exchange.

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.

In our opinion, we believe that specific topics should be covered under continuous professional development (CPD) requirements can include the following topics:

a) Regulatory and Compliance Updates

The financial industry is subject to stringent regulations, and it's crucial to stay up-to-date of the latest rules, regulations, and compliance requirements to ensure that operations are conducted in a legal and ethical manner. Compliance with current laws and regulations not only reduces the risk of legal penalties but likewise contribute to the overall integrity of the financial industry.

b) Corporate Governance Updates

Good corporate governance practices are essential for cultivating investor confidence and ensuring the long-term success of companies.

This encompasses understanding the roles and responsibilities of directors and management, as well as adhering to best practices in transparency and accountability. Keeping professionals updated on the latest corporate governance development could help ensure compliance with the current regulations.

c) Risk Management

Effective risk management is pivotal in protecting investments and ensuring financial stability. Training in this area can assist professionals in recognising, assessing, evaluating the market, and evaluating market credit and operational risks, shielding them from potential losses and facilitating the development of robust risk mitigation strategies.

d) Ethics and Professional Conduct

High ethical standards and professional conduct are necessary to preserve trust and integrity in the financial markets. CPD, in this area, ensures that professionals comply with ethical guidelines and foster a culture of fairness and honesty.

e) Financial Reporting and Analysis

Training can help professionals prepare, interpret, and utilise financial statements effectively. Accurate financial reporting and analysis are essential for effective and informed decision-making and transparency.

f) Sustainability and Environmental, Social, and Governance (ESG) Criteria

There has been a growing emphasis on sustainable investment and ESG criteria. Knowledge and familiarity with these concepts will help professionals incorporate sustainable practices in adherence to global standards. Encouraging sustainability and ESG aligns closely with trends towards responsible investing and corporate social responsibility.

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.

We agree with the proposed changes. These relevant changes will be documented with the proposed consequential changes. The strict regulatory requirements and training will help to ensure that the standards and regulations are being adhered to, leading to fewer indefinable risks.

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.

We agree with the proposed changes. However, its effectiveness would improve if the HKEX could provide a standardised template and review checklist. This would allow other companies to compare their disclosures with those of other listed companies and enable stakeholders to make an informed

decision. We also suggest incorporating subsections (e.g. finance, law, accounting), which will make it more accessible to evaluate the performance of board members in specific areas. This would provide a clearer understanding of the board's collective performance and proficiency, leading to more informed decision-making by stakeholders. It would align with the trend of using big data analytics for listed companies, which demand standardisation of their information and disclosure. This standardisation could improve the effectiveness of these disclosers. With standardised data, NGOs and other entities could leverage this data-driven approach to identify trends, best practices, and areas for improvement across the market. The HKEX should encourage standardized disclosure, which will help promote transparency in the long run. Finally, the implementation of a standardised disclosure template would help bridge gaps and reduce potential loopholes. By ensuring that all companies adhere to a uniform set of disclosure requirements, the HKEX can promote a higher level of corporate governance and mitigate the risk of selective or incomplete reporting.

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.

We agree with the proposal as it would benefit in regards to reviewing the structure, size, and board composition to the nomination committee. This aligns with overseas regulations, and we believe that it would allow the public to compare across companies, thereby improving accountability and transparency.

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.

We agree with the proposal to introduce a hard cap on the number of issuer directorships that INEDs may hold. Members of management bodies must be able to commit the sufficient time required to perform their functions. As the role of INED is not a full-time occupation, we are concerned about their ability

to manage and undertake the role. We also believe that the role should be undertaken to the best of the IEND's abilities, which a hard cap would help. It is impractical to assess IENDs on an individual basis; therefore, a hard cap would be the best solution.

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.

We agree with the proposal for a transition period; however, we disagree with the proposed three-year transition period. Instead, we propose that a two-year transition period would be adequate for board succession.

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.

We disagree with the proposal to introduce a new MDR. The director's time commitment and contribution to the board is difficult to assess and is subjective. More experienced and senior directors are likely to spend less time, as they are experienced in the role, whereas less-experienced directors will likely dedicate more time.

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.

We support the suggested firm limit because it could effectively determine if the Long Serving INED is still able to offer an impartial and unbiased contribution to the board. Furthermore, this idea decreases the possibility of prolonged associations that could influence an INED's impartiality.

Nevertheless, we recommend setting a firm limit on the tenure of Long Serving INEDs at 7 years, which we believe is sufficient.

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?

Yes

Please provide reasons for your views.

We agree with the idea of the suggested cooling-off period. The length of the cooling-off period coincides with the current cooling-off period in the Listing Rules for professional advisers acting as INEDs and can offer companies the flexibility to review and maintain independence standards.

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?

Yes

Please provide reasons for your views.

We disagree with the proposed three-year transition period. We believe that two years are sufficient.

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.

We support the proposal because it would improve transparency among shareholders. By revealing the length of service for each director, the proposal would enable stakeholders to evaluate board dynamics, governance practices, and potential independence issues, all of which are crucial for effective decision-making and risk management. In addition, disclosing tenure encourages boards to regularly evaluate director performance and plan for the future. This could foster accountability among directors and support timely board refreshment, ensuring that new perspectives and skills are

consistently brought to the boardroom and reinforcing the issuer's dedication to strong governance practices.

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.

The general proposal is agreeable to us. Mandating board diversity requirements can enhance the motivation of relevant companies to promote greater diversity, which in turn can have broader positive impacts on corporate governance quality and company performance. Diversity is critical for effective board performance and decision-making. By enhancing board diversity, there is likely to be a more productive exchange of ideas, a wider array of perspectives, and better-informed decision-making. The proposal is also consistent with regulations such as Listing Rule 9.8.6 (10) of the UK Listing Rules, Rule 7.2.8 AR of the UK Disclosure Guidance and Transparency Rules, Recommendation 1.5 of the Australia CG Code, and Provision 2.4 of the Singapore CG Code, all of which emphasize the importance of achieving a suitable balance of expertise and perspectives on board committees.

Additionally, we recommend that at least one director of a different gender should be included on the remuneration committee to ensure fair treatment of the salaries and other forms of compensation for the company's executives. As outlined by the U.K. Financial Conduct Authority (FCA), publicly listed companies should be required to report on the attainment of specific gender and ethnic diversity targets, and these policy disclosures should apply to remuneration, audit, and nomination committees.

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.

We support the suggestion to put in place a diversity policy because it can allow a company to display its dedication to promoting an inclusive and fair workplace, incorporating a broader range of viewpoints at all levels. In several regions, there are requirements for companies to disclose certain details. For example, the U.K. mandates the disclosure of the gender identity

of board members and executive management, as well as the gender balance of senior management and their direct reports. Australia requires disclosure of the proportions of men and women on the board, in senior executive positions, and throughout the workforce. Additionally, the policy should define clear, measurable objectives, create accountability, ensure inclusive hiring and promotion practices, involve employees, and undergo regular reviews for continuous enhancement. When approached strategically and comprehensively, a diversity policy can serve as a valuable tool for companies aiming to develop a more diverse and high-performing workforce.

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. Upgrading to an MDR ensures ongoing monitoring and evaluation of board diversity. Requiring issuers to conduct regular reviews emphasizes the importance of board diversity and provides valuable data for companies to make well-informed decisions about their diversity strategies. It also enhances transparency across stakeholders, enabling more consistent comparison and evaluation of different issuers.

The need to review diversity policy has also been mandated in other jurisdictions. For example, the Singapore Exchange ("SGX") mandates that the board or its appropriate committee should regularly assess the progress made in achieving the objectives outlined in the board diversity policy. Although not explicitly stated, it would be fitting for the review to occur at least annually, before the company's annual report is finalized.

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.

We support the proposal. Implementing separate disclosure will provide clearer gender diversity metrics across various organizational levels. The

proposal emphasizes the importance of nurturing diverse talent across all business lines and at different levels. This is crucial for developing future board members with diverse perspectives, opinions, and experiences. However, we recommend standardized disclosure on company and senior management diversity. For instance, the U.K FCA mandates listed companies to include a standardized numerical table on board and executive management diversity by gender and ethnicity in their annual financial reports. Australia has also enforced similar standards in the Workplace Gender Equality Act 2012, requiring employers to report against a standard set of gender equality indicators.

The aim is to allow companies to clearly assess their performance over time and compare it with others in their industry and beyond. These policies have contributed to an increase in the labor force participation rate among women. Standardization will enable listed companies to benchmark themselves against others and serve as a catalyst for examining diversity and inclusion at all levels within their organizations.

This information will also aid other consultants, think tanks, NGOs, and organizations analyzing this topic, ultimately leading to deeper studies and research promoting gender diversity in the long run.

Furthermore, standardized disclosure can enhance transparency for investors regarding board diversity and should prompt them to consider additional information when making investment decisions.

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.

The proposal has our support. The updated proposal takes into account the gender diversity policy in a stricter manner, replacing the word “shall” with “must” to guarantee gender diversity in the workplace.

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 support the suggestion to give more attention to the board's role in risk management and internal controls. This suggestion strengthens the board's responsibility for supervising risk management and internal controls to ensure accountability. This is consistent with best practices worldwide, ensuring strong oversight and transparency. To improve the effectiveness of reviews of internal control systems, the HKEX should consider specifying who should conduct these reviews. Possible options include independent auditors or consulting firms, who offer objectivity and specialized expertise; an internal audit department, which has in-depth organizational knowledge; or the board's audit committee, ensuring direct oversight by the board. The HKEX should also require the disclosure of the reviewer's capacity. Regardless of who conducts the review, clear criteria should be established, aligned with global standards, covering a comprehensive scope of financial, operational, and compliance controls.

Additionally, to enhance transparency and accountability, the HKEX should demand detailed disclosure of the review methodology, findings, remediation plans, and reviewer qualifications. These actions would significantly improve the quality and reliability of reviews of internal control systems, providing greater assurance to stakeholders and reinforcing the board's responsibility for effective risk management and internal controls.

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.

We agree for the same reasons stated above

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.

We support the proposal, recognizing the significance of risk management and internal control systems. We concur in principle that there is a need to clarify and enhance the scope of annual reviews to ensure their comprehensiveness and effectiveness. This suggestion is in line with the practices followed in other developed markets, aiming to ensure efficient risk management and internal controls.

Once again, it would be beneficial for HKEX to consider specifying the qualifications required for conducting these reviews. For example, disclosing the personnel involved in the review, such as external service providers, independent reviewers, or internal resources, would be beneficial.

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 proposal's emphasis on defining expectations for providing monthly updates to the board has our support. The proposal outlines the expectations for monthly updates, guaranteeing that directors receive pertinent and timely information.

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 support the suggestion. The establishment of a record date offers a transparent and clear method for security holders and the market to identify which security holders are qualified to take part in corporate actions. This requirement is also in line with the regulations in major jurisdictions such as the US, UK, and Mainland China.

Furthermore, a record date guarantees that only those who possess securities at a specific point in time are able to vote or receive entitlements. This measure prevents last-minute securities transfers being used to sway outcomes or unfairly gain advantages, thus promoting fairness among security holders.

In addition, by adopting a clear and consistent approach to determining eligibility for corporate actions, issuers can strengthen investor trust. Investors are more likely to have confidence in a system that is consistent and fair, which can have a positive impact on the market's perception of the issuer.

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.

Acknowledging the significance of transparency, we are in general agreement with the proposal. Establishing the disclosure requirements for modified auditor's opinions will offer a more comprehensive and/or supplementary information, thereby improving transparency among stakeholders.

Furthermore, thorough disclosures of modified auditor's opinions can assist investors and regulators in gaining a deeper understanding of the underlying issues, thus providing reassurance to investors regarding the dependability and honesty of the financial statements.

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.

We support the proposal as directors need timely, high-quality information for well-informed board meetings. By outlining the management's responsibility to provide monthly updates on the monthly management accounts and management updates, the proposal ensures that the board has all the necessary information to make informed decisions. This is essential for evaluating the issuer's financial performance and position and for identifying any irregularities. Furthermore, the proposal's clear guidelines on the provision of monthly updates can promote transparency between management and the board. Encouraging directors to request additional information if necessary also ensures active involvement and effective governance.

This transparency builds trust and ensures a shared understanding of the company's performance and prospects.

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.

We support the proposal overall. Harmonizing the requirements across all three compulsory board committees ensures a consistent approach, reducing confusion and improving clarity. This consistency and standardization can assist issuers in comprehending and adhering to the rules more effectively. Moreover, the procedures for temporary deviations may offer transparency to the market regarding the issuer's intentions to address such deviations. This transparency fosters investor confidence.

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.

The planned start date for implementation and the transitional measures recognize the importance of maintaining continuity in board composition. By providing a two-year transition period for imposing limits on the tenure of Long Serving INEDs and over-boarding, organizations will have adequate time to recognize, identify, and select suitable replacements. This will ensure a seamless transition and uphold board stability.

Conclusion

We commend HKEX for its continuous endeavors to advance board diversity and strengthen risk management practices, especially concerning board impartiality and efficiency. These elements are crucial in nurturing a robust and resilient capital market. We are of the opinion that emphasizing board diversity and resilient risk management frameworks will enhance decision-making and reinforce investor trust in the market. We encourage HKEX to remain vigilant and adapt policies continuously to address evolving risks, cementing its position as a leading exchange dedicated to sound corporate governance. We appreciate HKEX's ongoing efforts to promote board diversity and enhance risk management practices, particularly in terms of board objectivity and effectiveness. These aspects are essential in cultivating a strong and resilient capital market. We believe that focusing on board diversity and robust risk management frameworks will improve decision-making and bolster investor confidence in the market. We urge HKEX to stay vigilant and continually adjust policies to tackle emerging risks, solidifying its position as a world-class exchange committed to good corporate governance.