

Submitted via Qualtrics**(Anonymous)****Company/Organisation view****Investment Manager****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.

We support the proposal to require the appointment of a lead independent director (LID) in the absence of an independent board chair. While we would prefer a requirement for the important LID alternative in the best interest of shareholders, we accept the proposed “comply-or-explain” approach for now as LID is a new concept in AsiaPac. ██████████ encourages the separation of the roles of board chair and chief executive officer (CEO), as we believe this enhances board independence and accountability. If the company chooses to combine these roles, the LID should have sufficient authority and resources to act as an effective counterbalance to the CEO and board chair. While this role is ultimately weaker than a separate and independent board chair, key areas of authority may include leading CEO succession efforts, reviews of CEO performance (and by extension, executive pay), and having the ability to control the board agenda and information flow. We suggest HKEx to provide guidance on how roles, responsibilities and authorities differ between board chair and LID, especially when the board chair is conflicted or has a dominant influence over the board.

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 believe the suggested training requirements for directors (first-time or existing) are a positive step, but we suggest not to be overly prescriptive

about training hours or topics. The board should be given sufficient flexibility to design and implement a training plan that is best suited for its own circumstances, whilst being provided with adequate training resources from the Exchange. This should include pre-selected training resources to equip directors with necessary skills and knowledge to discharge their duties and represent the interests of shareholders, particularly in relation to external board members. In view of the increasing expectations and complexity of their roles, tailored training for external directors should be designed to enable them to effectively discharge their responsibilities, ensure appropriate checks and balances through constructive management challenge, enable constructive participation in board meetings, and understand the risks of the business. Directors should be made aware of what roles they are expected to play, and how they are different from those of the management. We would appreciate HKEx to emphasize that the board represents the interest of shareholders and has a fiduciary duty to act in their best interest.

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?

No

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?

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?

No

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?

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?

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.

We also support the proposal to require issuers to disclose a board skill matrix that demonstrates the diversity of skills, qualifications and experience of the directors in the annual report and proxy materials. We agree that this disclosure can help shareholders assess the effectiveness and composition of the board and identify any potential gaps or areas for improvement. However, we are concerned that some issuers may adopt a superficial or mechanical approach to the skill matrix and assign certain expertise to directors without sufficient justification or explanation. We have observed this practice in some

other markets where the skill matrix has become a box-ticking exercise that does not reflect the true capabilities and contributions of the directors. Therefore, we recommend that HKEx should require issuers to provide explanatory notes to substantiate the skill mapping process, such as indicating which experiences or qualifications have equipped the director with the relevant expertise. This would enhance the credibility and usefulness of the skill matrix disclosure and enable shareholders to make more informed voting decisions.

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 believe that the current limit of six directorships for directors of listed companies is too excessive. In order to perform their duties effectively and diligently, directors must be able to devote sufficient time and attention to each board they serve on. Directors who take on too many roles may risk compromising their ability to fulfil their fiduciary obligations and oversee the management of the company. Moreover, excessive directorships may create conflicts of interest or impair the independence and objectivity of the directors. We suggest that HKEx lowers the cap on the number of directorships a director can hold and differentiates the types of directorships based on their nature and complexity. For example, we propose the following guidelines for the maximum number of directorships for different types of directors:

- Any non-executive director serving on more than four public company boards.
- Non-executive chair serving on more than two other non-executive public boards.
- Executive director serving on more than one additional non-executive public board.

We also believe that these requirements should be implemented immediately without a transition period, considering HK listed companies are already trailing behind their peers. A transition period would further delay the necessary reforms and undermine the competitiveness and governance standards of the HK market.

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.

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?

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.

We believe board independence and refreshment are essential to good corporate governance. When analyzing board structure and independence, we take into account local regulations, governance codes, listing standards, and reasonable shareholder expectations. In line with HKEx’s proposal, our APAC proxy guidelines define independent non-executive directors (INEDs) in Hong Kong as those who have not served on a board for over nine years.

Additionally, we suggest immediate implementation without any transition period. We expect no re-appointment of long-tenured INEDs when the new

Code takes effect, but would not stress on immediate replacement of existing long-tenured INEDs before their existing term concludes.

We are however concerned about the suggestion on a two-year cooling-off period which would undermine the effectiveness of this reform especially in view of such a close-knit business community in Hong Kong. Although it is generally not recommended for long-tenured directors to rejoin the board after a few years, we think that a minimum three-year cooling-off period is necessary to ensure the independence and objectivity of returning former INEDs.

We expect companies to have robust board succession planning, to propose skilled and experienced INED candidates through a rigorous and transparent nomination process.

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.

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.

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.

We welcome the introduction of a new Code provision requiring issuers to have at least one director of a different gender on the Nomination Committee. Meanwhile, we recommend that HKEx to provide a clearer definition of 'diversity' and articulate its expectations for issuers' diversity initiatives, along with the corresponding reporting activities. Additionally, we suggest HKEX to require the Nomination Committee to be chaired by an INED considering that the current Hong Kong regulatory regime still permits the Board Chair (frequently, is also the founder or CEO/executive) to lead the Nomination Committee.

We believe that having a diverse and independent Nomination Committee is crucial for ensuring a fair and merit-based selection of board members, as well as promoting diversity across the board and the senior management. We also encourage issuers to adopt measurable objectives and targets for achieving board diversity, and to disclose their progress and challenges in their annual reports.

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)?

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?

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?

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?

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?

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?

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?

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.

We support the Mandatory Disclosure Requirement (MDR) on dividend policy and suggest widening the scope to include share repurchases as a consideration of its capital allocation policy. We expect issuers to disclose a clear capital allocation policy, which should provide a detailed approach to cash dividend, buybacks and cancellation of these repurchases, particularly in light of the recent changes in Listing Rules concerning management of treasury shares. Such a policy would serve as a sufficient starting point for constructive engagements between issuers and investors. We also urge issuers to provide the reasoning behind their capital allocation strategy, clarifying why their chosen targets fit well with their existing business circumstances and growth strategies. We believe that a transparent and consistent capital allocation policy can enhance investor confidence and foster long-term value creation.

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?

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?

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?

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?

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?

Please provide reasons for your views.

