

16 August 2024

Hong Kong Exchanges and Clearing Limited
8/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

Re: Consultation on Review of Corporate Governance Code and Related Listing Rules (the "Consultation Paper")

1. We are Link Asset Management Limited ("**Link**"), the manager of Link Real Estate Investment Trust ("**Link REIT**").
2. We write to express our support for the recommendations outlined in the Consultation Paper issued by the Hong Kong Exchanges and Clearing Limited ("**HKEX**") dated June 2024 that strives to enhance the Corporate Governance Code (the "**CG Code**") and related Listing Rules. We appreciate the multifaceted improvement proposed by the HKEX that promotes the effectiveness and independence of the board, diversity within the board and across the workforce, and the enhancement of risk management and internal control monitoring process. The continuous effort the HKEX makes to contribute to Hong Kong's position as the world's leading international financial centre is highly valued.

Revising Board Composition for Independence

3. We support the recommendations regarding the board composition, directorship restrictions and the tenure of Independent Non-Executive Directors ("**INEDs**"). As a pioneer in corporate governance, Link recognises strong board independence as a key contributor to effective communication and oversight. Headed with an independent board chair, Link welcomes the proposal requiring issuers without an independent board chair to appoint a Lead INED. It promotes engagement with investors and the board. Moreover, restricting six directorships held by INED aligns with Link's current practice where none of our INEDs hold more than four listed issuer directorships. This ensures that the INED can allocate sufficient time and effort to commit to his directorship roles. At Link, we maintain a policy limiting the tenure of INEDs on the board to no more than nine years to foster independence. The introduction of a nine-year "hard cap" of the tenure of INEDs followed by a mandatory two-year cooling-off period would enhance board refreshment that brings new perspectives. This is vital to the long-term success of the issuer.

Developing Board Skills with Training

4. At Link, we stay abreast of the evolving business and regulatory environment and require directors to receive relevant trainings. As such, we support the recommendation of having directors and First-Time Directors to attend relevant professional development to enhance and refresh their knowledge and skills to manoeuvre through the everchanging compliance landscape and decision making.

Promoting Board and Workforce Diversity

5. Additionally, we support the proposal to enhance diversity within the board and across the workforce. Noting that diversity contributes to critical decision-making and meaningful discussions, Link is committed to embracing employees with different backgrounds and experiences. Link has ensured a balanced gender diversity on the nomination committee and the board. We thereby welcome having directors of different genders on the nomination committee and conduct annual reviews of the implementation of the board diversity policy. To pursue diversity in a comprehensive manner, the proposal requires issuers to disclose the diversity policy applicable to the workforce, including the senior management. This would help to identify on issuer's commitment to achieving diversity across different levels.

Facilitating Risk Management and Internal Control ("RMIC")

6. Furthermore, we support the disclosure of the annual review of the issuer's RMIC system conducted and evaluated by the board. At Link, we established a robust and comprehensive RMIC framework to detect threats. We believe with a transparent and quality reporting system, stakeholders can assess the board's ability to identify and tackle risks, enhancing trust and confidence.

Strengthening Capital Management

7. Also, we support disclosing the dividend policy and details on the board's dividend decisions in every reporting period. Link's dividend policy and related details are comprehensively communicated to investors through publicly available channels. Effective communication of the issuer's capital allocation priorities helps shareholders and investors gain a comprehensive understanding of the issuer's profit distribution approach. This allows them to make more informed decisions when assessing the capability of an issuer and its capital discipline.

We hope the above assists the HKEX in its review of the proposals under the Consultation Paper in furtherance of its ongoing commitment to fostering the development of Hong Kong's financial market. Please find attached our detailed responses to the questions set out in the Consultation Paper.

Should you require elaboration on any part of our submission or have any questions, please do not hesitate to contact our [REDACTED] at [REDACTED]

Yours faithfully,

[REDACTED]

Question 1

Do you agree with our proposal to introduce a new CP requiring issuers without an independent board chair to designate one INED as a Lead INED to enhance engagement with investors and shareholders? Please provide reasons for your views.

Our response:

At Link, we have established a requirement for the chair of the board to be an INED, emphasising the importance of having an independent perspective. As such, we agree with the introduction of a new CP requiring an issuer without an independent board chair to designate one INED as a Lead INED. The Lead INED can serve as a clear point of contact, providing independent insight on various aspects of the issuer's governance, including the quality of board discussions on strategic matters. The independent perspective would facilitate effective communication among INEDs, the rest of the board and shareholders, thereby improving transparency and accountability of the issuers.

Question 2

Regarding continuous professional development for directors, do you agree with our proposals to:

- (a) Make continuous professional development mandatory for all existing directors, without specifying a minimum number of training hours?
- (b) Require First-time Directors to complete a minimum of 24 hours of training within 18 months following their appointment?
- (c) 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?
- (d) Specify the specific topics that must be covered under the continuous professional development requirement?

Please provide reasons for your views.

Our response:

- (a) We agree to the proposal to make continuous professional development mandatory for all existing directors. At Link, we have designed comprehensive trainings for all directors as we believe that this is important for directors to maintain the necessary knowledge and expertise to effectively fulfil their roles and duties. Such a regime helps mitigate compliance breaches and improve overall governance standards. Without specifying a minimum number of training hours for existing directors, they could have the flexibility to tailor their professional development to their individual needs and be empowered to take ownership of their growth and development in fulfilling their directors' duties.
- (b) We agree with the 24-hour training requirement for "First-time Directors", as it ensures a minimum level of knowledge for those without prior board experience in Hong Kong listed issuers. Similar to the proposed requirement, Link has a comprehensive induction program for new directors. Trainings for all "First-time Directors" would ensure that they understand

directors' duties specific to Hong Kong listed issuers, which will in turn contribute to upholding robust governance standards within the market.

- (c) We agree with the definition of "First-time Directors". If a director has not served on a board for 3 years or more, they may have lost touch with the latest developments, regulations, and best practices. Treating them as First-Time Directors ensures they receive the necessary training and support.
- (d) We agree that the training should cover a comprehensive set of topics as specified in the Consultation Paper. This breadth of training topics allows directors to develop and refresh the knowledge and skills necessary to effectively fulfil their roles and duties.

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.

Our response:

We agree with highlighting the importance of continuous director development training as a Principle in the CG Code and making consequential changes to certain Code Provisions. Reinforcing the significance of effective corporate governance encourages issuers to prioritise the ongoing learning and development of their board members. This alignment between the Principle and Code Provisions strengthens the framework for robust corporate governance standards across Hong Kong's listed issuers.

Question 4

Do you agree with our proposal to upgrade the current RBP 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.

Our response:

At Link, we have committed to conducting board performance review annually. We agree to the proposal to make regular board performance reviews and corresponding disclosure a Code Provision. Regular board performance reviews are essential for maintaining and improving board effectiveness. Disclosing these reviews will enhance transparency and shareholders' understanding of board effectiveness, thereby promoting accountable and well-functioning board.

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? Please provide reasons for your views

Our response:

Link's nomination committee has developed and maintained a board skills matrix for our directors. We have also made respective disclosures in our annual report. Thus, we agree that issuers should maintain a board skills matrix and make corresponding disclosure. Coupled with regular board performance reviews, a board skill matrix would improve board effectiveness and aid succession planning which is one of the key focuses for investors. The disclosures encourage issuers to reflect and align the board's skills and experience with the issuer's strategic objectives and culture.

Question 6

In relation to our proposal to introduce a "hard cap" of six listed issuer directorships that INEDs may hold, do you agree:

- (a) With the hard cap to ensure that INEDs are able to devote sufficient time to carry out the work of the listed issuers?
- (b) With the proposed three-year transition period to implement the hard cap?

Please provide reasons for your views.

Our response:

- (a) All directors on Link's board do not hold more than four listed issuer directorships. We therefore agree that having a hard cap is important to ensure directors devote sufficient time and attention to each issuer they serve. This contributes to better oversight and engaged participation. A sufficient level of commitment is critical to maintain and safeguard high-quality decision-making on the board.
- (b) We agree with the proposed three-year transition period to implement the hard cap. It provides a reasonable time frame for directors and issuers to adjust and ensures a smooth implementation that upholds governance standards while accommodating practical needs.

Question 7

Do you agree with the proposal to introduce a new MDR 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.

Our response:

We agree with the proposed requirement for the nomination committee to annually assess and disclose their evaluation of each director's time commitment and contribution. At Link, the nomination committee assesses the commitment and contribution to the board every year. Nonetheless, Link is further committed to extending its scope according to the new requirements. The assessment will provide insight into the board's composition and enhance transparency around the nomination process for investors and shareholders.

Question 8

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:

- (a) With the proposed hard cap to strengthen board independence?
- (b) That a person can be re-considered as an INED of the same issuer after a two-year cooling-off period?
- (c) With the proposed three-year transition period in respect of the implementation of the hard cap?
Please provide reasons for your views.

Our response:

- (a) At Link, we have always ensured our INEDs do not serve on the board beyond nine years to prioritise strong independence. INEDs independence is important to provide unbiased business judgement and to act in the best interest of shareholders.
- (b) Currently, Link’s INEDs are required to step down upon the expiry of nine years of services and may only re-join the board after three years. This requirement is in line with the proposal, thus we agree that an individual can be re-considered as an INED of the same issuer after a two-year cooling-off period. Such a regime would encourage directors to continue acting in the best interest of the shareholders while safeguarding the board’s independence.
- (c) We agree with the proposed three-year transition period for the implementation of the hard cap. This arrangement provides a reasonable time frame for affected issuers to appoint new 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? Please provide reasons for your views.

Our response:

The length of tenure of every director is disclosed in Link’s annual report. We agree that such disclosure would enhance the investors’ awareness of the objectivity and independence of the directors to act in the best interest of the shareholders. Moreover, this would also create a greater level of confidence and protection for investors and shareholders.

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? Please provide reasons for your views

Our response:

We agree that board diversity is crucial for performance and decision-making quality. Currently, Link’s nomination committee consists of and strives to appoint directors of both genders. board should have an appropriate mix of thought, gender, and background to avoid “group think”.

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.

Our response:

We agree that issuers should have and disclose a diversity policy for their workforce. We have developed a *Diversity, Equity and Inclusion Policy*, which is available on Link's website, articulating our commitment to providing an accessible and inclusive work environment. A diversity policy will facilitate issuers to remain committed to setting meaningful diversity targets across the organisation. The disclosure also highlights issuers' commitment to promoting diversity and inclusion across the 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? Please provide reasons for your views.

Our response:

To promote effective board diversity, it has been an annual practice for the nomination committee and the board at Link to review its board diversity policy. Hence, we welcome the proposal that requires a yearly review of the implementation of an issuer's board diversity policy. As one of the main drivers of board performance and quality decision-making, upholding board diversity would promote more constructive dialogue, greater innovation and better governance. In addition, reporting on the diversity policy of the issuer would strengthen the transparency and accountability of the corporate operation and culture.

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.

Our response:

Committed to embracing employees from different backgrounds and experiences, we support the proposal that mandates a separate disclosure of the gender ratio of senior management and the workforce. Such a regime would demonstrate an issuer's progress and dedication to achieving diversity across different levels.

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 MB Rule 13.92(2) in Appendix I? Please provide reasons for your views.

Our response:

We agree with the proposal to codify the arrangements when issuers fail to have directors of different genders on the board. Apart from setting out a clear and organised approach for issuers to adopt in cases of deviations, such a regime keeps investors notified when inconsistency is observed. This enhances investors' awareness of the issuers' progress in attaining gender diversity.

Question 15

Do you agree with our proposal to:

(a) 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; and

(b) 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?

Our response:

We agree that a robust risk management framework is crucial to threat detection and investor protection. At Link, the board consistently reviews risk management and internal controls ("RMIC") systems, with disclosures made in the annual report. We thereby agree with the above measures and a transparent and quality reporting system. A close monitoring of RMIC enables issuers to address deficiencies, building trust and confidence with stakeholders.

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.

Our response:

We agree with the proposal to refine the existing CPs to set out the scope of the annual reviews of RMIC systems. Noting that issuers are faced with a wide range of risks, this proposal ensures that issuers are well aware of all material controls, including compliance, financial and operational controls. Through providing clear guidance, issuers can focus on designated factors and ensure that key threats are identified. Regular reviews reinforce the board's obligations to manage risks efficiently and effectively.

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? Please provide reasons for your views.

Our response:

Striving to maintain a high standard of transparency, Link has been disclosing our distribution policy in the annual report over the years. Hence, we agree with the proposal that mandates the disclosure of the issuer's dividend policy and the board's dividend decisions during the reporting period. Given that the consistency of dividend payouts indicates the stability and growth of an issuer, these measures provide valuable insights for investors.

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.

Our response:

We agree with the requirement for issuers to set a record date. We are of the view that this enhances the clarity and certainty in determining security holders who are eligible for participating in various corporate actions. Furthermore, a clear record date allows market intermediaries to respond to issues related to the corporate event efficiently.

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.

Our response:

We agree with the proposal that requires issuers receiving a modified auditors' opinion to enhance their disclosure in the annual reports. Noting that modified opinions may concern error and discrepancy, the disclosure requirement allows investors to have a clear understanding of the issuer's financial position.

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.

Our response:

We agree with clarifying the expectation of the provision of monthly updates. By setting out material information that the updates need to include, investors receive a comprehensive understanding of the issuer's financial performance and allow observations of any abnormalities. Furthermore, this proposal reinforces the proactive role that the management and directors should perform in ensuring all relevant information is submitted to the board.

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.

Our response:

We agree with aligning the requirements that apply to the three committees. Establishing a written term of reference for the committees enables a clear and transparent appointment process across all three committees and promotes consistency.

Question 22

Do you agree with the proposed implementation date of financial years commencing on or after 1 January 2025, with transitional arrangements 151 as set out in paragraphs 182 to 183 of the Consultation Paper? Please provide reasons for your views.

Our response:

We agree with the proposed implementation date.