

**Submitted via Qualtrics****Swire Pacific Limited****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 do not think this proposal is necessary or appropriate. It is debatable whether the appointment of a Lead INED would support or improve engagement with shareholders and investors, and this proposition would require further analysis grounded on empirical data. It is also questionable if a Lead INED could facilitate investor and stakeholder communication, given interactions between INEDs, investors, and shareholders are limited. Shareholder engagement channels are well established as issuers are currently required (per the Corporate Governance Code) to have in place an appropriate shareholders' communication policy on their websites.

The designation of a Lead INED would be seen as "first among the INEDs" which could be culturally sensitive. Any such designation would not align with the notion of equality among all INEDs in terms of duty, responsibility, and accountability in the discharge of their duties as a unitary board. The introduction of a Lead INED also poses a real risk of creating an imbalance on the board. The disruption caused by such imbalance, together with the additional resources and cost requirements, must be carefully weighed against any perceived (but unproven) benefit this proposal may bring. Furthermore, we believe the benefits from having a Lead INED are only marginal in terms of providing checks and balances to an issuer's chairperson who is not an INED.

The added responsibility for a Lead INED may also deter current and aspiring directors, who are often active professionals in the market, from becoming a director.

**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?**

No

**Please provide reasons for your views.**

We do not agree with the proposal not to specify the minimum number of training hours for continuous professional development of existing directors. Guidance is required in order to provide a clear and reasonable yardstick for compliance.

**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.**

We are generally supportive of directors' induction training, particularly for a director serving on the board of a listed issuer for the first time. However, a 24-hour mandatory training requirement within the first 18 months of appointment, proposed under the Consultation to be separate from and additional to the induction training, is inordinately long for onboarding purpose. An overall onboarding training programme which takes into account the induction training already provided by the issuers, would be more appropriate for new directors.

The proposal also does not distinguish any mandatory requirement from the induction training many of the issuers would already have in place for new directors. In this regard, clarification is required to stipulate that any mandatory requirement would not be regarded as an addition to the induction training already provided by the issuers.

**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?**

No

**Please provide reasons for your views.**

We do not agree with the proposed definition of “First-time Directors,” which do not take into account experience gained from overseas directorships. We believe that this proposed definition would greatly reduce the talent pool for directors. Board experience gained in companies listed in well-respected jurisdictions (even if they have not previously held any directorship in a Hong Kong issuer) should be considered relevant, otherwise, joining the board of a Hong Kong issuer may become an unduly burdensome and unattractive proposition for experienced overseas candidates.

**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.**

In our view, the five-topics proposed under the Consultation (being (i) the roles, functions and responsibilities of the board, its committees and its directors, and board effectiveness; (ii) issuers’ obligations and directors’ duties under Hong Kong law and the Listing Rules, and key legal and regulatory developments relevant to the discharge of such obligations and duties; (iii) corporate governance and ESG matters; (iv) risk management and internal controls; and (v) updates on industry-specific developments, business trends and strategies relevant to the issuer) are unduly prescriptive. Individual issuers should be given the flexibility to set their own continuous professional training topics (for the induction training and the subsequent continuous training) focusing not solely on the knowledge necessary for directors to discharge their duties effectively, but also to address each issuer’s specific industry and company needs. If any of these five topics were specified under the proposed rule, we expect these topics to be inclusive guidance only, rather than prescriptive requirements.

If the Exchange were to impose these five topics as perspective requirements, they should be limited to the mandatory training for “First-time Directors” only. The Exchange should clarify whether, after induction, the continuous professional training should also cover all of such topics each year and whether only training hours under these topics will be counted towards the relevant training requirements.

**Question 3**

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

No

**Please provide reasons for your views.**

For reasons set out in our response to Question 2 above, we do not support the proposed consequential changes to Principle C.1 and CP C.1.1 of the CG Code in respect of continuous professional development.

Regarding the proposed changes to CP C.1.1 of the CG Code, as explained in our response to Question 2(a), if a Code Provision were to be introduced, it should specify the minimum number of training hours (i.e., [8] hours per year) for the purpose of continuous professional development of existing directors.

However, we do not oppose the proposed changes to Principle C.1 and CP C.1.1 in their own right, including the requirement for directors to provide a record of the continuous professional development received by them to the issuer, as well as the issuer's responsibility to arrange and (where necessary) fund the directors' continuous professional development.

**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 are generally supportive of regular board performance reviews and proposed disclosure requirements for such reviews. However, we consider that a three-year interval would be more appropriate. This will allow feedback from previous review, if any, to be given sufficient time to be properly implemented for a more effective and meaningful evaluation. It is also our view that this proposal should remain as a Recommended Best Practice (RBP) rather than a Code Provision (CP).

The Exchange should provide further guidance (but not prescriptive rules) to clarify the evaluation criteria for the board performance review to avoid market inconsistencies.

More importantly, we feel strongly that board performance reviews should be a matter of internal assessment on a self-evaluation basis. We contend that external reviews should not be mandatory as such requirement would be unduly burdensome and would very likely result in boilerplate, less meaningful reports being prepared by a small number of professional firms. The Exchange should also consider the resourcing impact an external review requirement would have, particularly for smaller cap issuers already facing resource constraints in a challenging economic environment.

#### **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 fully support the proposal to introduce a new CP requiring issuers to maintain a board skills matrix and make disclosure set out in the proposed CP B.1.5. However, further clarification is required from the Exchange on the format of disclosure as well as the level of detail required in terms of how the combination of skills, experience and diversity serves the company's purpose, value, strategy and desired culture. A lack of clear guidance in this regard would lead to confusion and inconsistent reporting in the market.

#### **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 agree that INEDs should be able to devote sufficient time and attention to the issuer's affairs. However, we feel strongly that the management of a directors' external commitments is a matter best addressed through discussions amongst the Chairman,

the nomination committee and the relevant INED. Issuers should be given the flexibility to compose the board of directors that best suits their needs. An INED's available time and attention is affected by a range of factors (including other non-directorship commitments) and introducing mandatory "hard cap" may unfairly penalise competent, diligent INEDs who are able to devote sufficient time to multiple directorships.

The current mechanism provides where the board proposes a resolution to elect an individual holding his/her seventh (or more) listed issuer directorship, the board should set out in the circular to shareholders and/or in an explanatory statement why the board believes the individual would still be able to devote sufficient time to the board. We believe this mechanism provides sufficient measure, as well as transparency to shareholders and the market alike, against any risk of over-boarding. As such, we would recommend that this proposal be made an RBP rather than a CP.

### **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.**

Notwithstanding our response to Question 6(a), if the Exchange were to introduce the "hard cap" requirement, we agree that an appropriate period of transition is required in order for issuers to rotate out directors who may exceed the hard cap in an orderly manner, taking into account the time required to identify and replace new directors, particularly where there may be a number of directors who are also required to leave the board due to different reasons or requirements. Where one or more departing directors are involved, a gradual transition over a longer period of time is preferable to a "small group" departure. Any measure adopted by the Exchange in this regard must be balanced against the risk of undue disruption to the operation of the board. For these reasons, we believe that a three-year transition may not in all cases be sufficient to allow for an orderly transition and would urge the Exchange to consider a gradual mechanism that would allow any transition to be implemented over a period of time exceeding three years.

### **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 mentioned in our response to Question 6, we are generally supportive of reasonable measures to avoid overboarding by a director. How a board deals with outside commitments of its directors is a reasonable issue to consider. We believe this can be dealt with by way of discussion among the Chairman, the nomination committee and the relevant directors, especially where there are red flags, for example, missed director meetings, slowness in responding, and the quality of input not being as expected. Flexibility is required in order to allow issuers to compose the board most suited to its business, culture and objectives. For these reasons, we would recommend that this proposal be made an RBP rather than an MDR.

**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 do not support the proposal to include a “hard cap” of nine years on the tenure of INEDs, beyond which an INED is no longer considered to be independent. Whether an INED should be considered independent should be based on the independence of mind and attitude, but not on the number of years served. In general, it takes an INED at least a year (or more in a conglomerate context) to acclimatise to the issuer’s business and operations and be in a position to contribute constructively.

Although the number of years an INED has served may become relevant at some point, but it is also relative to the composition of the rest of the board as well as the complexity of the business and the environment it operates in. It must also be borne in mind that tenure also means a wealth of accumulated knowledge the INED has in terms of the issuer’s business, operations as well as long-term strategies, which are of value not only to the issuer but also to its board and shareholders as a whole.

In addition, considering the significant changes to the Listing Rules made over the last few years, including new requirements on board diversity, this proposed “hard cap” would impose significant practical difficulties in securing and retaining experienced INEDs. Furthermore, the talent pool for skilled, business-savvy candidates is small, and the evolving geopolitical landscape has also affected the supply of INED talents. We believe that the current mechanism, which requires the board’s discussions on a long-serving INED’s independence and shareholders’ approval on his/her re-election, together with disclosure to explain why such INED remains independent, is already sufficient. A hard cap of nine-years would not in our view yield any additional benefit.

### **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.**

We do not support the proposal to introduce a "hard cap" of nine years on the tenure of INEDs for reasons set out in our response to Question 8(a). If, however, the Exchange were to introduce such requirement, the proposition that a person should become eligible for re-consideration as an INED following a two-year cooling-off period is reasonable.

### **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.**

We do not support the proposal to introduce a "hard cap" of nine years on the tenure of INEDs for reasons set out in our response to Question 8(a). If, however, the Exchange were to introduce such requirement, the proposition that a three-year transition period would not be adequate, especially if read or implemented together with the overboarding proposal under Question 6 above.



**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 to require all issuers to disclose the length of tenure of each director in the CG Report.

**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 support the proposal to introduce a CP requiring issuers to have at least one director of a different gender on the nomination committee. However, we expect the Exchange to provide a clear definition of “gender” for compliance purpose.

**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 proposal to introduce a Listing Rule to require issuers to have and disclose a diversity policy for their workforce (including senior management).

**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 to upgrade from a CP to a MDR the requirement on the annual review of the implementation of an issuer's board diversity policy.

**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 agree with the proposal to require as a revised MDR separate disclosure of the gender ratio of senior management and the workforce (excluding senior management) in the CG Report.

**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.**

We strongly believe that diversity of skills, experience, gender and perspectives are key elements of a well-balanced and functional board. Accordingly, we agree with the proposal to codify the arrangements during temporary deviations from the requirement for issuers to have directors of different genders on the board in order to provide clear guidance to issuers for purpose of compliance.

**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 agree with the 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.

**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 with the 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.

**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 agree with the 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.

We expect the Exchange to provide clarification and guidance on the scope of the review and disclosure requirements in order to ensure consistency of approach in the market.

In addition, we expect the Exchange to stipulate clearly that external review is not proposed to be made mandatory. Wording in the proposal is not clear on this point.

**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 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. However, the Exchange should provide guidance on the extent of disclosure required for key factors that the board took into account for dividend payment.

### **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 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. This proposal would provide greater clarity to shareholders.

### **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.**

Modifications to auditors' opinion is a significant matter, disclosure of which creates greater transparency and understanding for shareholders and the market alike. Accordingly, we support the proposal to codify the recommended disclosures in respect of issuers' modified auditors' opinions into the Listing Rules. However, clear guidance and clarification on the scope and nature of the disclosure requirement are required to help ensure consistency of disclosure in the market.

### **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 to clarify the Exchange's expectation of the provision of monthly updates in CP D.1.2 and the note thereto.

**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 are supportive of the 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 the relevant draft requirements.

**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?**

No

**Please provide reasons for your views.**

Regarding the transitional arrangement for the proposed "hard cap" on overboarding, as mentioned in our response to Question 6(b), if the Exchange were to introduce such requirement, we would urge the Exchange to consider a gradual mechanism that would allow any transition to be implemented over a period of time exceeding three years.

Regarding the transitional arrangement for the proposed "hard cap" of nine years on the tenure of INEDs, as mentioned in our response to Question 8(a), if the Exchange were to introduce such requirement, the proposition that a three-year transition period would not be adequate, especially if read or implemented together with the overboarding proposal under Question 6 above.