

Submitted via Qualtrics**(Anonymous)****Company/Organisation view****Professional Body / Industry Association****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 agree with the proposal as it intends to strengthen the transparency and effectiveness on the communication not only among the INEDs, but also with the board members, investors and shareholders. Furthermore, this proposal can enhance the competitiveness of Hong Kong as an international financial centre by aligning its practice with other jurisdictions such as the United Kingdom, Australia and Singapore.

In principle, the designation of a Lead INED alone should not be relied upon to drive dialogues with directors or stakeholders. To avoid onerous increase in the duties of the Lead INED, it is also essential for the issuer to possess a sound and effective internal and external communication mechanism.

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.

Our global business environment has changed rapidly in the past few years. Companies need to stay alert to various technological innovations, as well as economic and regulatory updates in order to make informed business decisions. By making continuous professional development mandatory for all existing directors, it helps

upgrade and refresh their knowledge on an ongoing basis and ultimately can better facilitate the board members in discharging their duties.

However, we would like to encourage the Exchange to consider specifying a reasonable minimum number of training hours to warrant the sufficiency and effectiveness of the trainings.

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 agree with the proposal as it can equip First-time Directors with the latest relevant information on directorship that helps them develop the skills and knowledge required for discharging their duties effectively. By considering the training requirements of industry associations and professional bodies, the proposed minimum 24 training hours appears to be reasonable and should not be a significant burden to the First-time Directors.

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.

We agree with the proposal as the knowledge required will almost certainly change over time and it is paramount that directors should keep up with evolving trends of the market.

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.

We agree with the proposal as it can help to ensure that directors obtain certain fundamental knowledge, including in relation to their roles and responsibilities, key corporate governance and ESG matters, and updates on industry-specific developments, when performing their fiduciary duties. In addition, this requirement can enhance the confidence of shareholders, investors and other stakeholders on the effectiveness of the boards.

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 proposal.

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 proposal as it provides more momentum for the board to stand back and take the opportunity to think through what else they can improve on as a whole. The review should be rigorous and the evaluation areas in concern should evolve over time to avoid having a static compliance checklist.

However, we recognise potential concerns regarding the results of board performance reviews for fear that individual performance are now under a greater scrutiny and may lead to confusion or conflicts, even though these are not the subject of evaluations of the board as a whole. Only if the board can collectively believe in the evaluation exercise and its ability to help identify improvement opportunities will it be able to derive maximum benefits from the evaluation exercises.

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 the prevalent disclosure of qualifications in the directors' biography section is to list out each director's skills, knowledge and experience, which may lack of clarity and not able to demonstrate how each director can support the long-term goals of the issuer. Conversely, using a board skills matrix can enhance the readability of the information and provide the board with insights when nominating director candidates.

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 as imposing a hard cap should allow the INEDs to have more time and energy to properly discharge their duties. As a result, this can enhance the quality of the decisions made by the board and the suitability of candidates to be nominated as INED.

However, we reckon besides six-directorship hard cap, the issuers also need to consider other factors such as individual's directorship roles, full or part time occupations, commitments in public service in the INED selection process.

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 as it gives issuers reasonable time to phase out overboard INEDs.

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 agree with the proposal as it intends to enhance the effectiveness of directors. Whilst the Exchange has set out its proposed requirements for what should be assessed, including each director's time commitment and contribution to the board, as well as the director's ability to discharge his or her responsibilities effectively, more guidance could be given on the level of detail necessary to satisfy the disclosure requirement as some of the assessment results may be deemed as proprietary and confidential, in particular the individual's contribution to the board. Overall, it seems that the Exchange has not specified clearly what information it expects to be assessed on the one hand and disclosed on the other.

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 agree with the proposal as this would allow the board to invite new perspectives and improve its overall effectiveness.

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 have some reservations regarding a cooling off period of any duration and reappointment of the same individuals as an INEDs after that. Ideally, fresh perspectives should be introduced to the board following the retirement of long-serving INEDs, meaning that reappointment of the same INED after a cooling-off period is arguably inappropriate.

Although it may not be accurate to question the independence of INEDs solely on the account of the number of years of service, small to mid-cap issuers are, in practice, very likely do not have access to a large pool of INED candidates, in contrast to large-cap peers, which may result in their appointing the same individuals again, after the two-year break proposed and reducing INEDs' level of independence.

In spite of the above, it appears that Hong Kong has a large enough INED talent pool, including as a result of the activities of The Hong Kong Independent Non-Executive Director Association (“HKiNEDA”), and so issuers arguably do not have any particular need to or reason for reappointing the same INEDs after the cooling-off period.

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 agree with the proposal as it can allow issuers to perform more structured succession planning.

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 agree with the proposal as it can enhance the transparency of the independence of INEDs. Shareholders, investors and other stakeholders can also have more direct access to this information from 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.

According to the current Appendix C1 of Main Board Listing Rules, CP B.3.1, the nomination committee should make recommendations to the board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive. By having a new CP requiring issuers to have at least one director of a different gender on the nomination committee, it can promote gender equity and inclusion that may exert influence on the board or other committees.

This is consonant with the observations in one of our previous publications [REDACTED] [REDACTED] that government action is essential in driving an impact at the board level. It is observed that five of the six countries with the highest percentage of women serving on boards have some form of mandatory quota legislation, ranging from around 33% (Belgium and the Netherlands) to 40% (France, Norway, and Italy). In the United Kingdom, the introduction of gender targets has also borne fruit with women now holding over 40% of FTSE100 board seats. Similar efforts in Australia, through voluntary targets and disclosures, have also increased women's representation on Australian boards by more than double since 2014 (from 15% to 34%).

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 agree with the proposal as it can promote equality in the workforce and, as succession plans feed through and individuals are promoted to senior management or

to the board, we believe that having achieved gender diversity at the workforce level will eventually propel gender diversity at the board level.

As suggested in one of our article published in KrAsia [REDACTED], we need to grow the representation of women in leadership roles to move the needle on gender balance. A diverse senior management representation sets the tone at the top; while change may not happen overnight, we can empower women and create an environment that supports their career development, thus paving the way for future generations to follow.

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 agree with the proposal as the upgrade from a CP to a MDR should not have material effect on the workload of the board as the majority of the issuers already conduct annual reviews of the implementation of their board diversity policies.

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 as this can allow the shareholders, investors and other stakeholders to assess efforts made by the issuers on the implementation of diversity policy at senior management and workforce (excluding senior management) levels more effectively.

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 agree with the proposal as it can provide a clear required timeframe for all issuers in the form of the grace period of three months to meet the gender diversity requirement when deviations arise.

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 as the board should be responsible for setting up the tone at the top and embedding a strong risk culture within the issuers. It is essential to establish an ethical climate and risk and internal control awareness in order to prevent non-compliant behaviours or misconducts. Without the ongoing support and commitment from the board, the effectiveness of the risk management and internal control systems would gradually dissipate.

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 as it can further enhance the awareness of the issuers and their subsidiaries on the effectiveness of risk management and internal control systems. It can also demonstrate the board's commitment to their shareholders, investors and other stakeholders regarding the management and operations of the issuers.

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 as it sets out the expectations from the Exchange regarding the areas that should be reviewed (at least) annually to enhance the board's accountability and the overall effectiveness of risk management and internal control.

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 agree with the proposal as it can increase the general transparency of dividend decisions and the protection of minority interests.

Question 18

Do you agree with our proposal to introduce a Listing Rule requirement for issuers to set a record date to determine the identity of security holders eligible to attend and vote at a general meeting or to receive entitlements?

Yes

Please provide reasons for your views.

We agree with the proposal as it can provide clarity to shareholders about their rights or entitlements.

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.

We agree with the proposal.

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 agree with the proposal.

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 agree with the proposal.

Question 22

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

Yes

Please provide reasons for your views.

We agree with the proposal.