

Submitted via Qualtrics

PricewaterhouseCoopers Limited

Company/Organisation view

Accounting 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 disagree with the proposal as the shareholders can utilise various means to engage directly with the board, including annual general meetings, investor relations functions, and other ad-hoc interactions. Furthermore, due to the practical constraints in the Hong Kong market, including the fact that many boards have a minimum of 3 or one-third of the Board as INEDs (meaning the Lead INED will be chosen from a small group anyway), there may not be sufficient experienced INEDs to take on the Lead INED. The Lead INED role may also have an impact on the remaining INEDs, giving a perception that their roles and responsibilities are now of lesser importance, thus weakening overall corporate governance.

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 agree with the proposal of not specifying a minimum number of mandatory training hours, which align with other jurisdictions.

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 to require First-time directors to complete a minimum number of training hours within a specific timeframe of their appointments to enhance board effectiveness and accountability.

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 definition of “First time Directors” proposed, which focuses on providing necessary training to those new to the role and those who have not served as a director of a listed issuer for at least 3 years prior to their appointment, in order to help them effectively fulfill their responsibilities.

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 the suggested training topics reflect the key areas that directors of issuers would be expected to be knowledgeable about. These topics are also aligned with the requirements in other jurisdictions. However, each issuer should also consider other topics relevant for their directors to avoid turning this into a box-ticking exercise to achieve minimum requirements.

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, as the changes emphasize the need to ensure directors have the necessary knowledge and skills to fulfill their duties and responsibilities, and that the issuer is responsible to arranging and monitoring of this

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, however, HKEX should consider providing clear guidance on the specific review criteria and standards to be used in defining what constitutes effective board performance. Furthermore, HKEX should consider an additional requirement for the board to engage an external facilitator to conduct the board performance review every three years.

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 board skill matrix can enhance transparency, demonstrate the board's alignment with the company's strategic priorities, and build investor confidence in the board's ability to effectively guide the company.

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 in principle as this can help address potential issues such as overcommitment, effectiveness and conflicts of interest etc, ultimately strengthening

the independence and quality of INED oversight. However, although the “hard cap” of six listed issuer directorship is a good “rule of thumb”, there may be other circumstances to be considered on a case-by-case basis. For example, only directorships on listed issuers are counted in the “hard cap” (hence excluding directorships on other types of boards) and also, the role and workload of the INED on each issuer may be different.

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 three-year transition period to implement the proposed hard cap requirement.

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, however, contribution can be subjective and difficult to quantify. HKEX should clearly define how the assessment can be performed, including both quantitative and qualitative metrics to evaluate a director's time commitment and overall contribution to the board, as well as the specific assessment criteria.

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 disagree with the proposal as we believe that the Listco should retain the flexibility to assess the independence of long-tenured INEDs on a case-by-case basis, so that all relevant factors (both quantitative and qualitative) will be considered in the assessment.

Moreover, we consider that the current requirements and existing measures are sufficient for good corporate governance on assessing the independence of INEDs, such as: (i) the requirement for the annual re-election of long-serving INEDs, (ii) the disclosure on the company's assessment in its corporate governance report on the reasons why it believes such INED is still independent; (iii) shareholder approval on all long-serving INEDs; (iv) disclosure on the nomination process, including the criteria used in the selection and how the company assesses the independence of long-service INEDs; and (iv) if all INEDs are Long serving INEDs, the issuer has to a) disclose the length of tenure of each Long Serving INED in its circular to shareholders and/or explanatory statement accompanying the notice of the AGM; and (b) appoint a new INED at the forthcoming AGM.

Furthermore, companies may face challenges in implementing the nine-year time bar as there is a limited pool of qualified and experienced INED candidates available in the market, especially those with deep and relevant industry knowledge.

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.

N/A-Please see our response to question 8a above.

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.

N/A-Please see our response to question 8a 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 agree with the proposal, as it can be beneficial to disclose the length of tenure for each INED in CG Report. Providing this information gives investors more transparency into the independence and potential biases of the INEDs.

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 agree with the proposal, gender-diverse nomination committee can lead to more diverse board compositions. This can enhance the objectivity and fairness of the nomination process.

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 this provides a more comprehensive view of the issuer's commitment to diversity. This holds issuers more accountable for their diversity and inclusion efforts across all levels of the company.

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, requiring issuers to set measurable objectives with numerical targets and timelines for implementing that 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 separate the disclosure of the gender ratio of senior management and the workforce.

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 to require issuers to immediately publish an announcement whenever they temporarily deviate from the requirement to have directors of different genders on their board.

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 it strengthens board accountability through enhanced reporting on risk management and internal controls, ultimately improving transparency.

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 in principle with the proposal to upgrade the requirements to mandatory disclosure. However, HKEX should consider the following factors to ensure the requirements can be complied with practically:

- to address the challenges for listed companies with a large number of subsidiaries, allowing a materiality threshold to determine which subsidiaries must be included, focusing the disclosure on the most significant and relevant subsidiaries;
- offer guidance on specific internal control areas (scope of review) that require attention and disclosure;
- clearly define the expected level of detail required for disclosing the scope of the review and details of the findings. Additionally, provide guidance on the definition of “significant control failure or weaknesses”;
- request the issuer to disclose which international standard they are using to evaluate their risk management and internal control systems;
- any exemption for the issuer from disclosing details about any subsidiary that is also a Hong Kong listed company, as that subsidiary would already be reporting the same information;
- any exemption for those issuers who have subsidiaries listed in other jurisdictions, it should be considered that the disclosure of significant control failures in their subsidiaries could affect those subsidiaries if they are listed elsewhere, as the disclosure requirements and treatment of such information may differ across jurisdictions.

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 this allows public to better understand the issuers' approach to risk management and internal controls.

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 would enhance transparency and accountability around issuers' dividend policies. Investors will have the visibility on the board's decision-making around dividends. This enhancement can ultimately improve listed companies' capital management practices.

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 the Record date is the key date when the issuer identifies its current shareholders who are then entitled to specific shareholder rights or corporate benefits.

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 as it provides details on the information that issuers should disclose regarding modified auditors' opinions.

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 to clearly establish that directors are entitled to request monthly updates of the issuer if management does not provide it.

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 to align and standardize the approach across the three mandatory board committees.

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 proposed implementation date with the transitional arrangement set out in the Consultation Paper.