

16 August 2024

BY EMAIL

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”)

We, Hong Kong REITS Association (“**HKREITA**”), are writing to provide our views on the captioned Consultation Paper.

We would like to provide our views on the proposals outlined in the Consultation Paper issued by the Hong Kong Exchanges and Clearing Limited (“**HKEX**”). The paper recommends enhancements to the Corporate Governance Code (“**CG Code**”) and related Listing Rules. We appreciate the comprehensive recommendations outlined by HKEX, which continue to strengthen Hong Kong's position as Asia's international financial center.

Board Composition and Independence

We are supportive of the proposed recommendations to board leadership, directorship limits and the Lead Independent Non-Executive Director (“**INED**”) tenure. The requirement imposed on issuers without an Independent Chair to appoint a Lead INED strengthens the INEDs’ ability to provide effective oversight and greater engagement between the board and shareholders.

We also agree that a nine-year tenure limit for INEDs, followed by a mandatory two-year cooling-off period, would promote and preserve board independence and create a level playing field with comparable jurisdictions such as Singapore and the United Kingdom. Moreover, we appreciate that the restriction on the number of directorships held by INEDs would help ensure that the directors allocate sufficient time to discharge their fiduciary duties effectively. However, our members have expressed concerns on the length of the 3-year transition period for listed companies. Given the extent of the change, we would recommend HKEX to allow a longer transition period for the companies to fully comply with the six-directorship cap and the nine-year tenure limit.

Board Skills and Training

Noting the evolving regulatory requirements, we support the strengthening of directors’ knowledge and skills to constantly elevate the overall capability of the board. The proposal mandating continuous professional development and onboarding programs for new directors and reporting on training activities would ensure directors are well-equipped with updated expertise to effectively oversee the company's strategic priorities and compliance.

Board and Workforce Diversity

We further support the enhancement on diversity across the board and workforce to promote inclusive leadership, drive innovation and better represent the company's stakeholders. With requirements on having different genders on the nomination committee, conducting annual reviews on the diversity policy and disclosure on the gender ratio of senior management and the workplace, there would be better assessment of the company's commitment to building an inclusive culture.

Risk Management and Internal Controls

In addition, we support the disclosure on the effectiveness of risk management and internal control systems. The proposed requirements promote greater transparency as they provide stakeholders with insights on the review findings including any identified improvement areas or remediation. Such enhancements would enable issuers to align their risk and control systems against industry best practices and regulatory requirements, thereby bolstering stakeholder confidence in the governance structure.

Capital Management

We also support the proposed requirements on the public release of the company's dividend policy and details on the board's dividend decisions. This would demonstrate the company's capital allocation priorities and the rationale behind dividend decisions, showing the company's commitment for responsible stewardship of shareholder resources and sustainable growth. This would also provide greater transparency and clarity to the market, enhancing shareholder confidence and trust.

The Consultation Paper demonstrated HKEX's commitment to protecting the interests of the industry and investors. We do, however, ask HKEX to consider the challenges and concerns faced by our members as identified above. We hope the above feedback would assist HKEX in its review of the proposals under the Consultation Paper, in furtherance of its ongoing commitment to fostering the growth and development of the REIT industry.

Should you have any questions, please do not hesitate to reach out to myself or [REDACTED], [REDACTED], at [REDACTED] or [REDACTED].

Yours faithfully,

[REDACTED]