

Submitted via Qualtrics

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Personal view

Listed Company Staff

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.

Theoretically, the concept of a Lead INED can strengthen communication: among INEDs, between INEDs and the rest of the Board, and with shareholders. However, there is no evidence from other jurisdictions that communications have been strengthened after having a Lead INED.

According to the existing CP C.2 of the CG Code (Appendix C1), the Chairman has the role to facilitate the communication among directors, say, C.2.6 (to encourage directors with different views to voice their concern), C.2.7 (annual meeting with INED without the presence of other directors), C.2.9 (to promote culture of openness and to ensure constructive relations between executive and non-executive directors); and communication with shareholders (say, C.2.8 - to provide effective communication with shareholders and that their views are communicated to the board as a whole). Hence, the designate Lead INED may duplicate some of the role and function of the Chairman.

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.

Agreed to require the existing directors to have continuous professional development, but having no minimum number of training hours is not desirable.

Suggest having the number of hours of training of a director to be the same as the company secretary (i.e. LR3.29 - company secretary must take no less than 15 hours of the relevant professional training).

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.

The Stock Exchange may need to clarify (1) if a First-time Director's training hours need to be disclosed in the CG Report, particularly if the 18-month period has not yet ended by the date of the CG Report; and (2) if the 24 hours training of the First-time Director is classified as part of the mandatory continuous professional development for 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.

Definition of "First-time Directors" is important. The proposed meaning is clear.

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.

Since the purpose of specifying the specific topics is to help directors to develop and refresh their knowledge and skills, it is not necessary to codify the topics as a rule in Chapter 3 of the Listing Rules.

Alternatively, suggest the specific topics to be set out in the FAQ and/or guidance note, as a recommendation to directors.

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.

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.

In light of the current economic environment, additional resources and funding to conduct the regular board performance review may not be preferable.

In fact, the business performance and the financial performance of listed issuers are indicators of how's the performance of the board. Shareholders can exercise their voting rights to express their views on directors' performance at the AGM.

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.

To maintain a board skill matrix can allow the Board to review whether the board skills are sufficient to run the business of a listed issuer from time to time.

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.

Agreed that 'hard cap' of six listed issuer directorships can allow each INED to devote sufficient time to each listed issuer.

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.

Three-year transition period has allowed sufficient time for listed issuers to plan their INEDs on the Board.

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.

Since the existing CP B.2.1 of CG Code already requires directors to ensure that they can give sufficient time and attention to the issuer's affairs, this proposal can ensure that CP B.2.1 is in place.

However, the assessment of "contribution to the board" is rather abstract and subjective. Suggest a guidance note/FAQ can be provided by the Stock Exchange.

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.

Agreed, a director may not be independent after staying with an issuer for too long. Having Singapore Exchange also introduced the nine-year limit for INED, the 'hard cap' of nine years tenure limit for INED of the Hong Kong listed issuers is reasonable.

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?

Yes

Please provide reasons for your views.

Agreed to have two-year cooling-off period. It is unreasonable of not allowing a person to be an INED of an issuer forever after a nine-year tenure.

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.

Three-year transition period has allowed sufficient time for listed issuers to plan their INEDs on the Board.

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.

The proposal enhances the transparency. However, this proposed disclosure of the “length of tenure” of each director in the CG Report seems duplicate to the disclosure of the “length of service” under Paragraph 12 of Appendix D2 to the Listing Rules.

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.

Gender equality is a hot topic nowadays. Nomination committee consisting of different gender allows a balance of views.

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)?

No

Please provide reasons for your views.

Having a workforce diversity policy in place may not have result in diversity at the workforce level. In fact, the business nature and the job scope affect the diversity. For example, mechanical engineering is male-dominated, while elderly care service is female-dominated.

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.**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.

This proposal enhances the transparency. However, it is better to clarify if the CG Report can make reference to the ESG/Sustainability Report (which is a separate report from the annual report) for the gender ratio is allowed. For reason, gender ratio is also required to be disclosed in the ESG/Sustainability Report under Appendix C2 to the Listing Rules.

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.

Codification of the arrangements of temporary deviations in the Listing Rules could ensure that listed issuers follow the rules.

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.

This proposal can remind the Board that it has a responsibility to the issuer's risk management and internal controls.

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.

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.

This proposal enhances the transparency.

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.

This proposal addresses investors' concerns regarding listed issuers' dividend policies, and particularly how the board decides whether to declare a dividend and how the amount of the dividend is determined.

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.

This proposal can formalize the requirement for all listed issuers to set a record date for general meetings and for receiving entitlements according to the Listing Rules. This is better than providing guidance (not a rule) under Guide on Distribution of Dividends and Guide on General Meetings.

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.

Codification of the Stock Exchange's recommended disclosure regarding issuers' modified auditors' opinion in the Listing Rules could ensure that listed issuers follow the rules.

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.

Currently, the content of the monthly updates of issuers varies. The proposal in CP D.1.2 provides the basic content of the monthly updates.

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.

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.

The implementation date of the Proposals set out in this Consultation Paper will depend on date of issuance of Consultation Conclusion. Suggest the implementation date to be

six months after the issuance of the Consultation Conclusion. This allows sufficient time for the issuers to prepare for the compliance with the Proposals (say, to designate a Lead INED, to prepare Workforce Diversity Policy, etc).