

**Submitted via Qualtrics**

**(Anonymous)**

**Company/Organisation view**

**Corporate Finance Firm / Bank**

**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.**

This would better allow a clear point of contact person for the investing public and stakeholders. Ideally, such Lead INED should be designated by his/her fellow INEDs, insofar as perceived independence is concerned.

**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.**

Making continuous professional development mandatory is the right step forward to enhance directors' skillsets and knowledge and should result in their ability to discharge their directors' duties in a more professional and informed manner.

**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.**

24 hours of continuous development over a 18-month period formalize and standardize the training background for first-time directors. The Exchange may need to clarify what

would constitute "acceptable" continuous professional development required under the Listing Rules. A good reference would be the SFC's "Guidance on Continuous Professional Training" (paragraph 6.2).

**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.**

This will better define who is a first-time director, notwithstanding this is an across-the-board approach and may unfairly treat certain "first-time" directors who have been practicing corporate finance or laws as a professional prior to their appointment as a director.

**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.**

See my response to 2(b) above in respect of referencing the SFC's "Guidelines on Continuous Professional Training."

**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.**

Directors should rightly be aware of their responsibilities and their efforts to refresh their knowledge and skillsets under continuous professional development should be funded by the issuer involved.

**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.**

The upgrading of RBP to CP requiring issuers to conduct regular board performance reviews at least every 2 years should be able to emphasize the importance of such reviews and would likely result in such reviews to be more seriously undertaken by the issuers. This is the right step forward for better corporate governance.

#### **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.**

The new CP requirement for issuers to maintain a board skills matrix is the right way forward to better (or laser) focus the combined skillsets and experience of the directors insofar as their application (or non application) on advancing the shareholder value, corporate strategy and business needs of the issuers are concerned.

#### **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.**

6 directorships is a lot of directorships already, if an INED is serious about discharging his/her responsibilities in an increasing complex regulatory environment for listed issuers. A "hard cap" is a means to end this long lasting discussion on how many directorships an INED should have and more importantly, to rightly address the perception of market integrity issues arising from over-boarding by the investing public, both domestic and overseas. This is of importance as evidenced by HSI (non) performance over the past couple years, when viewed against stock market performance say, in the U.S..

**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.**

3-year transition period is reasonably long to implement the hard cap and should enable the issuers to adhere to such requirement in an orderly manner.

**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.**

The nomination committee is the right committee to undertake this proposed MDR to assess the disclosure of its assessment of each director's time commitment and contribution. The key element for this to work is of course, how independent and professional the nomination committee is in its assessment, having noted that this CG Code and Listing Rules review aims to, amongst other things, better enhance the independence of INEDs and the skillsets of directors.

**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.**

9 years is long enough on the tenure of INEDs. Again, perception of market integrity issues by the investment public, both domestic and overseas, is of importance, if our stock market is to be taken seriously. As cited above, our HSI has underperformed stock markets such as those in the U.S. over the past couple of years (although the reasons are complex and beyond the scope of this submission).

**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.**

Hong Kong is a small place (and corporate HK is even smaller) and having served 9 years continuously as an INED, it is difficult to imagine why or how a 2-year cooling-off time gap will be able to adequately renew the independence of such an INED.

**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.**

The 3-year transition period is reasonably long to implement the "hard cap" on tenure of INEDs.

**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.**

Good transparency and corporate governance reasons. Hopefully will be better able to promote the local stock market as more matured and better regulated and as such, worthy of a higher P/E multiple rating of issuers.

**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 diversity to reduce the risk of "group think" is a right step forward. In most cases, such director of a different gender is likely to be a female director, which should facilitate the nomination committee to discharge its duty in a more balanced manner.

#### **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.**

Improved and better transparency and diversity reasons for the workforce.

#### **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.**

Improved transparency on an issuer's board diversity policy and put more emphasis on those issuers which require remedial action on achieving better board diversity.

#### **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.**

Separate disclosure of the gender ratio of senior management and workforce (excluding senior management) again is better transparency and should give the investing public a better overview on the issuer's workforce gender diversity.

#### **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.**

LR13.92(2) proposed changes should be able to compel the issuers which fail to meet the board gender diversity requirement to remedy such failure in a timely and serious manner.

**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.**

Effectiveness of risk management and internal controls to be reviewed at least annually is the right emphasis and in fact, a lot of issuers which have proper regard to corporate governance would have been doing the same on a regular or at least annual basis anyway, often with the involvement of internal audit and other relevant committees.

**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.**

Same reason as set out in 15(a) above. The upgrade to MDR should be able to better enhance the importance of such review requirement which hopefully, if undertaken properly, is in the interests of all the stakeholders 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.**

Setting out the scope of such review is the right step to establish basic parameters for issuers' boards to adhere to without material exception. Whilst there may be risk of such scope set out in D.2 being used as a box-ticking exercise, which would have defeated the purpose of such review, we take the view that the setting out of the scope is better than no scope.

### **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.**

Our agreement is for transparency reason only. Non payment of dividends in itself is not necessarily bad: if the board of an issuer could have better use of retained earnings to achieve higher return on shareholders' equity and result in higher share market price, this is the whole idea of good investment. Investing public invests in an issuer's shares because they believe such investment would generate a better return than if they undertake a direct investment themselves.

### **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.**

Proper house-keeping matter.

### **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.**

The proposed disclosures on the issuers' modified auditors' opinions to be codified and set out in the Listing Rules is in the interests of the investing public and shareholders, as this would better enable the details of such modified auditors' opinions to be carefully



reviewed by them. A better informed market insofar as modified auditors' opinions are concerned is important to investors' confidence.

### **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.**

Monthly management accounts and updates are a must, if members of the board are serious about discharging their duties as directors. It is difficult to imagine why management of an issuer would (or could) not provide such information on a monthly basis and in a timely manner!

### **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.**

The proposed alignment of requirements for these 3 committees on establishing written terms of reference etc. is the right step to ensure consistency of approach. In fact, a considerable number of issuers are already preparing precise terms of reference for their 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.**

The 3-year transition period is long enough for market to adjust to the proposed changes on Long Serving INEDs and over-boarding.