

Online Submission

The Stock Exchange of Hong Kong Limited (Exchange)

Consultation Paper on Review of Corporate Governance Code and Related Listing Rules

Consultation Paper on Review of Corporate Governance Code and Related Listing Rules

(Words and expressions used herein shall have the meanings set out under the Consultation Paper.)

Consultation Questions

Question 1 Do you agree with our proposal to introduce a new CP requiring issuers without an independent board chair to designate one INED as a Lead INED to enhance engagement with investors and shareholders? Please provide reasons for your views.

No.

It is good to have engagement with INEDs, but query whether it would be necessary to specifically have a Lead INED; designating a Lead INED could drive the engagement with independent shareholders to one specific INED to the exclusion of others.

Question 2 Regarding continuous professional development for directors, do you agree with our proposals to:

- a) Make continuous professional development mandatory for all existing directors, without specifying a minimum number of training hours?
- b) Require First-time Directors to complete a minimum of 24 hours of training within 18 months following their appointment?
- c) 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?
- d) Specify the specific topics that must be covered under the continuous professional development requirement?

Please provide reasons for your views.

Question 3 Do you agree with the proposed consequential changes to Principle C.1 and CP C.1.1 of the CG Code? Please provide reasons for your views.

For our existing directors, through a combination of expert and management briefings, in and outside of Board meetings on topics regarding the industry and governance matters, we have found our directors are kept well abreast of the issues that may concern our organisation and business. As for new directors, we follow a rigorous search and vetting process in new appointments to ensure that new directors will have the requisite experience and background for our organisation, hence, we would advocate in the importance of identifying new directors with the right background, experience and skills instead of additional training for the newly joined directors. There is no need to specify a minimum number of training hours.

A minimum of 24 hours seems excessive even for First time Directors, as some First time Directors may have a strong experience working with listed corporate boards already.

Question 4 Do you agree with our proposal to upgrade the current RBP 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? Please provide reasons for your views.

Yes. We agree with the proposal.

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? Please provide reasons for your views.

Yes. We agree with the proposal.

Question 6 In relation to our proposal to introduce a “hard cap” of six listed issuer directorships that INEDs may hold, do you agree:

a) With the hard cap to ensure that INEDs are able to devote sufficient time to carry out the work of the listed issuers?

b) With the proposed three-year transition period to implement the hard cap?

Please provide reasons for your views.

Question 7 Do you agree with the proposal to introduce a new MDR to require the nomination committee to annually assess and disclose its assessment of each director's time commitment and contribution to the board? Please provide reasons for your views.

Yes. We agree with the proposal.

Question 8 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:

a) With the proposed hard cap to strengthen board independence?

b) That a person can be re-considered as an INED of the same issuer after a two-year cooling-off period?

c) With the proposed three-year transition period in respect of the implementation of the hard cap?

Please provide reasons for your views.

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? Please provide reasons for your views.

No.

We maintain the view that independence should be a question of fact rather than a strict number rule.

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? Please provide reasons for your 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)? Please provide reasons for your views.

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? 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? Please provide reasons for your views.

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 MB Rule 13.92(2) in Appendix I? Please provide reasons for your views.

Yes. We are supportive of the proposals.

Question 15 Do you agree with our proposal to:

- a) 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; and
- b) 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?

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? Please provide reasons for your views.

Yes. We are supportive of the proposals.

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? Please provide reasons for your views.

Yes. We are supportive of the proposal.

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? Please provide reasons for your views.

Yes. We are supportive of the proposal.

Question 19 Do you agree with our proposal to codify our recommended disclosures in respect of issuers' modified auditors' opinions into the Listing Rules? Please provide reasons for your views.

Yes. We are supportive of 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? Please provide reasons for your views.

Yes. We are supportive of 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? Please provide reasons for your views.

Yes. We are supportive of 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? Please provide reasons for your views.

Yes. We are supportive of the proposed implementation date and transitional arrangements, except for the proposal relating to Long Serving INEDs.

If there are any questions, please feel free to contact the undersigned on [REDACTED] or [REDACTED].

Yours sincerely,
For and on behalf of
CLP Holdings Limited

[REDACTED]

[REDACTED]
[REDACTED]