

Submitted via Qualtrics

(Anonymous)

Company/Organisation view

Others (please specify)

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.

There are pros and cons with the proposal. Here are the reasons for our view:

Pros:

1. Enhances investor and shareholder engagement:
 - Designating a Lead INED can facilitate better communication between investors/shareholders and the board, as well as among INEDs and with other directors.
 - This can help provide investors, particularly minority shareholders, with more independent insight into the board's activities and INED performance.

2. Aligns with practices in other major jurisdictions:
 - The concept of a Lead INED has already been adopted and promoted in other leading markets like the UK, Singapore, and Australia.
 - Adopting a similar approach can help align Hong Kong's corporate governance practices with international standards.

Cons:

1. Increased time and effort

Commitment required: The Lead INED will need to dedicate substantial time to fulfill their responsibilities effectively, which may be challenging for individuals balancing multiple board roles.

Preparation for engagement: They may need to prepare for meetings with investors and stakeholders, which can be time-consuming and require comprehensive knowledge of the company's operations and governance issues.

2. Potential overlap with existing roles

Role clarity: Defining the boundaries of the Lead INED's responsibilities in relation to other board roles may lead to confusion. Ensuring that duties don't overlap with committee chairs or the board chair is essential to avoid conflicts.

3. The liability of Lead INED

Whether the lead INED has higher liability casts concerns. Although HKEX regard the lead INED has the same fiduciary duties and bear the same responsibilities in respect of the issuer on whose board they serve.

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. By not specifying a minimum, it provides flexibility for directors to meet the requirement in a way that best suits their individual needs and the company's circumstances. Some directors may require more training than others.

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. This helps ensure new directors quickly acquire the necessary knowledge and skills to be effective in their roles.

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 proposal. The definition of "First-time Directors" provided is clear and reasonable. Capturing both those new to the role as well as those who have not served on a listed issuer's board for an extended period makes sense.

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. The continuous professional development training must cover these key areas to ensure that directors maintain and develop the necessary knowledge and skills to effectively carry out their roles and responsibilities. In particular, understanding the topical issue of climate-related risk and opportunities is an important skill set for directors to reduce business risk and enhance quality of issuers' annual disclosure.

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 that. Here are the reasons for our view:

1. Enhanced competence: Mandatory CPD ensures directors stay informed about evolving market dynamics, regulatory changes, and their responsibilities.
2. Investor confidence: Well-trained directors enhance investor confidence and contribute to effective governance.

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. Here are the reasons for our view:

1. Strengthening the requirement from a RBP to a CP on a "comply or explain" basis will help drive more widespread adoption of board performance reviews across the market.
2. Mandating reviews at least every two years is a reasonable frequency that balances the need for ongoing assessment of board effectiveness with the cost and effort required to conduct such evaluations.
3. The disclosure requirements on the scope, process, findings, and planned improvement measures will enhance transparency and allow shareholders and investors to better understand the board's performance and effectiveness.

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. Here are the reasons for our view:

1. The current lack of detailed disclosures on how the combination of directors' skills, experience and diversity aligns with the company's strategic objectives and desired culture is a gap that should be addressed. The proposed requirements would enhance transparency in this area;
2. The proposed disclosures, including information on the existing skills mix, how the current board composition serves the company's purpose, strategy, and plans to acquire further skills, provide a comprehensive framework for issuers to demonstrate the alignment between their board composition and their business needs.

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. This is a reasonable approach to ensure that INEDs are able to devote sufficient time and attention to effectively carry out their responsibilities for each listed issuer they serve on the board.

A hard cap of six directorships strikes a balance - it allows INEDs to serve on multiple boards to bring diverse expertise, while ensuring they do not become "over-boarded" and unable to properly fulfill their duties.

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 that. This will allow for an orderly phasing out of over-boarded INEDs and give them sufficient time to adjust and comply with the new requirement. The three-year transition strikes a reasonable balance between addressing the over-boarding issue in a timely manner, while providing flexibility for INEDs and listed issuers to manage the changes.

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. Here are the reasons for our view:

1. This disclosure requirement is a prudent measure to enhance transparency and accountability around directors' ability to dedicate sufficient time and effort to their board duties. The nomination committee's assessment, which would consider factors like professional qualifications, external commitments, and changes in individual circumstances, will provide useful information to shareholders and other stakeholders.
2. Regular evaluation of directors' time commitment and contribution is important, as market conditions and a director's personal situation can change over time. This new MDR will help ensure that listed issuers continuously monitor and disclose whether their directors, including INEDs, are able to effectively discharge their responsibilities.

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.

We agree with the proposal. This is a reasonable measure to help maintain board independence and encourage regular board refreshment. Longer-serving INEDs can become too closely aligned with management, which could compromise their objectivity and independent oversight.

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.

We agree with the proposal. This provides a pathway for experienced INEDs to potentially return to the board after a break, while still ensuring a meaningful separation from the company during the cooling-off period.

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.

We agree with that. The proposed 3-year transition period seems appropriate to allow issuers time to plan for the change and ensure board continuity. This transition period strikes a balance between implementing the new requirements in a timely manner and providing flexibility for affected companies.

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. This enhanced disclosure will improve transparency and allow shareholders and investors to better assess the independence and composition of

the board. Knowing the tenure of each director, including any re-designations, provides useful information to evaluate the board's dynamics and renewal process.

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. This is a reasonable and practical step to promote greater gender diversity on corporate boards. The nomination committee plays a crucial role in the appointment and re-appointment of directors, as well as succession planning. Having improved gender diversity on this committee can help facilitate the development of a more diverse talent pipeline within the company. This aligns with the broader objective of enhancing boardroom diversity and reducing the risk of "group think".

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. Promoting diversity and inclusion should extend beyond just the boardroom to the wider organisation. Having a formal workforce diversity policy in place can help companies set meaningful targets and objectives to improve diversity representation at all levels. This is important for building a stronger and more inclusive talent pipeline that can feed into senior leadership positions over time.

We welcome HKEX to include information required in the said board diversity policy but would appreciate HKEX could provide sample policies adopted by other issuers.

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. Here are the reasons of our view:

1. **Enhancing Board Diversity:** Diversity in the boardroom is a critical factor in driving board performance and quality decision-making. Making the annual review of the board diversity policy a MDR will help ensure that issuers place appropriate focus on developing and implementing robust diversity policies.
2. **Strengthening Accountability:** Upgrading this requirement to a MDR will increase the accountability of issuers in terms of regularly reviewing and reporting on the implementation of their board diversity policies. This will help drive tangible progress in improving gender diversity and other forms of diversity on company boards.

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. Providing this level of granular disclosure on diversity metrics is important for improving transparency and accountability. Tracking the gender representation at the senior management level, in particular, can be a helpful indicator of an issuer's progress and commitment to building a diverse leadership pipeline. While the overall workforce gender ratio is also useful information, disaggregating this data provides a more nuanced view. This additional disclosure requirement aligns with the broader emphasis on advancing diversity across all levels of the organisation.

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. Formalising these guidelines through a specific Listing Rule provision provides clarity and consistency for issuers. The requirement to immediately announce and remedy any temporary deviations within a 3-month period is

a reasonable and pragmatic approach. This helps maintain the intended standard while also acknowledging that unexpected circumstances may sometimes lead to temporary non-compliance.

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. Emphasising the board's responsibility reinforces accountability and ensures that risk management and internal controls are prioritised. This clarity can lead to more effective governance, ultimately benefiting both the company and its shareholders.

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 also agree with the proposal. Upgrading the annual review requirement to mandatory status, and specifying the required disclosures, will enhance transparency and accountability. Investors and the market will have a clearer understanding of the processes and conclusions around the effectiveness assessments.

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. Clarifying and streamlining the drafting, while making it clear that the listed areas are not meant to be exhaustive, is a sensible approach.

Providing this guidance, along with the HKICPA's AATB 1 publication and the planned Exchange guidance, will help issuers properly design their review processes to be comprehensive and tailored to their specific circumstances.

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. Here are the reasons of our view:

1. This aligns with the objectives of improving transparency and accountability around issuers' capital management practices.
2. Importance of dividends for investors: Dividend payments are a key component of shareholder returns and a crucial input for investment decision-making. Clearer disclosure of an issuer's dividend policy and the board's decision-making rationale would enable investors to better assess the company's financial position, stability, and future prospects.
3. Promoting capital discipline: Requiring issuers to articulate the objectives and key factors underlying their dividend policy, as well as any deviations from this policy, would encourage greater capital discipline and accountability from the board.

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. Here are the reasons for our view:

1. Facilitating timely corporate actions: A clear record date will enable market intermediaries, such as exchange participants and share registrars, to take appropriate actions in a timely manner, such as processing voting instructions and shareholder instructions. This ensures the smooth and efficient execution of corporate actions.
2. Mitigating the risk of "empty voting": A short time interval between the record date and the date of the general meeting can help ensure that only persons with a genuine interest in the agenda items are eligible to vote, thereby mitigating the risk of "empty voting" by persons who have sold their shares after the record date but prior to the meeting.

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. Here are the reasons for our view:

1. Enhancing transparency and accountability:
 - The recommended disclosures provide greater transparency by requiring issuers to provide detailed information on the modifications to their auditors' opinions and the impact on their financial position.
 - This enhanced disclosure promotes greater accountability, as issuers will need to explain their position and basis on the major judgmental areas where they differ from the auditors' views.
2. Consistency and standardisation:
 - Codifying the recommended disclosures into the Listing Rules will establish a consistent and standardised approach across all issuers.
 - This will improve the comparability of information and facilitate better analysis by investors and other stakeholders.

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. Here are the reasons for our view:

1. Promoting director accountability:

By clarifying that directors are entitled to and should request additional information or seek clarification from management if the information provided is inadequate or lacks clarity, the proposal promotes director accountability.

This ensures that directors are proactive in obtaining the necessary information to fulfill their responsibilities.

2. Enhancing overall governance standard with the issuers:

It reinforces the importance of timely and high-quality information flow between management and the board, which is a fundamental principle of effective corporate governance.

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. Here are the reasons for our view:

1. Consistency and standardisation:

- Aligning the requirements across the three mandatory board committees will promote consistency and standardisation in the governance practices of issuers.
- This will help ensure a level playing field and facilitate easier understanding and comparison for investors and other stakeholders.

2. Reducing complexity and regulatory burden:

- By aligning the requirements, the proposal will help reduce the complexity and regulatory burden for issuers, as they will only need to comply with a single set of rules for these board committees.
- This can help streamline the compliance process and allow issuers to focus more on effective governance practices.

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 proposal. Here are the reasons for our view:

1. Sufficient lead time for issuers:

- The proposed implementation date of 1 January 2025 provides issuers with sufficient lead time to understand and prepare for the revised CG Code and related Listing Rules.
- This will allow issuers to make the necessary changes to their governance practices and disclosures in a well-planned and measured manner.

2. Consistency with previous reforms:

- The three-year transition period for the proposed caps on the tenure of Long Serving INEDs and overboarding is aligned with the transition period for the phasing out of single-gender boards.
- This consistency helps maintain predictability and stability in the regulatory environment, which is important for issuers and investors.