

**Submitted via Qualtrics**

**(Anonymous)**

**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?**

No

**Please provide reasons for your views.**

Such concept is not universally adopted among major stock exchanges (NYSE / NASDAQ) worldwide.

We understand from the consultation paper that the primary responsibility of the Lead INED would be to facilitate and strengthen communication: among INEDs; between INEDs and the rest of the board; and with shareholders. We believe that it is not necessary to designate a lead INED as Investors Relations team can perform the role of facilitating communication between investors / shareholders and the Board, and the Chairman can perform the role of facilitating communication between the INEDs and other directors.

Pursuant to the requirements under the existing Corporate Governance Code, the Chairman should (1) hold meetings with the independent non-executive directors without the presence of other directors at least annually, and (2) ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole. There is an overlap between the roles proposed to be performed by the Lead INED and the existing roles performed by the Chairman, and it should not be necessary to designate another Lead INED to discharge the existing roles of the Chairman.

INEDs usually act on a part time basis and may not be prepared to commit to the additional responsibilities.

Current code provisions (e.g. F2.2) are sufficient to promote communication between shareholders and the board.

**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?**

No

**Please provide reasons for your views.**

**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?**

No

**Please provide reasons for your views.**

While we generally agree with the proposal to require First-time directors to complete training for a minimum number of hours, we consider that it is sufficient for the directors to complete training for 12 hours and the number should be adjusted from 24 to 12. We believe that a minimum 12 hours of training within 18 months following a director's appointment combined with a continuous professional development requirement would be more appropriate and will not be too onerous when compared with the requirements in other major stock exchanges which may not impose a mandatory training requirement at all.

**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.**

**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.**

**Question 3**

**Do you agree with the proposed consequential changes to Principle C.1 and CP C.1.1 of the CG Code?**

No

**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.**

**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?**

No

**Please give reasons for your views.**

It is the responsibility of the board of directors to ensure that the board as a whole is equipped with the skills and knowledge to discharge the fiduciary duties owed to the listed issuer and its shareholders. Existing skills matrix should be apparent in current disclosures. Explicit disclosure on plan to acquire further skill may raise questions as to whether such skills are currently lacking or inadequate.

While executive directors are expected to have specialty and diverse experience, this should not be the expectation on INEDs, whose role should be more focused on ensuing effective corporate governance of listed issuers.

**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.**

**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.**

**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?**

No

**Please provide reasons for your views.**

The disclosure should be simply that the nomination committee has assessed and is of the view that the time commitment and contribution are adequate, without quantifying the amount of time and contribution. A director’s contribution to the board should not be measured by the amount of time devoted by the director to the company’s business. The focus should be on whether the board of directors as a whole is functioning to provide value to shareholders and it is not necessary to look at the contribution of individual directors in isolation.

**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?**

No

**Please give reasons for your views.**

Other major stock exchanges (NYSE / NASDAQ) do not impose strict tenure requirements.

While the length of service may be one of the factors when assessing independence, it is important to note that Long Serving INEDs are often able to bring unique contributions to the board and the issuer due to (i) their familiarity with the issuer’s operation and the industry environment; and (ii) their extensive experience and expertise serving as an INED. Such contributions may not be easily replaced with a newly appointed INED.

Setting an arbitrary time limit to define "long-serving" INEDs is problematic, as independence is not solely determined by tenure but instead determined on a case-by-case basis, with Rule 3.13 of the Listing Rules containing a non-exhaustive list of factors.

In view of the limited pool of available INEDs in the market, issuers have already found it increasingly difficult to identify suitable INED candidates who could fit the issuers’ existing board composition and could bring diversity to the board (taking into account a number of factors such as gender, age, cultural and educational background, or professional experience). With the proposed introduction of a ‘hard cap’ of nine years, it would be even more strenuous for issuers to maintain the composition of board with great diversity, as change of INED would become more frequent and it is questionable whether there is indeed a sufficient talent pool of INED in the market.

Current requirements under the Listing Rules (e.g. re-appointment of Long Serving INEDs subject to separate shareholders’ approval, appointment of a new INED where all the INEDs have served more than 9 years on the board) are sufficient for the purpose of safeguarding the independence of the board.

**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.**

**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.**

**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.**

**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?**

No

**Please provide reasons for your views.**

Gender of nomination committee members should not matter so long as a reasonable level of gender diversity is maintained in the Board. We note that pursuant to Rule 13.92 of the Listing Rules, the Exchange will not consider diversity to be achieved for a single gender board. Given that the proposal of a director’s appointment and re-appointment would normally be discussed on the board level in addition to committee level, we believe that the current

requirement under Rule 13.92 of the Listing Rules will be sufficient to promote gender diversity in an issuer's board.

**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.**

**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?**

No

**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.**

**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?**

No

**Please provide reasons for your views.**

**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?**

No

**Please provide reasons for your views.**

**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?**

No

**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?**

No

**Please provide reasons for your views.**

**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?**

No

**Please provide reasons for your views.**

**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.**

**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.**

**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?**

No

**Please provide reasons for your views.**

As not all directors would possess the necessary financial and accounting knowledge given the different roles and responsibilities burdened by each director, providing monthly management accounts may not add extra value to the effectiveness of the board. We believe that there should be some flexibility for the board to decide what to include in the monthly updates with reference to the actual business needs of the issuers.

**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?**

No

**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?**

Yes

**Please provide reasons for your views.**