

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.

We welcome the proposal. We have long advocated for the roles of CEO and chair to be held by separate individuals and believe boards should ideally be led by an independent, non-executive chair. On all boards, we expect a strong core of independent directors, including an appointed lead independent director if there is not an independent chair, to ensure that stakeholder interests are protected, to exercise objective judgement and, if necessary, to act as agents for change. In general, companies with combined chair/CEOs should, in the short term, appoint a lead INED with the necessary formal powers and attributes and, over the longer term, move to separate the roles. Our expectations for independent chairs and lead independent directors are set out on p.17 of our [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

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 welcome the proposal.

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 welcome the proposal. We recommend narrowing the requisite training formats to more formal, structured ones.

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 welcome the proposal.

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.

Topics should cover: Corporate governance, director duties, capital allocation and financial literacy, and where relevant deep-dive on climate change and biodiversity, human rights, human capital management, and data governance and cyber security. In addition, topics should cover relevant areas which are specific to company and its sector.

We have learnt through engagement with issuers from other markets that there is value in providing targeted training to directors. Ideally these training would be provided by specialists in a continual manner. It is imperative for boards to possess adequate knowledge to understand and challenge companies' exposure to the rapidly evolving topics mentioned above, and

address shareholder concerns appropriately with regards to the risks and opportunities related to these topics.

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 support the proposal.

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 welcome the proposal to upgrade the current RBP to a CP. In addition, we recommend that individual directors' performance is evaluated by independent providers every three years. This approach is becoming a common practice in some other markets. We expect disclosure of the result and recommendations by the assessing party. Though for the avoidance of doubt we do not expect individual director appraisals to be made public.

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 welcome the proposal and encourage issuers to disclose identified gaps in board skills, which should be accompanied by the board's reflection on actionable plans for further training and board recruitment.

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 expect board directors to be able to devote sufficient time to fulfil their duties, including to build and maintain a good understanding of the company and to fully absorb and be able to challenge the information presented to them by management. As a broad guideline, directors should generally not hold more than five directorships at distinct publicly listed companies and, in this context, we consider a non-executive chair role to be roughly equivalent to two directorships and, at complex companies, other committee chair roles, in particular the chair of the audit and risk committee, may be considered more burdensome than a typical non-executive directorship.

We expect companies to encourage their executives to take on a non-executive role (but not normally more than one) outside their own company to assist in their development, bring current experience to boards and to build a pipeline of future board directors.

We do not believe in a “hard” cap. In instances which board does not wish to comply with this guideline, we would expect the board to explain its rationale.

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 recognize the need for a smooth transition and recognize that a three-year transition period and possibly longer may be required in specific cases. Still, we would encourage the change to take place as soon as practicable.

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 welcome the proposal. Justifications should be provided with regards to directors who did not attend at least 75% of meetings in the reporting period. Boilerplate language around each director's contribution such as "accounting expertise", "strategy" should be discouraged in disclosures.

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.

As note in our response to question 9., we support disclosure that includes the length of tenure of each director. In general, based on our experience in engaging with many different company boards globally, there is a risk that the longer an INED's tenure the less likely they will act independently. Whilst somewhat arbitrary, nine years has been put forward by different corporate governance guidelines as a 'cap'. As a general guideline therefore, we agree that INEDs with more than nine years tenure should not be viewed as independent. However, we recognise that the specific case of each INED and how the INED fits into the overall board composition is unique. Indeed, a long tenure INED can still act independently and contribute to the board and its decisions. As such, we would ask a board to provide a credible rationale for why a specific INED's tenure is greater than nine years.

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 are not in favour of the proposed cooling-off period. A two-year period is too short for long serving INEDs to be reconsidered as independent. We do not see returning directors as a good practice. We expect a healthy mixture of tenures on boards, supported by regular board refreshment. We consider the overall composition of boards and recognise the value that long-serving directors can contribute. However, too many directors serving concurrently can increase the risk of groupthink and complacency. Boards should consider

tenure overlaps and alignment with company strategy when planning ahead for board refreshment and seek to ensure a smooth succession process.

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.

Should the decision be made for an INED to leave the board due to lack of independence or board mix then whilst we recognize the need for a smooth transition, we believe the three-year transition period is too long and would encourage the change to take place as soon as practicable.

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 as it provides more transparency to investors to evaluate the experience and independence of individual board members and the board composition as a whole.

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 support the proposal. In addition, in general we expect boards in most Asian markets to be comprised of at least 20% women, with a medium-term target of 30% by 2030. This is in line with our global support for initiatives like The 30% Club (<https://30percentclub.org/>), which advocate for companies to achieve a minimum of 30% female representation on boards and in leadership populations. Our rationale is that it is unlikely a company has an appropriate board composition, with an impact on company performance, should the board not have a proportionate number of board members from a specific gender.

As a signatory of the Hong Kong Board Diversity Initiative and as a member of the 30% Club, we support the 30% Club Hong Kong campaign to increase the percentage of women directors on company boards to 30% by 2030 for all companies in the Hang Seng Index. Japan, Taiwan, and Malaysia have already adopted at least 30% as a threshold for gender diversity. We encourage Hong Kong issuers to set long-term goals rather than stopping at the minimum level.

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 welcome the proposal. We believe most companies need to improve their diversity towards representation of all groups throughout all roles and levels and that it creates enduring value by improving decision-making, attracting talent, enhancing workforce satisfaction, and stimulating insight and innovation. We expect boards not only to address their own diversity, but that of the whole organisation and its impacts on stakeholders; and to provide meaningful disclosure assessing progress against complex challenges.

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 support the proposal. We will hold boards accountable for more effective oversight of inclusive culture and diversity across all levels of the company's workforce and effects on the ecosystem upon which the company's long-term health depends, including suppliers, customers and communities. We believe that an optimal diversity, equity and inclusion strategy will benefit company performance. When developing director voting recommendations, we will take into account a range of considerations. From a workforce perspective, these may include, but are not limited to, diversity of named executive officers, senior executive team members and talent pipeline; the existence of a thoughtful diversity, equity and inclusion strategy, targets and action plan rooted in rigorous analysis of underlying problems that incorporates employee

survey data; and a board-driven process for evaluating management's inclusion performance and issues surrounding all strands of diversity across the employee lifecycle.

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 welcome the proposal. We also encourage the disclosure of gaps identified and corresponding action plans. In each case, we propose that the board explains the rationale behind its current position and future plans.

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 support the proposal. We welcome the rule for boards to re-comply within a certain time period. However, three months is likely to be too short. We believe a six-month period for appointing appropriate candidates to the board would be more reasonable.

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 welcome the proposal. It is also fundamental that each company reports in a way that allows investors to understand the main risks that the board has identified for the business, along with how the company manages and mitigates them. This includes governance, financial, strategic (including environmental and social) risks and opportunities.

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 welcome the proposal.

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 welcome the proposal.

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 support the proposal as it would mandate companies to provide clearer guidance on their dividend policy, which shows their approach to shareholder return. We appreciate that the proposals also require further explanation of what other efforts one intends to make to enhance investor returns for those not declaring dividends (as covered under the proposal 158.(b)) to protect minority shareholders from any potential misallocation of capital.

We expect boards to consider and disclose capital allocation policy in the context of a company's purpose and long-term strategy. We are concerned that buybacks and similar diversions from re-investment in key stakeholders may be chosen to improve the share price or other related metrics over the short-term but are not always the best use of capital to support the creation of long-term, sustainable returns. In addition, we encourage issuers to provide an analysis and rationale behind the dividend policy and decisions, tailored to its unique financial position and plans.

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 welcome 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?

Yes

Please provide reasons for your views.

We support the proposal and encourage more transparency when there is a modified auditor opinion.

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 welcome 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?

Yes

Please provide reasons for your views.

We welcome 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?

Yes

Please provide reasons for your views.

We welcome the proposed implementation date. We recognize the need for a smooth transition, but we believe the three-year transition period is too long and would encourage the change to take place as soon as practicable.