香港保險業聯會
The Hong Kong Federation of Insurers

August 2024

Dear Sir/Madam,

Feedback to Consultation on

Review of Corporate Governance Code and Related Listing Rules by HKEX

The Hong Kong Federation of Insurers (HKFI) represents close to 140 authorized insurance companies in Hong Kong. Collectively, our members underwrite over 90% of the gross written premiums in the market. As the representative body of insurance industry in Hong Kong, the HKFI has proactively acted as the voice of our sector, and has been committed to promoting best practices in corporate governance among our members. We appreciate HKEX's efforts to enhance the Corporate Governance (CG) Code and its contribution in enhancing the competitiveness of Hong Kong as a whole.

With regard to the consultation above, we are generally supportive of making refinements to the CG Code with an aim to improve board effectiveness, fortify board independence, among others. While we agree with the majority of proposed amendments, some of our members do raise concerns over the practicality, implementation or effectiveness of certain changes, in particular the suggested requirements on INEDs.

Our detailed feedback, deriving from our member companies, is provided in the enclosure for your perusal.

We appreciate this opportunity to participate in the consultation. In view of the potential significant impacts of these proposed changes on our industry, we earnestly hope that our feedback may assist HKEX in refining the CG Code and related Listing Rules and that the HKEX would take into account the views and concerns outlined in the enclosure.

Should there be anything that is of our assistance, please feel free to contact us. We stand ready to further discuss if necessary.

Regards,

The Hong Kong Federation of Insurers

Enclosure

Consultation on Review of Corporate Governance Code and Related Listing Rules by HKEX

Consolidated Response from HKFI

(A) Board Effectiveness				
Questions	**YES***		**NO***	
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?	6	➢ It will increase the cost in operation. However, alternative is allowed in para 34. ➢ Being dual primary listed on the London and Hong Kong stock exchanges, we fully support the proposal as it aligns with the UK practice, where similar roles have proven effective in enhancing board independence and effectiveness.	4	➢ We do not agree with the proposal of designation of one INED as a Lead INED (for the board without an independent board chair) to ensure engagement with investors and shareholders. ➢ There is no such requirement under the Guideline on Corporate Governance of Authorized Insurers (GL10). It is adopted under codes of corporate governance of UK, Australia and Singapore but it is not a regulatory requirement in US. ➢ In general, the Lead INED's responsibilities are (a) to lead the board in situations where the Chair is conflicted; (b) to act as a counterbalance to the Chair; and (c) to be available to (minority) shareholders if they have concerns that cannot be resolved through the normal channels. For insurers that are not listed companies, the above item (c) is not a concern. To tackle conflict issue relating to / arising from the Chair, provisions 5.4 and 6.3 of GL10 stipulate ways to clear and address that. Under provision 5.4, the Chair should not be the chief executive or the appointed actuary of the insurer and preferably not serve a chair of any board committee. Per provision 6.3 of GL10, any possible conflicts should be effectively managed by clear and well defined procedures such as disclosure to the board, abstention and prior approval by the board or shareholders. Furthermore, one-third of an insurer's board members must be INEDs who must uphold fiduciary duties under common laws.

				➢ All INEDs bear equal responsibility as the basic principle that INEDs must serve on the board with independent perspective towards protecting the long-term interests of the company and all shareholders. Designation of a Lead INED could affect the other INEDs' perception of their roles, responsibilities and weighting of their opinion, and in turn their desire and motivation to perform. ➢ Given the above, designation of one INED as a Lead INED in a Hong Kong insurer's board seems not necessary for the time being. ➢ Disagree as we consider the existing arrangement does allow INEDs to have direct dialogue to the board and also allow them to provide direct feedback to the board chair. Having the new Lead INED role won't make a huge difference. INEDs won't be a full time engagement as well and may not have sufficient time to engage investors and shareholders. ➢ We disagree with the proposal to require issuers to designate one independent INED as a Lead INED to enhance engagement with investors and shareholders. As per paragraph 26 of the Consultation Paper, the responsibility of the Lead INED is "*to facilitate and strengthen communication: among INEDs; between INEDs and the rest of the board; and with shareholders.*" From our observations, we are unaware of concerns from shareholders on their difficulties to communicate or raise concerns with issuers. It is unclear how the introduction of a Lead INED would materially strengthen communications between shareholders and the issuer.

				On the other hand, we do see this proposal to increase compliance cost of issuers (in financial terms; administrative burden; and increase structure complexity). Currently, many issuers already have developed channels to promote communications with investors which includes sharing of shareholder issues or concerns. In addition, it is compulsory for all NEDs to attend general meetings which acts as a forum for obtaining the views of investors and communicating with them. According to paragraph 28 of the Consulting Paper, the "*Lead INED designation is not intended to create a separate or higher level of responsibility of liability relative to other INEDs on the board. All directors would still be subject to the same fiduciary duties and bear the same responsibilities in respect of the issuer on whose board they serve."* This would appear to be contradictory to the proposed added responsibilities of the Lead INED, where with the added responsibilities there are bound to be extra time and effort devoted to the board that is expected from the Lead INED as compared with other INEDs. This naturally will lead to higher compensation as per requested by the Lead INED and hence higher compliance cost. One of the benefits of having multiple INEDs on a board is to bring a spread of opinions and views to the table. Appointment of a Lead INED may cause the opinions and views to become imbalanced and biased. According to paragraph 30 of the Consulting Paper, "*the role of Lead INED is also not intended to duplicate other*

				existing board roles". However, under the current CG Code, there are similar responsibilities of the board chair as that proposed for the Lead INED on communication between different parties. Referring to Code Provision C.2 on requirements for chairman and chief executives, the overlapping of responsibilities between Lead INED and the Chair includes C2.8 requires the Chair to take appropriate steps to "*provide effective communication with shareholders and that their views are communicated to the board as a whole"; C2.9 requires the Chair to "promote a culture of openness and debate by facilitating the effective contribution of non-executive director in particular and ensuring constructive relations between executive and non-executive directors."*. With the proposed responsibilities of the Lead INED overlapping with that of the existing responsibilities of the Chair under Code Provision C.2, it is unclear how these are to be segregated and how they may differ from one another. We see potential misleading messages may arise and unintended outcomes to result as a consequent of this. Given the additional costs involved in the appointment of a Lead INED, if the value added from the Lead INED is not substantial, the proposal for a Lead INED would seem to be unjustifiable. Practically, the pool of high-quality INED candidates in Hong Kong is quite limited. It is questionable the number of these candidates willing to assume additional role of a Lead INED and devoting more time than currently required to the board. On the other hand, if issuers are forced to appoint a less capable candidate as Lead INED due to lack of high-quality candidates, it will risk not achieving the intended benefits of the mandatory requirement of a Lead INED.

				Comparing with other jurisdictions, it is noted that New York Stock Exchange ("NYSE") and the National Association of Securities Dealers Automated Quotations ("NASDAQ") both do not have requirement for issuers to appoint Lead INED. For UK, the requirement for Lead INED is on a "comply or explain" basis. However, there are fundamental differences in the shareholding profile of those issuers in UK as compare with those of Hong Kong. In UK, the shareholders are often more widely spread with few issuers with majority shareholders. On the other hand, Hong Kong issuers often have majority shareholders, hence rendering the need to Lead INED unnecessary. If the HKEX must put through this proposal, we strongly suggest that this should be a Recommended Best Practice ("RBP") and not a Code Provision.
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?	9	➢ Agreed. According to point 6.4(c) of GL 10, existing directors and the chief executive should be provided with appropriate training so that they are kept abreast of, amongst other things, the legislative and market developments. However, it's not recommended to specify a minimum number of training hours as that depends on the experience, qualifications and caliber of different directors. ➢ We support the proposal to make continuous professional development mandatory for directors without specifying a minimum number of training hours. This	1	➢ While we support the requirement for continuous professional development ("CPD"), we do not support the specification of areas that must be covered. The needs of each director would be different depending on their background, knowledge and experience. It would also differ for INEDs of issuers of varying business nature. Therefore, it would appear this may be too prescriptive.

		approach allows issuers the flexibility to design and implement training programs that are relevant and beneficial to their directors' roles and responsibilities, without the constraints of a rigid framework. ➢ Agree as this would help existing directors to keep abreast of the latest regulatory developments to ensure they can properly discharge their role and duties.		
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?	4	➢ Suggest providing some flexibility on para 43 e.g. the hours of training can carry forward to subsequent directorship if it is appointed within 18 months from the cease of its first-time directorship. However, it has to be completed within the remaining periods of the original 18 months directorship. i.e. first directorship ended in the 8th month and 10 hours training completed, thus he/she has to complete the remaining 14 hours in 10 months from the start of the next first-time directorship.	5	➢ It is because the number of training hours required depends on the experience, qualifications and caliber of different directors and may vary from person to person. Adoption of a rule-based approach in this regard may make it to a box ticking exercise without real values added to the corporate governance of the insurer. ➢ We note that paragraph 57 in the Consultation Paper states that the 24 hours of training to be completed by First-time Directors (as defined in the Consultation Paper) are separate from, and in addition to, the general induction training to be provided by an issuer to newly appointed directors. In our view, whilst 24 hours of training may be a reasonable amount of training to expect a new director to undertake in the first 18 months following their appointment, issuers should be given more flexibility to determine the areas of training that are most relevant for the individual director. It may be difficult for issuers to develop 24 hours of training on the topics specified in paragraph 47 that is pertinent for the

				individual director. For example, in our experience from many years of briefing directors on the Hong Kong laws and the requirements under the Hong Kong Listing Rules that are applicable to them as a director of a listed issuer takes no more than 5 hours. Therefore, we recommend that the 24-hour training requirement be integrated with the general induction training that issuers provide to new directors, which will include familiarization with the organization and its business as well as the areas set out in paragraph 47. ➢ Agree to have training for first-time directors but 24 hours may create a heavy burden. We would counter-propose the minimum hours to be 10 hours. ➢ In our view, it is acceptable that induction training be included as part of the onboarding process for First-time Directors. However, we would see this as overly prescriptive if a minimum of 24 hours of training is imposed on them within the first 18 months following appointment. Now, First-time Directors would come from a diverse background with varying degree of experience, skills and knowledge that are relevant for the board they are serving. For some who are well versed on the requirements of a director and possesses the necessary skills and experience, they may find this requirement to be extremely onerous. The initial hours of training require for these directors may be much lower than those with less experience and knowledge. Therefore, it should not be a one-size fits all but the training hours and

				needs of First-time Directors should be more tailored to the individual needs of each First-time Director. With a small pool of directors who are well suited to be directors of insurers, this may repel away those high-quality persons to join the board of insurers. It is noted that the 24 hours of induction training requirement is on top of the existing induction training that may be provided by the issuer. The induction training provided by the issuer would normally be much more tailored to the individual needs of the First-time Directors and hence would be considered to be more useful. Hence, the need for an additional 24 hours of training would be unwarranted as the marginal improvement for the First-time Directors is likely to be minimal. Comparing with other jurisdictions, according to the Singapore Exchange Limited's ("SGX") listing rules, directors without prior experience as a director of an SGX-listed company are required to undergo training. However, this is not required if, in the view of the nominating committee, the director possesses other relevant experience. This exemption recognizes the unique skillset and experience of each First-time Director and that the 24 training hours on prescribed topics may not be necessary for some. Turning to Australia, Australia Stock Exchange ("ASX") corporate governance rules require issuers to offer induction training to their new directors but does not set a minimum duration*. Similar to Singapore, they recognize the unique skills, knowledge and experience of different directors and *"if a director is not familiar with the legal framework that governs the entity, the entity's*

				induction program should include training on their legal duties and responsibilities under the key legislation governing the entity and the listing rules". Australian issuers have the flexibility in designing their own induction training program tailored to the needs of individual directors, focus on specific operational and regulatory areas that are relevant to company's business taking into account prior experience and knowledge of the new director. This flexibility ensures the induction training would not be redundant and remains useful and relevant for the new directors. We would propose that training for First-time directors to be in the form of a recommended best practices, rather than a Listing Rule requirement, to provide greater flexibility to individual issuers. There should also be no fixed minimum hours of induction training required. ** See Recommendation 2.6 under the Australia CG Code at: https://www.asx.com.au/documents/regulation/cgc-principles-and-recommendations-fourth-edn.pdf*
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	6	➢ Agree as the definition sounds reasonable and fair.	2	➢ We disagree with the proposed definition of First-time directors as directors who 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. Comparing with other jurisdictions, the SGX defined First-time director as a director with no prior experience in being a director of an SGX issuer. We consider this to be a more suitable definition. Although director-related rules and regulations may have been updated during the

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?				three or more year period when the person has not served as a director of any issuer, we cannot simply disregard the experience, knowledge and skills the person had gained during the time he/she was a director in the past. As such, the CPD required for these directors should be very much different to those of First-time directors. It should be more tailored to the specific director to fill in the knowledge gap since his/her last tenure as a director.
Other comment:	➢ We support the principle that directors with less experience may require more comprehensive training compared to seasoned counterparts. However, we advocate for issuers to have the flexibility to design induction programs that are specifically tailored to the individual experience and background of each director.			
<u>Question 2(d)</u> 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?	4		6	➢ Again, it is depends on the experience, qualifications and caliber of different directors that should be determined by each insurer with flexibility allowed. ➢ We believe issuers and their boards should have the flexibility to determine the scope of the mandatory training. Every year, as part of the board effectiveness review, each of our directors will be asked about their training needs. This approach ensures that the training is relevant and tailored to the issuer's specific circumstances and requirements as well as the director's specific needs. Additionally, recognizing that core topics such as the roles of the board and directors' duties do not change significantly from year to year, issuers may struggle to find new topics to cover annually, and may be exposed to a risk of becoming a mere "check-the-box" exercise.

				➢ Disagree and we suggest to allow more flexibility and not to specify the training topics in view of differences in business nature of the listed companies. Especially the related training needs to be conducted on an annual basis. ➢ We disagree with an overly prescriptive rules-based approach to CPD. The development area would be different for each director and the industry which they serve in. An overly prescriptive list of CPD topics for directors to undertake will lead to a rigid curriculum that becomes a tick-box only but not true value adding for the directors. The CPD approach should be more principle based with flexibility for directors to ensure the trainings are relevant to the needs of each individual director and the issuer that they serve. Not only are experience, skills and knowledge of each director different, issuers of HKEX are also unique. They may differ in industry, size, management style or background. The diverse characteristics of each issuer would mean the training topics relevant to their directors are likely to differ greatly. Therefore, it is important sufficient flexibility to be allowed in relation to the CPD topics such that the CPD hours are well spent on areas that will truly enhance their knowledge and add value to their contribution to the board. In relation to the proposed topics, we note that some of them are unlikely to be updated regularly. Annual refresher training on these topics may not be useful for

				directors and not good use of their time. In particular, for those topics that are related to the relevant rules and regulations which are applicable to them and have not been changed during the period, annual refresher training may be too onerous. Comparing with other jurisdictions, we note that both ASX and NYSE both do not have mandate CPD topics for all directors. Flexibility are given to issuers in relation to the CPD topics that they deem to be more relevant and appropriate to their directors. Overall, while we note that there are some degree of flexibilities provided (e.g. format of the training), we opine that a mandatory training list of topics for directors are too restrictive and does not provide sufficient flexibilities for the CPD topics to be tailored for the needs to each individual. It would not be good use of issuers' time to facilitate these trainings that may not be useful and also not good use of directors' time to attend these trainings.
Question 3 Do you agree with the proposed consequential changes to Principle C.1 and CP C.1.1 of the CG Code?	6	➢ Agree for consistency purpose.	2	➢ Point 6.4(c) of GL 10 also specify the related requirement sufficiently. ➢ Please see comments on question 2 above (in blue).
Question 4 Do you agree with our proposal to upgrade the	8	➢ Agreed. Conducting regular board performance reviews for every two years encourages high performance by individual	1	➢ We disagree the proposal to upgrade the current RBP to a CP requiring board performance reviews at least every two years and make disclosure as set out in CP B.1.4. 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?		directors so as to better support the company. ➢ Agree as regular board performance reviews would enhance board effectiveness. Guidance should be provided for easy reference.		current practice of including this in the RBP is working and there does not appear to be a need to make a change. Comparing with other jurisdictions, we do see there may be need to enhance the requirements for formal evaluation. Corporate governance code for Australia, Singapore, UK and NYSE provides greater details on the subjects for board performance reviews. This includes coverage of the review (e.g. include board committees or not, includes individual evaluation or not); and who is responsible for conducting the review. In addition, we opine that external reviews should not be made mandatory. External board reviews are only required for larger issuers in the FTSE 350 for the UK, while for self-evaluation is sufficient for NYSE. Imposing this on smaller issuers may become onerous for them.
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?	7	➢ Agreed. Identifying and maintaining the board skills matrix could reduce the performance gaps of individual directors and facilitate board diversity. ➢ Agree as this would improve the board effectiveness in reviewing the skills and experience required.	3	➢ While we appreciate the intention behind this proposal is to enhance transparency and board effectiveness, we would question whether the proposal will have the desired effect. Specifically, by requiring too much detailed public disclosure, some directors may become overly sensitive about which skills boxes they tick, potentially resulting in less realistic assessments which could undermine the value of the skills matrix as a tool to support the board or nomination committee. ➢ We disagree with this proposal which would appear to be rigid and may not be able to cater for the diverse mix of issuers.

				Currently, stakeholders already have access to the profiles of the directors. With changing business environment, a snapshot of the skills matrix at any point in time is unlikely to add new values to the information stakeholders already have on the directors and their ability to serve the issuer in face of changing industry trends and issuer's goals. Furthermore, the experience of directors is currently required to be disclosed upon nomination. We note that many issuers also disclose the profile of directors in their annual report. Further disclosures on the skills of all directors (based on the skills matrix) may not have much contribution. Each issuer would have its unique needs for board members depending on its size, industry and other idiosyncratic features. As a result, the skillset of a board may be diverse and not necessarily common across all issuers. In fact, some may require specific technical skills such as chair of audit committee. There are other qualities of the board that cannot be grouped into a simple skills matrix which are equally important in performing its duties. As an example, the character of individual directors (whether they will challenge the existing management) and their personality. These attributes of directors are not as easily measurable as the number of years of experience the director may have. The value added from this proposal is questionable and would only fall into a box-ticking checklist for issuers. Rather than proposing this as a new CP, issuers should have flexibility to decide whether they think it is value

				adding for stakeholder to disclose such skills matrix. For example, during (re) election of directors, this may be more relevant to shareholders. However, this may not always be true. Hence, it should be up to individual issuers to decide. As per paragraph 78 of the Consulting Paper, the proposed disclosures reflect HKEX expectation that the "*issuer's assessment of the board skills matrix should focus on the alignment of skills and experience with the issuer's strategic objectives and desired culture…"*. This may at times be conflicting with the roles of NEDs and in particular, INEDs. One of the many responsibilities of NEDs and INEDs is to review the strategies of the issuer and the monitor its performance. They would need to challenge the strategic objectives of the issuer as necessary. Misalignment between the skills and experience of the board with the issuer's strategic objectives and desired culture may not necessarily be an impediment to the issuer's ability to achieve its goals. As such, based on the reasons mentioned above, we opine that disclosure of a skills matrix should not be a CP.
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	7	➢ Agreed. Holding too many directorships may lead to ineffective performance of directors as they may run the risk of not having sufficient time or capacity to contribute effectively to the work of each board. ➢ We agree with the proposal to introduce a 'hard cap' of six listed issuer directorships	3	➢ Disagree and we suggest to keep the existing approach to make declaration if the directorships exceed six. ➢ In principle, we agree that a cap on the number of issuer directorships an INED may hold would increase the chance of them to devote greater time to the issuer that they serve. However, we oppose to the proposed "hard cap" of six directorships.

sufficient time to carry out the work of the listed issuers?		for INEDs. This measure ensures that INEDs can dedicate time and attention to each of their directorial roles.		The cap on the number of directorships an INED may hold before he/she is unable to sufficiently serve an issuer will differ depending on the quality of the INED and the type of issuer he/she is serving. This may include the nature and size of the issuers; the complexity of the issuer; whether the INED is on any committees; the responsibilities of the INED for each issuer; the amount of time devoted to each issuer; the experience, skills and age of the director; and other commitments of the INED. Comparing with issuers from other jurisdictions, we note that the maximum number of directorship appointments differ. Exxomobil only emphasize directors should devote sufficient time to the company without putting a cap on number of concurrent directorships. On the other hand, Apple Inc has imposed a limit of five concurrent directorships and JP Morgan Chase and Nvidia imposed a limit of four. One would expect the time required from an INED would be greater the more complex the company is. For Singapore and Australia, there are no hard caps on the maximum number of directorships for INEDs. On the other hand, they recommend the assessment prior to appointment should include the suitability of the INEDs and requires disclosure of their other directorships. The different style employed by various issuers in managing concurrent directorships indicate a “hard cap” is not suitable. Each issuer should have the freedom to determine what is the most suitable cap (if any) to apply to each individual INED. The assessment should include the factors abovementioned. Commitments of an INED outside of their directorship with the issuer is one of the factors that would impact their

				ability to serve on multiple boards. For example, INEDs with only directorship commitments for small and less complicated issuers may have sufficient time and capability to sit on more than 6 boards. Similar to other jurisdictions, we opine that no mandatory hard cap should be placed on INED and each issuer should have the flexibility to assess the suitable criteria themselves. On a separate note, we should appreciate the benefits that multiple directorships of INEDs could bring to the board. They would have the ability to observe the best practices employed by different issuers and provide greater insights to the board on areas including corporate governance practices. This new perspective and ideas provide stimulus for the issuer to enhance their management. Therefore, we opine that as long as the INED is continuing to devote sufficient time to each of the issuer in which he/she is holding directorship with and able to discharge their duties without adversely impacting any other issuer, there should not be a hard core limit placed on them.
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	5	➢ Agreed. It is reasonable to require companies to fulfill the new requirements in a three-year transition period.	3	➢ Disagree and we suggest to allow a longer transition period, e.g. 5 years, in view of the limited number of INEDs available in the market. ➢ We disagree a three-year transition period is sufficient. As the pool of suitably qualified INEDs is not big, this "hard cap" will only cause the pool to become even smaller. For

period to implement the hard cap?				some issuers where this limit places greater impact on them, it may be difficult to identify and requisite these qualified INEDs that suits them.
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?	4	➢ Agree as this would safeguard high quality decision-making on the board.	4	➢ It has proposed to review the board's performance as a whole at least every two years and disclose the details. It can ensure the board work effectively. ➢ Review of board performance already covers / reflects the commitment and contribution of directors to the board. It is not necessary to go down to individual level. ➢ The evaluation of directors' time commitment is not very meaningful. Also, there is a lack of objective criteria for evaluating directors' contribution to the board. ➢ Whether a director is making large positive contribution to the board is not purely dependent on the time commitment it provides to the issuer. It should be determined on a case-by-case bases by the nomination committee based on a range of factors that is suited for that particular issuer. Currently, there are requirements that requires each director to act in the best interest of the issuer and its shareholders. They are required to devote an appropriate amount of time and attention to their duties.

				We therefore opine that if HKEX continues with this proposal topic on assessment by the nomination committee, it should be in the form of an RBP and not MDR.

(B) Independence of INEDS				
Questions	**YES***		**NO***	
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?	4	➢ Suggest considering to relieve para 105 by not continue the INED's tenure if the companies within the same group as the issuer but in different industries. ➢ Agree as this would strengthen the independent voice and improve board diversity and quality.	6	➢ We do not agree with the proposed Hard Cap of 9 years to strengthen board independence. ➢ Although there is no requirement similar to the Hard Cap of 9 years under GL10, the Insurance Authority of Hong Kong, on a principal-based approach, has already stated it clearly in provision 4.2 (d) of GL10 about relevant requirements for ensuring INED independence, which are very holistic and pragmatic. It is understood that tenure limit is not the only way or a substitute for robust criteria and processes for assessing and ensuring independence of directors. GL10 has already instituted a workable and effective mechanism in this regard. ➢ The Hard Cap of 9 years is not an international standard. Although it is recently adopted by the Singapore Exchange, it is NOT a mandatory requirement in the UK, Australia and even USA. ➢ The candidate pool of competent and experienced INEDs for Hong Kong insurance industry is very limit. It would be severely difficult for insurers to replace their long-serving INEDs if the proposed Hard Cap of 9 years is adopted. It's likely that, for complying with the proposed Hard Cap of 9 years, (a) some insurers may be forced to appoint less-qualified INEDs; or (b) some

				INEDs may simply move from one board to another when their nine years is up, or are rotated among related companies and deemed to be still technically independent. The purpose of having the Hard Cap of 9 years would then be defeated without improving the insurers' corporate governance and/or quality of their board. The proposal may also impose a disproportionate burden on Hong Kong insurers. ➢ Legally INEDs uphold fiduciary duties expected of all board members with their relatively detached position allowing more open questioning and evaluation of executive actions of the company. Therefore, in selecting optimal INEDs, various factors including diverse and complementary skills matrix balancing the board's needs, relevant experience and wisdom to contribute meaningfully, track record displaying ethics, accountability and fiduciary responsibility, among them, independence characteristics (& independent mindset) is the essential factor. This factor is definitely relating to a person's personality and character, rather than his/her length of service. ➢ Given the above, the right balance must be struck between the proposed objectives (to achieve) and the need to avoid possible negative impacts to insurers' operations. We are of the view that the scales tilt in favor of the status quo. ➢ We do not agree with the proposed implementation of a hard cap. Instead, we consider that independence should be determined by the board of the issuer, with length of service being one factor to be considered. If necessary, the Listing Rules could set a rebuttable presumption that INEDs will not be independent after nine years, but leave it open for boards to reach a view

				that an individual director is still independent after such time. This is in line with the approach in the UK. By way of a case study, in 2022 the Board of Prudential plc sought to extend the tenure of its Senior Independent Director (SID) beyond nine years. The Nomination Committee and the Board considered that given the significant transition the Board was undergoing at the time, and the average tenure of the Non-executive Directors being just over three years, it was in the best interest of the Company to retain the SID for one additional year in order for the Board to benefit from the stability and continuity of knowledge and experience. The Nomination Committee and the Board satisfied themselves that that the SID remained independent in character and judgement. The Chair consulted extensively the Company's major investors, who were supportive of the proposed extension, and the SID's re-election received 96.65 % vote in favor. The flexibility of the UK regime enabled an extension of the SID's tenure, which would not have been possible under the HKEX's proposal. ➢ We agree with this proposal in general. We recognize the purpose of the "hard cap" to ensure the independence and objectivity of INEDs. However, considering the diversity of situations across different companies and individual INEDs, we suggest retaining a certain degree of flexibility in the implementation. For example, we propose that under certain prerequisite conditions, the regulator can make appropriate exceptions to the 9-year term limit upon application by

				individual companies. Through this case-by-case evaluation approach, we can uphold the overall principle of INED independence, while also accommodating the practical needs of different companies to retain suitable INEDs. ➢ We do not agree that purely the length of tenure would impact the INEDs independence, hence we do not agree with the proposed hard cap on the tenure of INEDs to strengthen board independence. In fact, experience and knowledge is enhanced throughout the tenure which would be of greater benefits to the issuer. Take the insurance industry as an example, an insurance cycle going through the peak and trough may last for six to ten years. An INED who issuers are forced to terminate the directorship due to the hard cap of nine years would not have gone through one full insurance cycle with the issuer. Longer-serving directors have valuable insights about the issuer's business, operations, history, policies and objectives. They also have greater knowledge about the industry. Tenure limits are not in the best interests of the issuer, and instead nomination committee should review the current capability, contribution and independence of each director in nominating candidates for re-election. For large and complex issuers, significant time and resources would have been devoted in training the INED and to bring the INED up to speed with the business operations of the issuer. For First-time INEDs, greater effort and resources would have been spent to get them familiarized with various rules and regulations required from them. Getting INEDs to be

				familiar with the operations of the issuer (particular those that are large and complex) may take a number of years. After which, INEDs would be in a better position to challenge the business strategies and the board. They would also be able to provide better insights at time when they are needed most. We do not think it would be beneficial to the issuer for INEDs to be terminated soon after they are familiar with the business. Since the establishment of the Insurance Authority, there are more and more responsibilities being placed on the board. It is our understanding that the Guideline on Corporate Governance will be updated which may place even greater responsibilities on the board. The time it requires for INED to become familiarize with the regulations and guidelines may lengthen. Hence, an experienced INED with vast knowledge and experience will greatly contribute to the board which they are familiar with. If hard cap is placed on these valuable INEDs, their contributions to the board will be limited as once they are familiarized with the business operation of the issuer, they are forced to resign. Comparing with other jurisdiction, we noted that there is no hard cap imposed for issuers on NYSE, NASDAQ and LSX. In relation to the practice of some issuers in these jurisdictions, we noted that the practice varies and many do not have hard cap being placed on the tenure of its INEDs. In fact, some state that the benefits reaped from directors who have in-depth understanding of the issuer are greater. For those with caps, they are being place on the average tenure of all INEDs rather than individual INED.

				For Hong Kong, guidelines are already in place on independence of INEDs and requirement for separate shareholder resolution to approve the appointment of any INEDs who have served on the board for more than 9 years. The nomination committee currently are required to assess the independence of the candidate before a recommendation is made. Therefore, if shareholders view the INED is unable to discharge his/her duties impartially, then they have the right to vote against the appointment. The Consultation Paper states that there are approximately 1,500 long serving INEDs. These would need to be replaced if the proposal is passed. With the lack of suitably qualified INEDs in the Hong Kong market, this will be a challenge for the issuers to identify suitable replacements in a timely manner. It will likely to adversely impact the development of the issuers and the overall quality of the board. We view that appointment of INEDs should be assessed by their competence and independence which is not the equivalent of the tenure they served. The Consultation Paper quoted two examples of institutional investors who have concerns on long serving INEDs. Both Glass Lewis and BlackRock advise that directors should be classified as non-independent after 12 years or longer of service. This is different to the proposal made of 9 years. We would like to provide separate examples to which institutional investors would still consider the reappointment of INEDs after service of 9 or more years. The Institutional Shareholder Services Group of Companies (ISS) and HSBC Asset Management, although directors with a tenure of more than nine years are prima facie deemed

				to be non-independent, this position can be rebutted with clear justifications from the issuers. Columbia Threadneedle Investments and Fidelity recognize that excessive tenures may diminish the independence of directors, but there is no fixed time period after which a director is deemed to have ceased to be independent. Based on these, we would like HKEX to reconsider whether nine years is an appropriate threshold to determine directors' independence.
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?	6	➢ Agree as the duration sounds reasonable and fair.	2	➢ First of all, we do not agree with the proposed Hard Cap of 9 years to strengthen board independence with comments provided under question 8(a). ➢ If the said hard cap is introduced and an INED with tenure of over nine years is regarded as not independent SOLELY due to the length of his services, we are of the view that it is hard for companies to argue and prove that such situation is rectified in two-year time. ➢ Referring to the response to question 8(a), we do not think it is reasonable to measure an INED's degree of independence based on their years of tenure. By the same token, if an individual is deemed to be not independent, then we do not think the number of years of cooling-off can sufficiently determine the individual is subsequently independent. For example, if an individual is deemed to not be independent due to certain relationships he/she has with the issuer, as long as that relationship is maintained, the number of years of cooling-off would be irrelevant.

				The Current CG Code already stated one of the responsibilities of the nomination committee is to identify and assess the independence of individuals who are suitably qualified to become an INED. That assessment would be based on a range of factors which should not be strictly based on the number of years of 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?	5	➢ Agreed. It is reasonable to require companies to fulfill the new requirements in a three-year transition period.	5	➢ Disagree and we suggest to allow a longer transition period, e.g. 5 years, in view of the limited number of INEDs available in the market. ➢ As per response to question 8(a), with a reducing pool of suitable candidates, a "hard cap" of 9 years on the tenure of INEDs will only exacerbate this issue. Therefore, we do not agree with the proposed three-year transition period as we opine it would be insufficient time to identify and requisite suitable candidates. ➢ As set out in our answer to Q8(a) above, we do not agree with the proposed implementation of a hard cap.
Question 9 Do you agree with the proposal to require all issuers to disclose the length of tenure of each	10	➢ First of all, we do not agree with the proposed Hard Cap of 9 years to strengthen board independence with comments provided under question 8(a). ➢ Nevertheless, we do consider that length of tenure of each director is one of the		

director in the CG Report?		indicators of a company's stability (in terms of financial resilience, operational reliability, and adaptability to market fluctuations). Such information may facilitate people to have better assessment on directors' contributions and performance, for example, long-serving directors may be more competent to solve company's operational and strategic problems in view of their experience and industrial knowledge gained from such company during their tenure. ➢ Agree as this should help shareholders and potential investors locate this information easily. ➢ We agree with the proposal to require all issuers to disclose the length of tenure of each director in the CG report.		
(C) Board and workforce diversity				
Questions	**YES***		**NO***	
Question 10 Do you agree with our proposal to introduce a CP requiring issuers to	8	➢ Agreed. Having different gender on the nomination committee can reduce its gender gap and enhance its diversity, such that the performance of the committee can	2	➢ Nomination committee is to manage the board members and not influence the company's decision.

have at least one director of a different gender on the nomination committee?		be moderated by different gender perspective. ➢ Agree as diversity is a essential for constructive board discussion and resilient decision-making. ➢ In general, we support the need for diversity amongst the board and different committees. With at least one director of a different gender on the nomination committee will enhance diverse opinions from different perspectives to help produce more balanced conclusions. The only concern is the practicality of this given the lack of suitable candidates in the market (as per response to question 8).		➢ This can be a suggestion and should not be a mandatory requirement.
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)?	8	➢ We agree to mandate issuers to have a diversity policy for their workforce (including senior management) as it is a positive step towards promoting diversity and inclusion and supports building a diverse pipeline for succession. Nevertheless, flexibility should be provided to issuers in where they disclose such policy, e.g., by making diversity policies available on the issuer's website to provide access to stakeholders without overloading the corporate governance report.	2	➢ Different businesses may have their own specific workforce requirements. Strictly imposing workforce diversity requirement may lead to interpersonal conflicts which may have detrimental effect on workplace's harmony. ➢ We acknowledge that some issuers already disclose a diversity policy that applies to their workforce, but we opine that it would create unnecessary burden for some if this becomes a mandatory requirement.

		➢ Agree as having a workforce diversity policy in place will help listed companies to set targets and measure performance.		We suggest each issuer should have flexibility in designing their own policy that is suitable for its 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?	6	➢ Agree as this would help promote diversity among the listed companies.	4	➢ We do not agree that the requirement on the annual review of the implementation of an issuer's board diversity policy be upgrade from a CP to a MDR as we think that annual review of implementation of board diversity policy, in itself, may lead to inefficient allocation of company's resources. Company's resources should be allocated to enhance business performance for achieving organization goals in long run. ➢ We appreciate the importance of diversity and inclusion in board appointments and succession planning, other jurisdictions such as the UK do not mandate annual reviews of the implementation of diversity policies. Diversity policies often require time to show tangible results. Frequent reviews might not effectively capture the long-term impact effectively. Allowing issuers the flexibility to adapt this requirement to their unique circumstances can lead to more meaningful and sustainable diversity outcomes. ➢ Bearing in mind the lack of suitable candidates to be appointed as director (as per response to question 8), we disagree with the proposal to upgrade the requirement for annual review of the implementation of an issuer's board diversity policy from CP to MDR. We

				find this to be excessive and would propose an MDR on a 3-yearly basis instead. An annual review of the board diversity policy can provide information to investors as to an issuer's progress in achieving board diversity goals. However, for this to be a mandatory disclosure requirement ("MDR") on an annual basis appears excessive and we would propose an MDR for once every 3 years instead.
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?	9	➢ We are supportive of the proposal. However, issuers should have the flexibility to determine where this disclosure is to be made in the annual report or in the sustainability report. ➢ Agree as diversity at the senior management level is a key indicator for review. ➢ We agree with the proposal on greater details on the disclosure of gender ratio. The current corporate governance report already requires disclosure of the gender ratio. We do not expect the additional details to be great burden on issuers.	1	➢ Again, different businesses may have their own specific workforce requirements. Strictly imposing workforce diversity requirement may lead to interpersonal conflicts which may have detrimental effect on workplace's harmony.

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?	5	➢ We agree with this proposal to codify the arrangements during temporary deviations from the requirement for issuers to have directors of different genders on the board which ensure due compliance with the rule requirement.	5	➢ Suggest no publish of an announcement but the issuer must appoint appropriate member(s) to the board to re-comply with such requirement within three months after failing to meet such requirement. ➢ It is too strict to require companies to publish announcement regarding the genders matter. The primary purpose of publishing real time announcements is for shareholders and potential investors to make informed investment decisions. Disclosure of gender matters is suggested to be included in the corporate governance report which is required to be published by listed issuers annually. Time is not of essence in this regard. ➢ Please refer to our reply to Question 10. ➢ Disagree and we proposed to allow more flexibility regarding the reappointment time, i.e. from within 3 months to within 6 months.
(D) Risk management and internal controls				
Questions	**YES***		**NO***	
Question 15(a) Do you agree with our	10	➢ Agreed. Effectiveness of the risk management and internal control systems is important to companies'		

proposal to emphasize 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?		business operations, as such, it is reasonable to require companies to have an annual review on it. ➢ We recognize the need for the Board to be held accountable for risk management and internal control across the organization and therefore concurs that emphasizing the Board's responsibility in Principle D.2 would be a reasonable adjustment to the Code. ➢ Agree as this would strengthen the board's accountability on risk management and enhance transparency. ➢ In general, we agree with this proposal. It aligns with the existing practice of many issuers to conduct annual reviews on their risk management and internal controls. However, we are uncertain whether it is mandatory for the reviews to be conducted by external party. If an issuer has sufficient expertise within its own organization to conduct the annual reviews internally, we support that these can be done using internal resources rather than seeking external providers to conduct the reviews. Firstly, there may be insufficient expertise		

		in the market to carry out these reviews. Secondly, it adds to the cost of compliance. Therefore, while we support the proposal for annual reviews to be conducted, we do not support any mandatory requirements for the reviews to be conducted using external providers.		
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?	9	➢ Agreed. It is reasonable to require companies to have such disclosure after conducting the annual review. ➢ Given the importance of risk management and internal control to our business and operations we would be supportive of the proposed upgrade being mooted. The disclosure content proposed for MDR paragraph H is all reasonable and will complement work already being planned. ➢ Agree as this would strengthen the board's accountability on risk management and enhance transparency.	1	➢ While we support the annual review on risk management and internal controls, we consider a mandatory review and additional disclosure requirements may become too onerous for smaller issuers (especially those who do not currently have this practice). The scope of the review exercise may involve external providers which would add to the compliance costs. We suggest greater flexibility to be provided in this aspect that are commensurate to the size of the issuer, including the frequency of the review. It may also be on a "comply or explain" basis. We suggest this should be in the form of a CP in relation to annual reviews and an MDR in relation to reviews once every three years. In reference to our response above to question 15(a), we also suggest that if HKEX were to propose external reviews for risk management and internal control systems, this should be in the form of an RBP rather than an MDR.
Question 16 Do you agree with our proposal to refine the	10	➢ Agreed. The scopes set out in the proposal can be good directions for companies to enhance the performance and effectiveness		

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?		of the risk management and internal control systems. ➢ We are in agreement with the proposal to refine the CPs in section D.2 as we perform regular risk management and internal control reviews through a number of activities including risk and control self-assessments (RCSAs), assurance reviews, and other reviews/audits. Refinements to the CPs would not significantly impact activities already being undertaken within the company and they would serve as a means of further reinforcing senior management's attention to risk management and internal control as a system. ➢ Agree as this would strengthen the board's accountability on risk management and enhance transparency. ➢ We agree with this proposal. Please refer to our response to question 15.		

(E) Dividends				
Questions	**YES***		**NO***	
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?	9	➢ Agree as dividend information is an essential to the shareholders and is a basic component of investment decision-making. ➢ In general, we agree with the proposal for disclosure on the issuer's policy on payment of dividends and the board's dividend decisions during the reporting period. At the same time, we take note that some insurers are required to obtain the Insurance Authority approval prior to dividend payment. Therefore, there will be times when the issuer's dividend policy is subject to the opinion of the regulation (e.g. Insurance Authority). HKEX may consider providing clarification on whether this approach in writing the dividend policy meets the proposed disclosure requirements.		
Other minor Rule amendments				
Question 18 Do you agree with our proposal to introduce a Listing Rule	9	➢ Agree as setting a clear deadline will provide clarity to securities holders and the market in relevant corporate events.		

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?		➢ We agree with this proposal. Taking a base view of cost and benefit, we do not expect this proposal to be onerous for issuers to implement. Issuers is already required to announce in advance the date on which its register of members will close. The proposal to fix a record date to determine those shareholders eligible to attend and vote at a general meeting or to receive entitlements will allow shareholders to be well informed and can take the necessary actions to transfer or arrangements to ensure that their rights can be properly exercised. Comparing with other jurisdictions, this proposal is in line with other markets such as Australia, Singapore and NYSE.		
Question 19 Do you agree with our proposal to codify our recommended disclosures in respect of issuers' modified auditors' opinions into the Listing Rules?	9	➢ Agree as we understand most list companies are already following the requirements already. ➢ We are of the view that modified auditors' opinions are important to investors and should be disclosed. Therefore, we agree with this proposal.		➢ It is not relevant to our company which is not a listed company.
Question 20 Do you agree with our	7	➢ Agree as this would assist the board to assess financial performance and identify potential issues in timely manner	2	➢ It is not relevant to our company which is not a listed company.

proposal to clarify our expectation of the provision of monthly updates in CP D.1.2 and the note thereto?		➢ As the current CG Code already requires issuers to provide the board with monthly updates, we believe that it is reasonable that for directors to request additional information or seek clarification from the management if the information provided is inadequate or lacks clarity. This enables directors to have timely, high-quality information to facilitate their thorough consideration prior to board meeting. Therefore, we agree with this proposal.		➢ We believe that while transparency is crucial, it is not appropriate to be overly prescriptive in the information to be provided to the board. The board or chair of the board should have the discretion to determine what information is necessary for the board to function effectively and efficiently, and for directors to discharge their fiduciary duties. We do not consider that it is appropriate to mandate that board members are provided with monthly management accounts. By mandating their provision, board members will thereby be expected to read them in order to discharge their duties under Rule 3.08. However, such documents (assuming that they exist in all cases) are by their nature operational documents and may not be the most valuable documents for directors in the discharge of their responsibilities.
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	9	➢ It is reasonable to align requirements for all board committees on establishing their written terms of references. ➢ Agree as this would ensure consistency across these three different board committees. ➢ We agree with this proposal to align requirements for the nomination committee, the audit committee and the	1	➢ Same comment as Q10 and Q14

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?		remuneration committee on establishing written terms of reference for the committee and the arrangements during temporary deviations from requirements in order to streamline the different requirements At the same time, we think it would be helpful if further details can be provided on the deadline for the establishment of a nomination committee; the applicability of requirement to formulate written terms of appointment to the audit and nomination committee.		
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?	4		3	➢ Disagree as rushing for 1 Jan 2025 implementation date may create a lot of difficulties for preparation. Not sure if more rounds of consultation would be conducted by HKEX. ➢ Referring to our responses to the questions above, we do not think a transition period of 3 years is sufficient. In particular, the requirement for Lead INED may take longer for issuers to identify and requisite the right talent. The need for diversity within the board and the reducing number of suitable candidates to take the role of an INED (let alone Lead INED) will likely post a challenge for many issuers.

Enclosure

Other Comments

- Although we support the Hong Kong Exchanges and Clearing Limited (HKEX) in its need to review the Corporate Governance ("CG") framework regularly to promote high quality corporate governance practices and reporting, the current Consultation Paper's proposals appear to be too onerous and places undue compliance burden on issuers. Effective corporate governance of issuers is vital to the sustainability of the Hong Kong market. However, to remain one of the leading international financial centres, we should ensure our corporate governance regulations are comparable to that of peers and not add unnecessary burden to issuers. The proposed changes would appear to create greater work and costs for issuers but at the same time adding little value. This may only dissuade potential applicants from listing in Hong Kong and deter existing listed companies away from maintaining their Hong Kong listings.

  One must bear in mind the strong competition Hong Kong faces in today's global environment to remain as one of the leading international financial centre. The HKEX was once the most attractive exchange for listing being ranked number one in 2019 in terms of IPO equity funds raised. This has fallen to eighth in the first half of 2024. Depressed share prices with the Hang Seng Index hovering between 17,000 to 18,000 (July 2024) as compared to its high of over 30,000 in February 2021; as well as China's economic downturn are stimulus for Hong Kong issuers to consider going private and delisting from the HKEX. As at end of June 2024, 14 issuers have announced moves to delist. The last time this happened was during the pandemic in the first half of 2020. Therefore, we do not see increasing unnecessary compliance burden on issuers to be beneficial for Hong Kong in remaining competitive and conducive in encouraging IPO listing in Hong Kong and business activities.

  In other jurisdictions, for example NYSE and NASDAQ, the regulations surrounding corporate governance (particularly those proposed in this Consultation Paper) tends to provide issuers with greater flexibility to design the frameworks that works best for them. The framework may differ between different issuers that are commensurate for its size, history and industry. Larger issuers corporate governance structures are generally more detailed with mechanisms and policies in place. This may not be the case for smaller issuers.

  To some smaller issuers, the existing requirements are already onerous. Additional requirements placed on them with little to no real benefits may cause smaller issuers to lose focus on true value that a well-designed corporate governance structure will bring. Ultimately, it may impede the growth of smaller issuers and having the undesired effects of simply a tick-box exercise rather than truly embedding this into the board's practices.

  London Stock Exchange has recently issued various measures aimed at encouraging companies to list at UK and reduce hurdles for growth after listing. In particular, the Financial Conduct Authority highlights that UK issuers *"should not face unduly onerous burdens that increase costs, make them less competitive on the global stage or risk reducing shareholder value through opportunity cost"*. We view that the current proposal will do exactly this, which is to increase costs; make HKEX less competitive on the global state and risk reducing shareholder value.

Enclosure

It is understandable that during discussions held by HKEX with investors, it is typical for the response to advocate for higher corporate governance requirements. As such, we welcome this opportunity to provide feedback to HKEX from companies' points of view. Especially given it is the companies who will need to bear the additional costs, time and efforts to implement these changes.

Given the current volatile economic environment, issuers will be more sensitive towards any changes in regulations. Any proposed changes to the requirements imposed upon issuers must be carefully considered ensuring any true benefits to be gained from the proposal outweighs the costs of such implementation. We should be mindful that the marginal benefits to be gained from the current proposed changes are unlikely to outweigh the additional costs involved. It may in fact reduce the attractiveness of HKEX overall where the HSI is already at a very low valuation

No. of respondents (Total: 10 member companies)