

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEX website at:

<https://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017111.pdf>.

Where there is insufficient space provided for your comments, please attach additional pages.

PART I: INDEPENDENT NON-EXECUTIVE DIRECTORS

Overboarding and INED's time commitment

1. Do you agree with our proposed amendment to Code Provision (“**CP**”) A.5.5 (on a “comply or explain” basis) so that in addition to the CP’s current requirements, the board should also explain, if the proposed independent non-executive director (“**INED**”) will be holding his seventh (or more) listed company directorship, why he would still be able to devote sufficient time to the board?

Yes

No

Please give reasons for your views.

Board diversity

2. Do you agree with our proposals to upgrade CP A.5.6 (on a “comply or explain” basis) to a Rule (Rule 13.92) requiring issuers to have a diversity policy and to disclose the policy or a summary of it in their corporate governance reports?

Yes

No

Please give reasons for your views.

We support the proposal to require issuers to have a diversity policy and disclose said policy in their corporate governance reports, but we would like to recommend that LGBT+ be included as a diversity criteria.

Boardroom diversity is a topic that has gained significant traction – with institutional investors, among good governance proponents, and in the general and business media. The conversations have touched on various aspects of diversity, including gender, race/ethnicity, age, industry, and expertise. LGBT+ diversity, however, has largely been left out of the conversation.

As noted in the Commonsense Principles of Governance, developed by business leaders including Warren Buffett and Jamie Dimon of J.P. Morgan, “Diversity along multiple dimensions is critical to a high-functioning board”. This is consistent with the numerous studies showing a correlation between gender diversity on the board and corporate performance. Large institutional investors, such as BlackRock and State Street, have made board diversity a priority as a matter of their fiduciary duty to act in the interests of their investors.

Given the larger sample size and greater availability of data, studies assessing the correlation between board diversity and corporate performance have tended to focus on gender. While the precise reason for the positive correlation between gender diversity and better corporate performance is unknown, many of the reasons that gender diversity is considered beneficial are also applicable to LGBT+ diversity. LGBT+ diversity in the boardroom may create a dynamic that enables better decision-making, and it brings to the boardroom the perspective of a community that is a critical component of the company’s consumer population and organizational talent.

Boards are, at their core, teams. Research comparing decision-making between diverse and non-diverse groups clearly indicates that diverse groups make better decisions. Indeed, one prominent study found that non-diverse groups made wrong decisions more often than diverse group, and were more confident in those decisions. There is a healthy tension that develops when a diverse member joins a group, which leads to more careful information processing and the generation of new ideas. While the studies were performed using gender diversity, it is not much of a leap to assume that LGBT+ diversity would have at least the same effect.

Boards that lack a LGBT+ lens on their business may overlook important risks and opportunities. According to a recent Credit Suisse study, an index of LGBT+ inclusive companies outperformed the broader MSCI ACWI index by an average of 3.0% per annum. The LGBT+ consumer and talent markets are also becoming increasingly important. The purchasing power of the LGBT+ community in the U.S. is estimated to be \$917 billion, with global purchasing power standing at \$5.7 trillion. Per a recent Harris Poll, 20% of respondents aged 18-34 (Millennials) identified as LGBT+. Companies cannot afford to ignore this cohort as it enters the labor force and consumer market. And they cannot afford to ignore the value of a LGBT+ diverse board – both from the perspective that is added to the boardroom discussion and the message that it sends about the company to current and prospective employees and consumers.

3. Do you agree with our proposal to amend CP A.5.5 that it requires (on a “comply or explain” basis) the board to state in the circular to shareholders accompanying the resolution to elect the director:

- (i) the process used for identifying the nominee;
- (ii) the perspectives, skills and experience that the person is expected to bring to the board; and
- (iii) how the nominee would contribute to the diversity of the board.

Yes

No

Please give reasons for your views.

4. Do you agree with our proposal to amend Mandatory Disclosure Requirement L.(d)(ii) to reflect the upgrade of CP A.5.6 (on a “comply or explain” basis) to a Rule (Rule 13.92) requiring issuers to have a diversity policy and to disclose the policy or a summary of it in their Corporate Governance Reports?

Yes

No

Please give reasons for your views.

Factors affecting INED's independence

A. Cooling off periods for former professional advisers

5. Do you agree with our proposal to revise Rule 3.13 (3) so that there is a three-year cooling off period for professional advisers before they can be considered independent, instead of the current one year?

Yes

No

Please give reasons for your views.

6. Do you agree with our proposal to revise CP C.3.2 (on a “comply or explain” basis) so that there is a three-year cooling off period for a former partner of the issuer's existing audit firm before he can be a member of the issuer's audit committee?

Yes

No

Please give reasons for your views.

B. Cooling off period in respect of material interests in business activities

7. Do you agree with our proposal to revise Rule 3.13(4) to introduce a one-year cooling off period for a proposed INED who has had material interests in the issuer's principal business activities in the past year?

Yes

No

Please give reasons for your views.

C. Cross-directorships or Significant Links with other Directors

8. Do you agree with our proposal to introduce a new Recommended Best Practice A.3.3 (i.e. voluntary) to recommend disclosure of INEDs' cross-directorships in the Corporate Governance Report?

Yes

No

Please give reasons for your views.

D. Family ties

9. Do you agree with our proposal to introduce a Note under Rule 3.13 to encourage inclusion of an INED's immediate family members in the assessment of the director's independence?

Yes

No

Please give reasons for your views.

10. Do you agree with our proposal to adopt the same definition for "immediate family member" as Rule 14A.12(1)(a) which defines an "immediate family member" as "his spouse, his (or his spouse's) child or step-child, natural or adopted, under the age of 18 years"?

Yes

No

Please give reasons for your views.

PART II: NOMINATION POLICY

11. Do you agree with our proposal to amend Mandatory Disclosure Requirement L.(d)(ii) of Appendix 14 to require an issuer to disclose its nomination policy adopted during the year?

Yes

No

Please give reasons for your views.

PART III: DIRECTORS' ATTENDANCE AT MEETINGS

Directors' attendance at general meetings

12. Do you agree with our proposal to amend CP A.6.7 (on a "comply or explain" basis) by removing the last sentence of the current wording (i.e. they should also attend general meetings and develop a balanced understanding of the views of shareholders.)?

Yes

No

Please give reasons for your views.

Chairman's annual meetings with INEDs

13. Do you agree with our proposal to revise CP A.2.7 (on a "comply or explain" basis) to state that INEDs should meet at least annually with the chairman?

Yes

No

Please give reasons for your views.

PART IV: DIVIDEND POLICY

14. Do you agree with our proposal to introduce CP E.1.5 requiring (on a “comply or explain” basis) the issuer to disclose its dividend policy in the annual report?

Yes

No

Please give reasons for your views.

PART V: ELECTRONIC DISSEMINATION OF CORPORATE COMMUNICATIONS – IMPLIED CONSENT

15. Do you think that the Rules should be amended to allow shareholders’ consent to be implied for electronic dissemination of corporate communications by issuers?

Yes

No

Please give reasons for your views.

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