

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.

<p>We are of the view that it would be relevant to take into consideration the demands on the board positions as this would vary depending on the size and nature of the company or any additional committee positions taken up. We recognise that six directorships held by an INED would seem to be a reasonable number to prompt the question on the ability to devote sufficient time to the board.</p>

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.

CLP greatly value the importance of board diversity. CLP have a Board Diversity Policy and from our experience, the disclosure of which has been positively received.

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.

Given the importance of the role of the INED, the matters required to be stated would be relevant to the shareholders' consideration of the matter. One suggested clarification is whether that only applies to election or election AND re-election?

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.

For the same reasons as set out in question 2.

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.

Independence should be assessed on a case by case basis and for a cooling-off period greater than one-year, this would be more appropriately addressed as a "comply or explain" regime consistent with the proposal regarding audit committee (below).

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.

We agree that a "comply or explain" regime for this would be appropriate.

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.

The past material interests would be relevant.

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.

We agree on the basis of the relevance of the information to the question of independence and that this is being introduced as a voluntary recommended disclosure.

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.

We agree on the grounds of relevance.

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.

The application of the definition is sufficiently wide and relevant.

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.

On the basis that the policy would cover the board's consideration of the existing Code Principle A.3 in that the Board should have a balance of skills, experience, and diversity of perspectives appropriate to the issuer's business.

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.

Agree with the proposed amendments which would provide the "needed" clarification to the different interpretations that had been adopted.

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.

From our experience, the Chairman's meeting with the INEDs has been a valuable exercise. We recognise that this is case specific as our INEDs in the NEDs meeting with the Chairman makes up for over 50% of the composition (7 INEDs and 5 NEDs including the Chairman) and this has proved to be an effective forum for INEDs and NEDs to engage in discussions with the Chairman, and in view of this, we do not see any added benefit in a forum limited to the NEDs.

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.

Our disclosure of longstanding practice regarding dividends have been well received.

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.

Agree that the current requirements on e-communications are quite cumbersome.

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