

GBWEA's Response on the Consultation Paper of "Review of the Corporate Governance Code and Related Listing Rules"

The Golden Bauhinia Women Entrepreneur Association (GBWEA) generally agrees the Consultation Proposals can improve listed companies performance and transparency regarding board diversity. Nevertheless, we believe the HKEX can introduce more measurable and specific guidance in the Corporate Governance Code to achieve overall board diversity including gender.

GBWEA would like to respond specifically to the following questions regarding to the diversity of the board:

Question 2: Do you agree with our proposals to upgrade CP A.5.6 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? Please give reasons for your views.

Yes, GBWEA agrees to upgrade CP A5.6 to require listed companies to have and disclose their diversity policy. In addition to the proposal, we also suggest the HKEX to:

1. Set measurable specifications to achieve the diversity of board, including but not limited to gender diversity;
2. Provide recommended best practice for diversity policy;
3. Consider a compulsory rotation of board members: the tenure of independent directors should be limited to eight years to reduce the lack of diversity due to entrenched boards.

Question 3: Do you agree with our proposal to amend CP A.5.5 that it requires 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. Please give reasons for your views.

Yes, GBWEA agrees to amend CP A5.5 to bring transparency during the appointment of directors. In addition, we also suggest the HKEX to:

1. Set measurable specifications in how the appointment process would contribute the diversity of board, including but not limited to gender diversity;
2. Enhance also CP B1.9 to require annual internal evaluation of the performance of each board member, and regular external evaluation to be conducted.

Question 4: Do you agree with our proposal to amend Mandatory Disclosure Requirement L.(d)(ii) as described in paragraph 56? Please give reasons for your views.

Yes, GBWEA agrees to amend Mandatory Disclosure Requirement L.(d)(ii). The HKEX should require listed companies to bring transparency to their nomination policies and ensure them to follow the process for effective evaluation of incumbent directors.

Question 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? Please give reasons for your views.

Yes, GBWEA agrees to amend Mandatory Disclosure Requirement L.(d)(ii) to require an issuer to disclose its nomination policy annually. In addition, we further suggest:

1. The circular to shareholders should include detailed information to illustrate the composition of the incumbent board by reference to the factors in the diversity policy and the length of service, and how these factors would change following the election of the nominated individual;
2. Annual disclosure of nomination policy should include evaluation of performance (e.g. attendance rate and participation), and how it has met measurable specifications for achieving board diversity and progress towards achieving those objectives by disclosing relevant information such as proportions of men and women on the boards, in senior executive positions and across the organization.