

Submitted via Qualtrics

Company/Organisation view

Question 1

Do you agree with the proposal to amend Chapter 17 to also govern share award schemes involving the grant of new shares of listed issuers?

Yes

Please provide reasons for your views.

We support the proposal to amend Chapter 17 to also govern share award schemes involving the grant of new shares of listed issuers in view of the need to balance the flexibility for listed issuers to grant new shares under the share award schemes to reward employees or other scheme participants and to protect shareholders from excessive dilution.

Listed issuers, such as AIA Group Limited (“AIA”), may adopt share award schemes which contain terms allowing the funding of the scheme by new shares or existing shares purchased on-market. However, in practice, for financial/regulatory reasons or otherwise, issuers (including AIA) may only choose to use existing shares to fund the awards during the entire life of the scheme. It is not clear from this proposal and the proposed amended Rules (in particular, the proposed 17.01(1) and (2)) whether the entire amended Chapter 17 will apply in this situation regardless of whether we will choose to issue new shares during the life of the scheme.

However, we do not agree that Chapter 17 should also apply to our employees’ and agents’ share purchase plans under which AIA will grant matching shares (whether funded by new shares or existing shares) to participants encouraging long-term AIA share ownership by employees and selected agents.

Further, we noted that one of the transitional arrangements (paragraph 11 of the Consultation Paper) requires amendments be made to the terms of share award schemes involving grants of new shares under general mandate. We do not believe that such amendments (made for the purpose of aligning with the new requirements in Chapter 17) would require shareholders’ approval, on the basis that our share award scheme adopted on 1 August 2020 was not required to be approved by AIA shareholders at the time.

Question 2

Do you agree with the proposed definition of eligible participants to include directors and employees of the issuer and its subsidiaries (including persons who

are granted shares or options under the scheme as an inducement to enter into employment contracts with these companies)?

Yes

Please provide reasons for your views.

We agree to the proposed definition for 'employee participants' under the proposed Rule 17.03A(1)(a).

Question 3

Do you agree with the proposal that eligible participants shall include Service Providers, subject to additional disclosure and approval by the remuneration committee?

Yes

Please provide reasons for your views.

Listed issuers would want the flexibility to be able to grant share awards to Service Providers who provide services to the issuer group which are material to the long term growth of the group, including independent contractors, advisors or consultants.

Question 4

Do you agree with the proposal that eligible participants shall include Related Entity Participants, subject to additional disclosure and approval by the remuneration committee?

Yes

Please provide reasons for your views.

We agree that eligible participants shall include Related Entity Participants as a listed issuer might have needs to reward or incentivize this group of people as they may contribute to the success and development of the issuer group. For the definition of 'related entity participants' under the proposed Rule 17.03A(1)(b), which refers to 'directors and employees of the holding companies, fellow subsidiaries or associated companies of the issuer', it would make sense to interpret the term 'associated companies' as any company which relates to the listed group by way of 'any' shareholding interest, as applying a percentage threshold on the shareholding interest might restrict the issuer's flexibility.

Question 5

Do you agree with the proposal to allow the scheme mandate to be refreshed once every three years by obtaining shareholders' approval?

Yes

Please provide reasons for your views.

We support this proposal as this gives flexibility to listed issuers to increase scheme mandate limit once every three years with shareholders' approval.

Question 6

Do you agree with the proposal to allow the scheme mandate to be refreshed within three years from the date of the last shareholders' approval by obtaining independent shareholders' approval?

Yes

Please provide reasons for your views.

There may be circumstances which require a listed issuer to seek for a further refreshment of the scheme limit within a three-year period. In these cases, it would be best to leave to the independent shareholders to consider the dilutive effect and this will help to safeguard their interests.

Question 7

Do you agree with the proposal to remove the 30% limit on outstanding options?

Yes

Please provide reasons for your views.

The 30% limit has little or no practical effect given the 10% scheme mandate limit imposes a stricter restriction.

Question 8

Do you agree with the proposal to require a sublimit on Share Grants to Service Providers?

Yes

Please provide reasons for your views.

This will provide an additional safeguard against excess dilution arising from Share Grants to Service Providers. The requirement to disclose the basis for determining the sublimit in the shareholders' circular and to have the sublimit separately voted on by shareholders will allow shareholders to make an informed voting decision.

Question 9

Do you agree with the proposal to require a minimum of 12-month vesting period?

Yes

Please provide reasons for your views.

This will serve the purpose of share schemes which is to incentivize the grantees to contribute to the long-term growth of the issuer.

Question 10

Do you agree with the proposal that Share Grants to Employee Participants specifically identified by the issuer may vest within a shorter period or immediately if they are approved by the remuneration committee with the reasons and details disclosed?

Yes

Please provide reasons for your views.

Issuers should be given the flexibility to shorten the vesting period for certain specifically identified employee participants under justifiable circumstances.

Question 11a

Do you agree with the proposed disclosure requirements relating to performance targets?

No

Please provide reasons for your views.

We strongly oppose to the proposed disclosure for the performance targets (such as target levels of the performance-related measures) given that they are competitively sensitive information.

Question 11b

Do you agree with the proposed disclosure requirements relating to clawback mechanism?

Yes

Please provide reasons for your views.

We agree to the proposed disclosure requirements relating to the clawback mechanism.

Question 12

Do you agree that it is not necessary to impose a restriction on the grant price of shares under share award schemes?

Yes

Please provide reasons for your views.

It is not necessary to impose a restriction on the grant price of shares under share award schemes given that it is a common market practice to grant share awards at nil consideration.

Question 13

Do you agree with the proposal to apply the 1% Individual Limit to Share Grants (including grants of shares awards and share options) to an individual participant?

Yes

Please provide reasons for your views.

The 1% Individual Limit constitutes a safeguard against excessive reward to an individual participant and aligns with the current Rules requirement for share option grantees.

Question 14

Do you agree with the proposal to require approval from the remuneration committee instead of INEDs for all Share Grants to Connected Persons?

Yes

Please provide reasons for your views.

We support the proposal as the remuneration committee is delegated with the responsibilities to determine the issuer's policy on remuneration of directors and senior management, which should cover the Share Grants to Connected Persons.

Question 15

Do you agree with the proposal to relax the current shareholder approval requirement for grants of share awards to a director (who is not an INED) or a chief executive set out in paragraph 65 of the Consultation Paper?

Yes

Please provide reasons for your views.

This proposed relaxation will reduce the administrative burden of the listed issuers to seek independent shareholders' approval on any grant of share awards to a connected person.

Question 16

Do you agree with the proposal to also relax the current shareholder approval requirement for grants of share awards to an INED or substantial shareholder of the issuer set out in paragraph 68 of the Consultation Paper?

Yes

Please provide reasons for your views.

Same reason for our response to Q15 above.

Question 17

Do you agree with the proposal to relax the current shareholder approval requirement for grants of share awards to a controlling shareholder of the issuer set out in paragraph 69 of the Consultation Paper?

Yes

Please provide reasons for your views.

Same reason for our response to Q15 above.

Question 18

Do you agree with the proposal to remove the HK\$5 million de minimis threshold for grants of options to an INED or substantial shareholder of the issuer?

Yes

Please provide reasons for your views.

The HK\$5 million monetary threshold cannot meaningfully reflect the extent of dilution on an issuer as listed issuers have different market capitalization.

Question 19

Do you agree with the proposals to require disclosure of Share Grants to Related Entity Participants or Service Providers on an individual basis if the grants to an individual Related Entity Participant or Service Provider exceed 0.1% of the issuer's issued shares over any 12-month period?

Yes

Please provide reasons for your views.

The proposals will increase transparency of the Share Grants to these groups of participants for the benefits of the shareholders.

Question 20

Do you agree with the proposed disclosure requirement for the grant announcement?

Yes

Please provide reasons for your views.

On the basis that the listed issuer is allowed to make reference to the information relating to performance targets and clawback mechanism (where applicable) set out in its last Annual Report to satisfy the disclosure requirements. These terms usually apply to all participants of a share award scheme and it is burdensome to disclose them again in each of the Share Grants announcement.

Question 21

Do you agree with the proposed disclosure requirements for Share Grants in an issuer's interim reports and annual reports?

Yes

Please provide reasons for your views.

We support the proposal as they will enhance transparency of the grants made during the period for information of shareholders.

Question 22

Do you agree with the proposal to require disclosure of matters reviewed by the remuneration committee during the reporting period in the Corporate Governance Report?

No

Please provide reasons for your views.

While we support the proposed disclosure in the Annual Report, we do not agree that such disclosure must be made in the Corporate Governance Report. AIA has a Remuneration Report set out in its Annual Report and the proposed disclosure should better be made in our Remuneration Report.

Question 23

Do you agree with the proposal to require changes to the terms of share award or option granted be approved by the remuneration committee and/or shareholders of the issuer if the initial grant of the award or option requires such approval?

Yes

Please provide reasons for your views.

We welcome this proposal as this aligns the shareholders' approval requirement for changes to the terms of share award or option granted to their initial grants. This will ease the compliance burden of listed issuers.

Question 24

Do you agree with the proposal to provide a waiver for a transfer of share awards or options granted under Share Schemes as described in paragraph 86 of the Consultation Paper?

Yes

Please provide reasons for your views.

The proposal of granting a waiver to allow a transfer of share awards or options to a trust or other vehicles for the benefit of a grantee and his/her family members gives flexibility to the scheme participants in their estate or tax planning.

Question 25

Do you agree with the proposal to restrict the voting rights of unvested shares held by the trustee of a Share Scheme and require disclosure of the number of such unvested shares in monthly returns?

No

Please provide reasons for your views.

While we support the proposal to restrict the voting rights of unvested shares held by the trustee of a Share Scheme in order to address the concerns about undue influence over the exercise of the voting rights of unvested shares by management of the issuer set out in paragraph 88 of the Consultation Paper, we do not agree that disclosing the number of unvested shares held by the trustee in monthly returns can serve any purpose.

Question 26

Do you agree with the proposed disclosure requirements for Share Schemes funded by existing shares of listed issuers?

Yes

Please provide reasons for your views.

We support the proposed requirement to disclose the terms of the share schemes funded by existing shares and details of the share grants consistent with those applicable to share schemes funded by issuance of new shares.

Question 27

Do you agree with the proposal to restrict the voting rights of unvested shares held by the trustee of a Share Scheme and require disclosure of the number of such unvested shares in monthly returns?

No

Please provide reasons for your views.

Same as our response to Q25 above, while we support the proposal to restrict the voting rights of unvested shares held by the trustee of a Share Scheme funded by existing shares, we do not agree that disclosing the number of unvested shares held by the trustee in monthly returns can serve any purpose, particularly when its voting rights are already restricted as proposed.

Question 28

Do you agree with our proposal to amend Chapter 17 to also govern share award schemes funded by new or existing shares of subsidiaries of listed issuers?

Yes

Please provide reasons for your views.

Chapter 17 requirements should also apply to share award schemes of the subsidiaries of a listed issuer which are funded by new shares given that share issuances under a subsidiary's share scheme will result in a dilution of the issuer's interests in the subsidiaries.

Question 29

Do you agree with the proposed exemption for Share Schemes of Insignificant Subsidiaries?

Yes

Please provide reasons for your views.

The proposed exemption will reduce the compliance burdens of listed issuers.

Question 30

Do you agree with our proposal to amend Chapter 17 to also govern Share Schemes involving grants of shares or options through trust or similar arrangements for the benefit of specified participants?

No

Please provide reasons for your views.

The Consultation Paper fails to provide sufficient reasons to explain this proposal.

Question 31

Do you agree with our proposal to remove the recommended disclosure requirement for the fair value of options as if they have been granted prior to the approval of the scheme?

Yes

Please provide reasons for your views.

This recommended disclosure requirement is no longer necessary in view of Proposal I.

Question 32

Do you agree with our proposals to amend the Rules described in paragraph 100 of the Consultation Paper?

Yes

Please provide reasons for your views.

We support the proposals to amend the Rules to align with the spirit of the Chapter 17 requirements.