

6 April 2004

The Listing Unit  
One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

1 George Street  
Edinburgh  
EH2 2LL  
UK

Tel 0131-245-5900

Fax 0131-245-6463

[Http://www.standardlifeinvestments.co.uk](http://www.standardlifeinvestments.co.uk)  
[douglas\\_wilson@standardlife.com](mailto:douglas_wilson@standardlife.com)

Dear Sir

**EXPOSURE OF DRAFT CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE REPORT**

Standard Life Investments Limited is a wholly owned subsidiary of the Standard Life Assurance Company.

We manage, on behalf of its clients globally, investments with a value of approximately €110 billion.

Standard Life Investments is one of the recognised leaders in corporate governance, especially as it relates to fulfilling shareholder responsibilities on behalf of clients. Our dedicated corporate governance team was established 10 years ago and has enabled Standard Life Investments to play an influential role, directly and indirectly, in the development of UK corporate governance. Last month, we launched our Global Governance Platform, which will enhance and strengthen our capability to play an influential role on a more international basis. We have recently joined the Asian Corporate Governance Association, which is an organisation based in Hong Kong.

**General comments**

We welcome the draft report from Hong Kong Exchanges and Clearing Limited and the opportunity to comment. We support the main features of the report and are broadly supportive of the report as a whole. We regard them as consistent with our clients' best interests. We believe that the application of the recommendations in the report will enhance the attractiveness of Hong Kong as a destination for institutional investment.

In considering the report we were aware of its length and the level of detail that has been provided in drafting it. We would like to limit our comments to those of a more general nature.

### **Comments of Emphasis**

In addition, Standard Life Investments would like to emphasise to you its views on the following aspects of the proposals.

- **Comply or explain**

We support the comply or explain approach taken in the report. We know this philosophy from our experience of the UK market and believe that it generally works well. In most areas of corporate governance companies will comply or explain willingly. However when it comes to remuneration issues some are, perhaps, not so open. We would like to take this opportunity to encourage Hong Kong Exchanges & Clearing Ltd to take steps to ensure that all companies opt into the improved disclosure regime in the future.

- **Quarterly reporting**

We do not believe that quarterly reporting will enhance enhance Hong Kong as an investment environment. We are concerned that quarterly reporting will lead to short termism in the deliberations and decisions of both company boards and investors. We prefer that companies report on a bi-annual basis with a requirement to report price sensitive information at the earliest opportunity.

- **Re-election of Directors**

We would very much like the proposed code to include provision that directors standing for re-election should do so individually and not as a group as is currently case. This will provide better accountability and will be consistent with international best practice. We hope that this is consistent with Code Provision E.1.1

- **Aged Directors**

We recognise that the Hong Kong market features a dynamic of family influence in many of its companies. However, we are concerned that some very old directors continue to sit on company boards without there being much reassurance as to the quality of their contribution. We would prefer that directors over the age of 70 stand for re-election on an annual basis.

- **Features of the UK Combined Code not adopted**

We recognise that new code will represent a significant change to certain aspects of the corporate environment in Hong Kong and that companies and investors will need time to adjust to this. We appreciate that further consideration will be given to the features not adopted post-implementation and would like to emphasise the importance we attach to their inclusion at the appropriate time in the future.

**Conclusion**

We regard the Commission's plans as extremely important to the environment within which we and our clients have to operate. We hope our comments will assist the Commission in its deliberations.

Yours sincerely

Douglas Wilson  
*Corporate Governance Analyst*  
*Standard Life Investments*