



AVISTA Insights

Amendments to the Hong Kong Stock Exchange's Corporate Governance Code and Related Listing Rules



The Hong Kong Stock Exchange (“HKEX”) is committed to enhancing corporate governance performance to improve the quality of listed companies in Hong Kong, thereby strengthening investor confidence to Hong Kong’s capital market. Taking reference to compliance development of other stock exchanges, previous consultations, and years of corporate governance reports review results, HKEX would like to introduce a series of listing rules amendments. A consultation paper has been published in June 2024 to collect market’s feedback. According to the consultation paper, except for the proposed amendment in relation to long serving independent non-executive director (“INED”) and overboarding with a three-year transition period starting January 2028, other amendments will take effect since January 2025. Most amendments are newly introduced practices, and thus companies are recommended to arrange resources promptly to prepare for the new compliance requirements by 2025. For clarity, we have summarized the proposed amendments in below table.

Objective	Amendment Items	Details	New Provision	Strengthening Existing Provision	Transition Period
Board effectiveness improvement	Designation of lead independent non-executive director	Appointing “Lead INED” who is responsible for communication with investors and shareholders, and acting as a liaison between the non-independent board chairman and INEDs	✓		
	Mandatory director training	Requiring first-time directors to complete 24 hours of directors’ skills training within the first 18 months of tenure; No specified minimum training hours for existing directors		✓	
	Board performance review	Conducting board performance review every two years with disclosures		✓	
	Disclosure of board skills matrix	Maintaining a board skills matrix in annual corporate governance report, disclosing how directors’ skills relates to corporate strategy, culture, and compliance to contribute to the board	✓		
	Overboarding INED and directors’ time commitment	Capping six directorships of listed companies for INEDs; conducting annual assessment with disclosure of time commitment and contribution to the board for each director by nomination committee	✓		✓

Objective	Amendment Items	Details	New Provision	Strengthening Existing Provision	Transition Period
Strengthening board independence	Independence of INEDs after nine years	Setting maximum INED tenure of nine years, with a two-year cooling-off period for reappointment	✓		✓
Promoting diversity	Gender diversity in the board	Including at least one member of a different gender on nomination committee	✓		
	Diversity policy disclosure – Board and workforce	Conducting annual review and disclosure of board and workforce diversity policies		✓	
		Making disclosure of workforce diversity policy		✓	
		Making disclosure of workforce gender ratio			✓
		Codifying the arrangements during temporary deviation from the requirement of “Different gender on the board” in listing rules			✓
Enhancing risk management and internal controls	Mandatory disclosure of risk management and internal control reviews	Conducting mandatory annual risk management and internal control system effectiveness review		✓	
		Enhancing disclosures on risk management and internal control review (e.g. the supporting evidences the board adopts in the effectiveness review)		✓	

Objective	Amendment Items	Details	New Provision	Strengthening Existing Provision	Transition Period
Better capital management	Mandatory dividend policy disclosure	Enhancing disclosure of dividend policy, including aims and key factors taking account for dividend declaration		✓	
		Providing confirmation that dividend decisions are made in accordance with the dividend policy	✓		
		Providing explanations for material variation in the year-on-year dividend rate	✓		
		Making disclosure of explanation for decision not to declare any dividend	✓		
Other	Record date for general meetings and entitlement	Requiring setting a record date determining the identity of securities holders eligible to attend, vote, or receive entitlements at general meeting	✓		
	Enhancing disclosure for modified auditors' opinions	Enhancing disclosures in corporate governance report regarding modified auditor's opinion		✓	
	Providing monthly update to the board	Requiring and empowering the board to obtain monthly financial data and information from management	✓		
	Aligning the requirement in setting written terms of reference for the 3 mandatory board committees	Aligning nomination committee requirements with audit committee and remuneration committee in relation to establishing a written terms of reference and temporary deviation	✓		

Our years of experience in corporate governance advisory and deep understanding of the governance structures and operation processes adopted in listed companies in Hong Kong, Avista can provide customized services to assist listed companies in meeting the new compliance requirements.

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