

Checklist on HKEX's compliance with the Corporate Governance Code

This checklist summarises HKEX's compliance with the provisions under Part 2 of the Corporate Governance Code (CG Code, as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules)) with some practices exceeding the CG Code. The code provisions and recommended best practices set out below are only extracts from the CG Code. Please click [here](#) to view the CG Code's full version.

A. CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

A.1 Corporate strategy, business model and culture

Principle - An issuer should be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
A.1.1 The board should establish the issuer's purpose, values and strategy, and satisfy itself that these and the issuer's culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture. Such culture should instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.	√	Board's terms of reference/ Corporate Governance Report/ Our Purpose and Values/ Our Strategy
A.1.2 The directors should include a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.	√	Regulatory Reports (Annual Report)

A.2 Corporate Governance Functions

Principle - The board is responsible for performing the corporate governance duties. It may delegate the responsibility to a committee or committees.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
A.2.1 The terms of reference of the board (or a committee or committees performing this function) should include at least: (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of directors and senior management; (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) to review the issuer's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.	√	Nomination and Governance Committee

Checklist on HKEX's compliance with the Corporate Governance Code

B. BOARD COMPOSITION AND NOMINATION

B.1 Board composition, succession and evaluation

Principle - The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business, and should ensure that the directors devote sufficient time and make contributions to the issuer that are commensurate with their role and board responsibilities. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors (INEDs)) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
B.1.1 The independent non-executive directors should be identified in all corporate communications that disclose the names of directors.	√	Independence of Directors
B.1.2 An issuer should maintain on its website and on the Exchange's website (ie, HKEXnews website) an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.	√	Announcements
B.1.3 The board should review the implementation and effectiveness of the issuer's policy on board diversity on an annual basis.	√	Board Diversity Policy/ Nomination and Governance Committee's terms of reference
B.1.4 An issuer should establish mechanism(s) to ensure independent views and input are available to the board and disclose such mechanism(s) in its Corporate Governance Report. The board should review the implementation and effectiveness of such mechanism(s) on an annual basis.	√	Nomination and Governance Committee Report
Recommended Best Practices	Adopted	HKEX's practice (as set out in the HKEX Group website)
B.1.5 The board should conduct a regular evaluation of its performance.	√	Board evaluation/ Corporate Governance Report
B.1.6 The board should state its reasons if it determines that a proposed director is independent notwithstanding that the individual holds cross-directorships or has significant links with other directors through involvements in other companies or bodies.	<i>No such circumstances have arisen.</i>	

Checklist on HKEX's compliance with the Corporate Governance Code

B.2 Appointments, re-election and removal

Principle - There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
B.2.1 Directors should ensure that they can give sufficient time and attention to the issuer's affairs and should not accept the appointment if they cannot do so.	√	Responsibilities and conduct of Directors (Time commitment and external appointments)
B.2.2 Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	<p><i>The Government Appointed Directors, all being Non-executive Directors, are not subject to election or re-election by shareholders as their appointments are governed by Section 77 of the SFO.</i></p> <p><i>The Chief Executive Officer in her capacity as a Director is not subject to retirement by rotation, as her term on the Board is coterminous with her employment as the Chief Executive Officer with HKEX under HKEX's Articles of Association.</i></p>	Appointment, election and removal of Directors
B.2.3 If an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should state why the board (or the nomination committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination.	<p><i>The Board Nomination Policy sets a maximum tenure of nine consecutive years for Non-executive Directors to be eligible for nomination by the Board to be elected by shareholders.</i></p>	Board Nomination Policy
<p>B.2.4 Where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should:</p> <p>(a) disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and</p> <p>(b) appoint a new independent non-executive director on the board at the forthcoming annual general meeting.</p>	<p><i>None of the current INEDs have served as HKEX directors for more than nine years.</i></p>	

Checklist on HKEX's compliance with the Corporate Governance Code

B.3 Nomination Committee

Principle - In carrying out its responsibilities, the nomination committee should give adequate consideration to the Principles under B.1 and B.2.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
<p>B.3.1 The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the following duties:</p> <ul style="list-style-type: none"> (a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy; (b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships; (c) assess the independence of independent non-executive directors; and (d) make recommendations to the board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive. 	√	Nomination and Governance Committee's terms of reference
<p>B.3.2 The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the Exchange's website (ie, HKEXnews website) and issuer's website.</p>	√	Nomination and Governance Committee's terms of reference
<p>B.3.3 Issuers should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the issuer's expense, to perform its responsibilities.</p>	√	Board Committees
<p>B.3.4 Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:</p> <ul style="list-style-type: none"> (a) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent; (b) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board; (c) the perspectives, skills and experience that the individual can bring to the board; and (d) how the individual contributes to diversity of the board. 	√	Circulars and Listing Documents (Circular for Annual General Meeting)

Checklist on HKEX's compliance with the Corporate Governance Code

C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

C.1 Responsibilities of directors

Principle - Every director must always know their responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
C.1.1 Newly appointed directors of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently they should receive any briefing and professional development necessary to ensure that they have a proper understanding of the issuer's operations and business and are fully aware of their responsibilities under statute and common law, the Exchange Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.	√	Responsibilities and conduct of Directors (Induction and continuing development)/ Corporate Governance Report
C.1.2 The functions of non-executive directors should include: <ul style="list-style-type: none"> (a) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; (b) taking the lead where potential conflicts of interests arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting. 	√	Responsibilities and conduct of Directors (Responsibilities of Non-executive Directors)
C.1.3 The board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities. "Relevant employee" includes any employee or a director or employee of a subsidiary or holding company who, because of such office or employment, is likely to possess inside information in relation to the issuer or its securities.	√	Responsibilities and conduct of Directors (Conduct on securities dealings)
C.1.4 All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	√	Responsibilities and conduct of Directors (Induction and continuing development)/ Corporate Governance Report
C.1.5 Directors should disclose to the issuer at the time of their appointment, and in a timely manner for any changes, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.	√	Responsibilities and conduct of Directors (Time commitment and external appointments)
C.1.6 Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.	√	Responsibilities and conduct of Directors (Responsibilities of Non-executive Directors)/ Corporate Governance Report
C.1.7 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	√	Responsibilities and conduct of Directors (Responsibilities of Non-executive Directors)
C.1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.	√	Board process (Liability insurance)

Checklist on HKEX's compliance with the Corporate Governance Code

C.2 Chairman and Chief Executive

Principle - There are two key aspects of the management of every issuer - the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
C.2.1 The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.	√	Roles and responsibilities of Chairman and Chief Executive
C.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	√	Roles and responsibilities of Chairman and Chief Executive
C.2.3 The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	√	Roles and responsibilities of Chairman and Chief Executive
C.2.4 The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. The chairman should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.	√	Roles and responsibilities of Chairman and Chief Executive
C.2.5 The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.	√	Roles and responsibilities of Chairman and Chief Executive
C.2.6 The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.	√	Roles and responsibilities of Chairman and Chief Executive
C.2.7 The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.	√	Roles and responsibilities of Chairman and Chief Executive
C.2.8 The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.	√	Roles and responsibilities of Chairman and Chief Executive
C.2.9 The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.	√	Roles and responsibilities of Chairman and Chief Executive

Checklist on HKEX's compliance with the Corporate Governance Code

C.3 Management functions

Principle - An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
C.3.1 When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the issuer's behalf.	√	Management functions
C.3.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements periodically to ensure that they remain appropriate to the issuer's needs.	√	Board's terms of reference/ Management functions
C.3.3 Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.	√	Appointment, election and removal of Directors

C.4 Board Committees

Principle - Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
C.4.1 Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.	√	Board Committees
C.4.2 The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	√	Board Committees

Checklist on HKEX's compliance with the Corporate Governance Code

C.5 Conduct of board proceedings and supply of and access to information

Principle – The issuer should ensure directors can participate in board proceedings in a meaningful and effective manner. Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
C.5.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.	√ <i>(The Board meets twice quarterly with additional meetings if and when required.)</i>	Board process (Board/committee meetings)
C.5.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.	√	Board process (Board/committee meetings)
C.5.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.	√	Board process (Board/committee meetings)
C.5.4 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.	√	Board process (Board/committee meetings)
C.5.5 Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes should be sent to all directors for their comment and records respectively, within a reasonable time after the board meeting is held.	√	Board process (Board/committee meetings)
C.5.6 There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist them perform their duties to the issuer.	√	Board process (Independent professional advice)
C.5.7 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.	√	Board process (Conflict of interest) Director's Handbook (Guidelines on Conduct)/ Corporate Governance Report
C.5.8 For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).	√ <i>(Board/committee meeting agenda and papers are normally distributed to Directors/ committee members 4 days in advance of the meeting.)</i>	Supply of and access to information
C.5.9 Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfil their duties properly, directors may not in all circumstances, be able to rely purely on information provided voluntarily by management and they may need to make further enquiries. Where any director requires more information than is volunteered by management, that director should make further enquiries where necessary. So, the board and individual directors should have separate and independent access to the issuer's senior management.	√	Supply of and access to information
C.5.10 All directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors should receive a prompt and full response, if possible.	√	Supply of and access to information

Checklist on HKEX's compliance with the Corporate Governance Code

C.6 Company Secretary

Principle - The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
C.6.1 The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs.	√	Company Secretary
C.6.2 The board should approve the selection, appointment or dismissal of the company secretary.	√	Company Secretary
C.6.3 The company secretary should report to the board chairman and/or the chief executive.	√	Company Secretary
C.6.4 All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.	√	Company Secretary

Checklist on HKEX's compliance with the Corporate Governance Code

D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

D.1 Financial reporting

Principle - The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
D.1.1 Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.	√	Accountability and audit (Financial reporting)
D.1.2 Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.	√	Accountability and audit (Financial reporting)
D.1.3 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information for investors to understand the severity and significance of matters. To a reasonable and appropriate extent, the issuer may refer to other parts of the annual report. These references should be clear and unambiguous, and the Corporate Governance Report should not contain only a cross-reference without any discussion of the matter.	√	Corporate Governance Report/ Regulatory Reports (Annual Report)
D.1.4 The board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Exchange Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.	√	Board's terms of reference/ Accountability and audit (Financial reporting)
Recommended Best Practices	Adopted	HKEX's practice (as set out in the HKEX Group website)
D.1.5 An issuer should announce and publish quarterly financial results within 45 days after the end of the relevant quarter. These should disclose sufficient information to enable shareholders to assess the issuer's performance, financial position and prospects. An issuer's quarterly financial results should be prepared using the accounting policies of its half-year and annual accounts.	√	Announcements/ Accountability and audit (Financial reporting)
D.1.6 Once an issuer announces quarterly financial results, it should continue to do so for each of the first 3 and 9 months periods of subsequent financial years.	√	Announcements/ Accountability and audit (Financial reporting)

Checklist on HKEX's compliance with the Corporate Governance Code

D.2 Risk management and internal control

Principle - The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to ESG (please refer to the ESG Reporting Code in Appendix C2 to the Exchange Listing Rules for further information). The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
D.2.1 The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	√	Corporate Governance Report/ Audit Committee Report/ Risk Committee Report/ Accountability and audit (Risk management and internal control)
D.2.2 The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, and financial reporting functions, as well as those relating to the issuer's ESG performance and reporting.	√	Audit Committee Report/ Assessment of risk management and internal control effectiveness
D.2.3 The board's annual review should, in particular, consider: (a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the issuer's ability to respond to changes in its business and the external environment; (b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the issuer and the effectiveness of risk management; (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and (e) the effectiveness of the issuer's processes for financial reporting and Exchange Listing Rule compliance.	√	Audit Committee Report/ Risk Committee Report/ Assessment of risk management and internal control effectiveness

Checklist on HKEX's compliance with the Corporate Governance Code

D.2 Risk management and internal control (continued)

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
D.2.4 Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. In particular, they should disclose: <ul style="list-style-type: none"> (a) the process used to identify, evaluate and manage significant risks; (b) the main features of the risk management and internal control systems; (c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss; (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and (e) the procedures and internal controls for the handling and dissemination of inside information. 	√	Corporate Governance Report/ Audit Committee Report/Risk Committee Report
D.2.5 The issuer should have an internal audit function.	√	Accountability and audit (Internal audit)/ Audit Committee Report
D.2.6 The issuer should establish a whistleblowing policy and system for employees and those who deal with the issuer (eg, customers and suppliers) to raise concerns, in confidence and anonymity, with the audit committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the issuer.	√	Audit Committee's terms of reference/ Key control procedures/ Whistleblowing/ Corporate Governance Report/ HKEX Code of Conduct
D.2.7 The issuer should establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.	√	Audit Committee's terms of reference/ Corporate Governance Report/ HKEX Code of Conduct
Recommended Best Practices	Adopted	HKEX's practice (as set out in the HKEX Group website)
D.2.8 The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the issuer's risk management and internal control systems.	√	Corporate Governance Report/ Audit Committee Report/ Risk Committee Report/ Assessment of risk management and internal control effectiveness
D.2.9 The board may disclose in the Corporate Governance Report details of any significant areas of concern.	√	Corporate Governance Report/ Audit Committee Report/ Risk Committee Report

D.3 Audit Committee

Principle - The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the Exchange Listing Rules should have clear terms of reference.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
D.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting.	√	Board process (Board/committee meetings)
D.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of two years from the date of the person ceasing: <ul style="list-style-type: none"> (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later. 	√	Audit Committee's terms of reference/ Objectivity and independence of external auditor

Checklist on HKEX's compliance with the Corporate Governance Code

D.3 Audit Committee (continued)

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
<p>D.3.3 The audit committee's terms of reference should include at least:</p> <p>Relationship with the issuer's auditors</p> <p>(a) to be primarily responsible for making recommendations to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;</p> <p>(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;</p> <p>(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The audit committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed;</p> <p>Review of the issuer's financial information</p> <p>(d) to monitor integrity of the issuer's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the board, the committee should focus particularly on:</p> <p>(i) any changes in accounting policies and practices;</p> <p>(ii) major judgmental areas;</p> <p>(iii) significant adjustments resulting from audit;</p> <p>(iv) the going concern assumptions and any qualifications;</p> <p>(v) compliance with accounting standards; and</p> <p>(vi) compliance with the Exchange Listing Rules and legal requirements in relation to financial reporting;</p> <p>(e) Regarding (d) above:-</p> <p>(i) members of the committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the issuer's auditors; and</p> <p>(ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the issuer's staff responsible for the accounting and financial reporting function, compliance officer or auditors;</p> <p>Oversight of the issuer's financial reporting system, risk management and internal control systems</p> <p>(f) to review the issuer's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the issuer's risk management and internal control systems;</p> <p>(g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function;</p> <p>(h) to consider major investigation findings on risk management and internal control matters as delegated by the board or on its own initiative and management's response to these findings;</p> <p>(i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness;</p> <p>(j) to review the group's financial and accounting policies and practices;</p> <p>(k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;</p> <p>(l) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;</p> <p>(m) to report to the board on the matters in this code provision; and</p> <p>(n) to consider other topics, as defined by the board.</p>	√	<p>Audit Committee's terms of reference/ Risk Committee's terms of reference</p>

Checklist on HKEX's compliance with the Corporate Governance Code

D.3 Audit Committee (continued)

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
D.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website (ie, HKEXnews website) and the issuer's website.	√	Audit Committee's terms of reference
D.3.5 Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	<i>No such circumstances have arisen so far.</i>	
D.3.6 The audit committee should be provided with sufficient resources to perform its duties.	√	Board Committees
D.3.7 The terms of reference of the audit committee should also require it: (a) to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and (b) to act as the key representative body for overseeing the issuer's relations with the external auditor.	√	Audit Committee's terms of reference

Checklist on HKEX's compliance with the Corporate Governance Code

E. REMUNERATION

E.1 The level and make-up of remuneration and disclosure

Principle - An issuer should have a formal and transparent policy on directors' remuneration and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding that director's own remuneration.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
E.1.1 The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary.	√	Remuneration review/ Board Committees
E.1.2 The remuneration committee's terms of reference should include, as a minimum: <ul style="list-style-type: none"> (a) to make recommendations to the board on the issuer's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives; (c) either: <ul style="list-style-type: none"> (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or (ii) to make recommendations to the board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; (d) to make recommendations to the board on the remuneration of non-executive directors; (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; (f) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; (h) to ensure that no director or any of their associates is involved in deciding that director's own remuneration; and (i) to review and/or approve matters relating to share schemes under Chapter 17 of the Rules. 	√	Remuneration Committee's terms of reference
E.1.3 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website (ie, HKEXnews website) and the issuer's website.	√	Remuneration Committee's terms of reference
E.1.4 The remuneration committee should be provided with sufficient resources to perform its duties.	√	Board Committees
E.1.5 Issuers should disclose the directors' remuneration policy, details of any remuneration payable to members of senior management by band and other remuneration related matters in their annual reports.	√	Remuneration Committee Report/ Regulatory Reports (Annual Report)

Checklist on HKEX's compliance with the Corporate Governance Code

E.1 The level and make-up of remuneration and disclosure (continued)

Recommended Best Practices	Adopted	HKEX's practice (as set out in the HKEX Group website)
E.1.6 Where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report.	<i>No such circumstances have arisen so far.</i>	
E.1.7 A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.	√	Remuneration review/ Employees' remuneration structure
E.1.8 Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports.	√	Remuneration Committee Report
E.1.9 Issuers generally should not grant equity-based remuneration (eg, share options or grants) with performance-related elements to independent non-executive directors as this may lead to bias in their decision-making and compromise their objectivity and independence.	√	Remuneration Committee Report/ Nomination and Governance Committee Report

Checklist on HKEX's compliance with the Corporate Governance Code

F. SHAREHOLDERS ENGAGEMENT

F.1 Effective communication

Principle - The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
F.1.1 The issuer should have a policy on payment of dividends and should disclose it in the annual report.	√	Regulatory Reports (Annual Report - Shareholder Information)
Recommended Best Practices	Adopted	HKEX's practice (as set out in the HKEX Group website)
F.1.2 Issuers are encouraged to include the following information in their Corporate Governance Report: <ul style="list-style-type: none"> (a) details of shareholders by type and aggregate shareholding; (b) indication of important shareholders' dates in the coming financial year; (c) the percentage of public float, based on information that is publicly available to the issuer and within the knowledge of its directors as at the latest practicable date prior to the issue of the annual report; and (d) the number of shares held by each of the senior management. 	√	Corporate Governance Report/ Regulatory Reports (Annual Report - Shareholder Information)

F.2 Shareholders meetings

Principle - The issuer should ensure that shareholders are given sufficient notice of shareholders meetings and are familiar with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings.

Code Provisions	Comply or explain	HKEX's practice (as set out in the HKEX Group website)
F.2.1 For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting.	√	General meetings
F.2.2 The chairman of the board should attend the annual general meeting. The chairman of the board should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.	√	General meetings/ Corporate Governance Report
An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.	√	General meetings/ Corporate Governance Report
F.2.3 The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	√	General meetings