



December 15th, 2017

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Via Email: response@hkex.com.hk

**Re: Consultation Paper on Review of the Corporate Governance Code and
Related Listing Rules**

Dear Sir or Madam,

We welcome the opportunity to respond to the consultation on the review of the corporate governance code and related listing rules.

British Columbia Investment Management Corporation (bcIMC) is an asset manager with more than \$135 billion Canadian dollars in assets under management, one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 554,000 people in our Canadian province. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will provide strong and stable financial returns.

As a long-term investor, bcIMC relies on well-functioning capital markets. We see it as our responsibility to contribute to the overall stability of the financial system. As an active participant in the capital markets, we address systemic risks with the expectation that our efforts will lead to greater stability and integrity within the markets. We regularly engage with regulators and advocate for legal and regulatory changes to ensure that principles of good governance are integrated into the regulatory framework.

Our Public Equities portfolio had over \$11.5 billion Canadian dollars in holdings in Asia at the end of Q3 2017, with a meaningful exposure in Hong Kong. As Hong Kong is a significant market for us, this submission is our fifth to the Hong Kong Exchange in the last four years. We provided submissions in response to Consultation Papers on the New Board Concept in 2017, Proposed Enhancements to the Exchange's Decision-Making and Governance Structure for Listing Regulation in 2016, on the Review of the Environmental, Social and Governance Reporting Guide in 2015, and in response to the Concept Paper on Weighted Voting Rights in 2014.

In this case, we have provided answers to the questions posed throughout the consultation paper, broken down by individual section.

Independent Non-Executive Directors

Question 1: Do you agree with our proposed amendment to Code Provision (CP) A.5.5: in addition to requiring the board to state in the circular to shareholders accompanying the resolution to elect the independent non-executive director (INED) their reasons for electing and why they believe the person to be independent, it should explain, if the INED will be holding their seventh (or more) listed company directorship, why the person would still be able to devote sufficient time to the board.

bcIMC response: We agree with the requirement that the board states in the circular their reasons for electing an INED and why they believe the person to be independent. bcIMC believes that this information is a fundamental corporate governance disclosure.

However, with regard to the issue of an INED holding their seventh (or more) listed company directorship, and why they would still be able to devote sufficient time to the board, bcIMC's proxy voting guidelines state that we will vote against board nominees that serve on six public company boards, as we believe any greater than this is excessive, and may inhibit a director from carrying out their duties effectively. In addition, for those nominees who are in executive roles, bcIMC will vote against such nominees if they are on more than two public company boards, including his or her own company.

Board Diversity

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?

bcIMC response: We strongly agree with the proposal to upgrade the requirement for issuers to have a diversity policy, and to disclose the policy or a summary of it in their corporate governance reports, to a Rule. bcIMC places significant value on gender diversity on boards of directors and in senior management. Mounting academic evidence illustrates how gender diversity contributes to robust decision-making and healthy debate. Furthermore, seeking qualified female directors by reaching out beyond traditional networking avenues does not undermine an approach based on meritocracy and ensures that the board is seeking all available talent.

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.

bcIMC response: We agree with the spirit of this proposal and the stated intention to give shareholders a greater understanding of the board's processes, and therefore to allow shareholders to make better-informed voting decisions. However, by making this a Code Provision, and therefore subject to comply or explain requirements only, we do not believe that it goes far enough. bcIMC believes that such a requirement should be mandatory, and as such, made into a Rule.

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

bcIMC response: Given our support for the proposal in Question 2, we agree with this amendment.

Factors Affecting INED's Independent

Question 5: Do you agree with our proposal to revise Rule 3.13 (3) so that there is a three-year cooling off period for professional advisers before they can be considered independent, instead of the current one year?

bcIMC response: While we agree that the current cooling-off periods are too short to provide sufficient comfort that proposed INEDs are independent, bcIMC believes that five years is an appropriate cooling-off period. Therefore, while the move to a three year cooling-off period is a positive one, shareholders would benefit from increasing this further, particularly in the context of Hong Kong's many family-owned companies. Furthermore, in this regard, we would like to highlight our support for the proposed amendment to CP A.5.5 (see response to question 1), which would require the board to state their reasons for electing an INED and why they believe the person to be independent.

Question 6: Do you agree with our proposal to revise CP C.3.2 so that there is a three-year cooling off period for a former partner of the issuer's existing audit firm before he can be a member of the issuer's audit committee?

bcIMC response: We echo our points made in response to question 5. In addition, we believe, for consistency, and to strengthen the proposal, this should be made into a Rule instead of a Code Provision, which would be subject only to comply or explain requirements.

Question 7: Do you agree with our proposal to revise Rule 3.13(4) to introduce a one-year cooling off period for a proposed INED who has had material interests in the issuer's principal business activities in the past year?

bcIMC response: Again, we would echo the points we made in response to question 5.

Question 8: Do you agree with our proposal to introduce a new Recommended Best Practice (RBP) A.3.3 to recommend disclosure of INEDs' cross-directorships or having significant links with other directors through involvements in other companies or bodies in the Corporate Governance Report?

bcIMC response: We believe that the disclosure of INEDs' cross-directorships or having significant links with other directors through involvements in other companies is very important to shareholders and agree that this would improve transparency. However, we do not believe that making this a Recommended Best Practice (i.e. subject to voluntary disclosure) goes far enough, and would encourage, at a minimum, making this a Code Provision, which is therefore subject to comply or explain requirements.

Question 9: Do you agree with our proposal to introduce a Note under Rule 3.13 to encourage inclusion of an INED's immediate family members in the assessment of the director's independence?

bcIMC response: We believe that this is an appropriate inclusion under Rule 3.13, however we would highlight that New York Stock Exchange listing requirements go further than this, including a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home, in determining an immediate family member.¹ We believe that this definition more appropriately captures a director's immediate family members.

Question 10: Do you agree with our proposal to adopt the same definition for "immediate family member" as Rule 14A.12(1)(a) as set out in paragraph 81?

bcIMC response: See our response to question 9.

Nomination Policy

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?

bcIMC response: We believe that disclosure of the nomination policy adopted by the board during the year would provide meaningful additional transparency to shareholders. bcIMC believes that the process around board nominations – notably the evaluation of the board, and how this feeds into board refreshment – is critical in ensuring that the board is comprised of a broad spectrum of skills, backgrounds and experience. In addition, we believe that such disclosure will provide shareholders with greater comfort that the board is dedicating the appropriate level of time and resources to not only the current composition of the board, but also to the development of a pipeline of candidates for the future.

¹ NYSE Listed Company Manual, General Organization, Section 3 – Corporate Responsibility [On-line]
<http://wallstreet.cch.com/LCMTTools/PlatformViewer.asp?selectednode=chp%5F1%5F4&manual=%2F1cm%2Fsections%2F1cm%2Dsections%2F>

Directors' Attendance at General Meetings

Question 12: Do you agree with our proposal to amend CP A.6.7 by removing the last sentence of the current wording? [Sentence refers to a requirement that directors should attend general meetings and develop a balanced understanding of the views of shareholders]

bcIMC response: We do not believe it is appropriate, nor is it a positive corporate governance change, to remove this sentence. Making the lack of attendance at general meetings acceptable, and removing the requirement for directors to develop a balanced understanding of the views of shareholders, is a step backwards in our view. While we recognize that directors may not be able to attend all general meetings, our expectation is that this would be an exceptional circumstance.

Chairman's Annual Meetings with INEDs

Question 13: Do you agree with our proposal to revise CP A.2.7 to state that INEDs should meet at least annually with the chairman?

bcIMC response: We believe it is important that INEDs are given the opportunity to meet with the Chairman of the board, without executives present, in order to more effectively carry out their oversight duties, and therefore agree with the proposed revision. However, we recognize that the consultation highlights approximately 36% of Hong Kong issuers combine the roles of Chairman and CEO. In light of this, and the predominance of family ownership in Hong Kong's business culture, we believe it would be more effective to require issuers to designate a Senior Independent Non-Executive Director or Lead Independent Director in cases where the Chairman is not an INED. Furthermore, the Senior INED or Lead Independent Director should have clearly defined roles and responsibilities that are virtually identical to that of an independent non-executive Chairman.

Dividend Policy

Question 14: Do you agree with our proposal to introduce CP E.1.5 requiring the issuer to disclose its dividend policy in the annual report?

bcIMC response: We agree that the disclosure of an issuer's dividend policy is important for shareholders when assessing factors such as capital discipline, and therefore support this proposal. However, we would suggest that the HKEx consider taking this further by making the requirement for issuers to disclose their dividend policy a Rule, as opposed to a Code Provision. The consultation paper points out that the US, UK and China all require issuers to disclose a dividend policy. The HKEx would benefit from aligning with these markets, rather than the comply or explain approach that a Code Provision would require.

Electronic Dissemination of Corporate Communications – Implied Consent

Question 15: Do you think that the Rules should be amended to allow shareholders' consent to be implied for electronic dissemination of corporate communications by issuers?

bcIMC response: We recognize that the dissemination of corporate communications by hard copy can represent both a significant cost to issuers and at times an unnecessary format in an increasingly digital world. We note the consultation states that such a change would not be adopted until Hong Kong's company law is amended to permit implied consent, which is consistent with the approach taken in Singapore, where implied consent was only allowed under the Singapore Exchange listing rules after the Singapore Companies Act was amended first. We believe that this is a logical process for the HKEx to follow in allowing implied consent for electronic dissemination of corporate communications by issuers.

To conclude, we would like to thank you for the opportunity to respond to this consultation. The issues under consideration are key areas of focus for shareholders like bcIMC, and show Hong Kong's efforts in raising the overall standards of corporate governance amongst its issuers and directors.

Please feel free to reach out to our Senior Manager, ESG Integration, Jennifer Coulson (jennifer.coulson@bcimc.com) as you consider these comments or if you require further clarification. I appreciate your time and consideration.

Regards,

A handwritten signature in blue ink, appearing to read 'Daniel Garant', with a stylized flourish at the end.

Daniel Garant
Senior Vice President, Public Markets