C. Corporate Governance/ Environmental, Social and Governance

Appendix C1

CORPORATE GOVERNANCE CODE

INTRODUCTION

This Corporate Governance Code sets out: (a) the mandatory requirements for disclosure in an issuer's Corporate Governance Report; and (b) the principles of good corporate governance, the code provisions on a "comply or explain" basis and certain recommended best practices. Issuers are encouraged to adopt the recommended best practices on a voluntary basis.

Part 1 – Mandatory disclosure requirements

Issuers must include a corporate governance report prepared by the board of directors in their annual reports and summary financial reports (if any) under paragraphs 34 and 50 of Appendix D2 to the Exchange Listing Rules ("Corporate Governance Report"). The Corporate Governance Report must contain all the information set out in the section headed "Part 1 – Mandatory disclosure requirements" below. Any failure to do so will be regarded as a breach of the Exchange Listing Rules.

To the extent reasonable and appropriate, the Corporate Governance Report included in an issuer's summary financial report may be a summary of the Corporate Governance Report contained in the annual report, and may also incorporate information by reference to its annual report. The references must be clear and unambiguous, and the summary must not contain only a cross-reference without any discussion of the matter. The summary must contain, as a minimum, a narrative statement indicating overall compliance with and highlighting any deviation from the code provisions set out in the section headed "Part 2 – Principles of good corporate governance, code provisions and recommended best practices" below.

Part 2 – Principles of good corporate governance ("Principles"), code provisions and recommended best practices

The Principles set the overarching direction to achieving good corporate governance. The code provisions are aimed to help issuers apply the Principles.

The Exchange does not envisage a "one size fits all" approach, and appreciates that effective application of the Principles may be achieved by means other than strict compliance with the code provisions depending on a range of factors, including the issuer's own individual circumstances, the size and complexity of its operations and the nature of the risks and challenges it faces. Issuers are expected to comply with, but may choose to deviate from, the code provisions in order to achieve the spirit of the Principles.

The recommended best practices are for guidance only. The voluntary nature of the recommended best practices does not mean that they are not important, but rather, they are practices which should be adhered to support issuer's application of the Principles. Issuers are encouraged to state whether they have complied with the recommended best practices and give considered reasons for any deviation.

What is "comply or explain"?

1. Issuers must state whether they have complied with the code provisions for the relevant accounting period in their annual reports (and summary financial reports, if any) and interim reports (and summary interim reports, if any).

2. If an issuer considers that it can adopt the Principles without applying the code provisions, it may deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions) provided that the issuer sets out:

   (a) in the Corporate Governance Report in the annual reports (and summary financial reports, if any) the considered reasons for the deviation and explain how good corporate governance was achieved by means other than strict compliance with the code provision (the "Considered Reasons and Explanation"). The explanation should provide a clear rationale for the alternative actions and steps taken by the issuer and their impacts and outcome; and

   (b) in the interim reports (and summary interim reports, if any) either:

      (i) the Considered Reasons and Explanation in respect of the deviation, or

      (ii) to the extent reasonable and appropriate, by referring to the Corporate Governance Report in the preceding annual report, and providing details of any changes for any deviation not reported in that annual report with Considered Reasons and Explanation. The references must be clear and unambiguous, and the interim report (or summary interim report) must not contain only a cross-reference without any discussion of the matter.

   The Considered Reasons and Explanation are helpful in fostering an informed, constructive dialogue between issuers and shareholders with a view to improving corporate governance continuously. Shareholders are encouraged to engage constructively and discuss with the issuer any deviation from the code provisions. In evaluating the Considered Reasons and Explanation given by the issuer, shareholders should pay due regard to the issuer's individual circumstances.

3. An issuer would be in breach of the Exchange Listing Rules if it deviates from a code provision but does not provide Considered Reasons and Explanation in the manner as set out above.

Linkage between Corporate Governance and Environmental, Social and Governance ("ESG")

Corporate governance provides the framework within which the board forms their decisions and build their businesses. The entire board should be focusing on creating long-term sustainable growth for shareholders and delivering long-term values to all stakeholders. An effective corporate governance structure allows issuers to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities). The ESG Reporting Code set out in Appendix C2 to the Exchange Listing Rules provides a framework for issuers to, among other things, identify and consider what environmental risks and social risks may be material to them. The board should be responsible for effective governance and oversight of ESG matters, as well as assessment and management of material environmental and social risks. Issuers are required to disclose environmental and social matters in ESG reports in accordance with the ESG Reporting Code.

PART 1 – MANDATORY DISCLOSURE REQUIREMENTS

To provide transparency, issuers must include the following information for the accounting period covered by the annual report and significant subsequent events for the period up to the date of publication of the annual report, to the extent possible. Failure to do so will be regarded as a breach of the Exchange Listing Rules.

A. CORPORATE GOVERNANCE PRACTICES

(a) A narrative statement explaining how the issuer has applied the Principles to enable shareholders' evaluation of such application;

(b) a statement as to whether the issuer has complied with the code provisions; and

(c) for any deviation from the code provisions (including adoption of any alternatives other than the code provisions), details of the deviation during the financial year (including the Considered Reasons and Explanation).

B. BOARD OF DIRECTORS

(a) Composition of the board, by category of directors, including name of chairman, executive directors, non-executive directors, independent non-executive directors and lead independent non-executive director (if any); and for each named director, their length of tenure and current period of appointment;

(b) number of board meetings held during the financial year;

(c) attendance of each director, by name, at the board and general meetings;

Notes: 1 *Subject to the issuer's constitutional documents, and the laws and regulations of its place of incorporation, attendance by a director at a meeting by electronic means such as telephonic or video- conferencing may be counted as physical attendance.*

2 *If a director is appointed part way during a financial year, the attendance of such director should be stated by reference to the number of board meetings held during the director's tenure.*

(d) for each named director, the number of board or committee meetings attended by the director, and, separately the number of board or committee meetings attended by the alternate of the director. Attendance at board or committee meetings by an alternate director should not be counted as attendance by the director;

(e) a statement of the respective responsibilities, accountabilities and contributions of the board and management. In particular, a statement of how the board operates, including a high level statement on the types of decisions taken by the board and those delegated to management;

(f) details of non-compliance (if any) with rules 3.10(1) and (2), and 3.10A and an explanation of the remedial steps taken to address non-compliance. This should cover non-compliance with appointment of a sufficient number of independent non-executive directors and appointment of an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise;

(g) reasons why the issuer considers an independent non-executive director to be independent where such director fails to meet one or more of the guidelines for assessing independence set out in rule 3.13;

(h) relationship (including financial, business, family or other material/relevant relationship(s)), if any, between board members and in particular, between the chairman and the chief executive;

(ha) if any director is appointed during the accounting period covered by the annual report, the date on which each such director had obtained the legal advice referred to in Rule 3.09D, and such director has confirmed he understood his obligations as a director of a listed issuer; and

(i) a confirmation that all directors, by name, have participated in continuous professional development as required by rules 3.09F, 3.09G and 3.09H during the reporting period. The confirmation should set out sufficient details for each director, including:

  (i) the total number of hours of continuous professional development completed during the reporting period;

  (ii) the format or mode of continuous professional development taken, including whether an external or internal provider was used or whether the professional development was the result of self-study. In respect of each mode of continuous professional development taken by each director, disclosure of the number of hours completed, the training topics covered and a description of the relevant training provider(s), where applicable (e.g. name(s) and/or type(s)); and

  (iii) in addition, for any director subject to rule 3.09H, where applicable, a statement confirming that such director has completed the required continuous professional development under rule 3.09H.

C. CHAIRMAN AND CHIEF EXECUTIVE

The identity of the chairman and chief executive.

D. NON-EXECUTIVE DIRECTORS

The term of appointment of non-executive directors.

E. BOARD COMMITTEES

The following information for each of the audit committee, remuneration committee, nomination committee, risk committee (if any), and corporate governance functions:

(a) the role and function of the committee;

(b) the composition of the committee and whether it comprises independent non-executive directors, non-executive directors and executive directors (including their names and identifying the chairman of the committee);

(c) the number of meetings held by the committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and

(d) a summary of the work during the year, including:

   (i) for the audit committee, a report on how it met its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results, and unless expressly addressed by a separate risk committee, or the board itself, its review of the risk management and internal control systems, the effectiveness of the issuer's internal audit function, and its other duties under the Corporate Governance Code. Details of non-compliance with rule 3.21 (if any) and an explanation of the remedial steps taken by the issuer to address non-compliance with establishment of an audit committee;

   (ii) for the remuneration committee, determining the policy for the remuneration of executive directors, assessing performance of executive directors, approving the terms of executive directors' service contracts, and reviewing and/or approving matters relating to share schemes under Chapter 17 (see rule 17.07A), performed by the remuneration committee. Disclose which of the two models of remuneration committee described in code provision E.1.2(c) was adopted;

(iii) for the nomination committee, disclosing (1) the policy for the nomination of directors during the year, which includes the nomination procedures and the process and criteria adopted by the nomination committee to select and recommend candidates for directorship during the year, and (2) its assessment of each director's time commitment and contribution to the board, as well as the director's ability to discharge his or her responsibilities effectively, taking into account professional qualifications and work experience, existing directorships of issuers listed on the Main Board or GEM and other significant external time commitments of such director and other factors or circumstances relevant to the director's character, integrity, independence and experience;

Note: For the purpose of this requirement:

1 "significant external time commitments" includes all external commitments beyond directorship roles on issuers listed on the Main Board or GEM that involve significant time commitment. This includes, for example, directorships of issuers listed on an exchange other than the Main Board or GEM, full-time occupations, major consultancy work, major public service commitments, directorships of and involvement in statutory bodies or non-profit organizations; and

2 "other factors or circumstances relevant to the director's character, integrity, independence and experience" includes any change or development in the director's individual situation or circumstance that should reasonably be taken into account in assessing whether he or she is able to effectively discharge his or her duties.

(iv) for the risk committee (if any), a report on how it met its responsibilities in its review of the risk management and internal control systems and the effectiveness of the issuer's internal audit function; and

(v) for corporate governance, determining the policy for the corporate governance of the issuer, and duties performed by the board or the committee(s) under code provision A.2.1.

F. COMPANY SECRETARY

(a) Where an issuer engages an external service provider as its company secretary, its primary corporate contact person at the issuer (including such person's name and position); and

(b) details of non-compliance with rule 3.29.

G. DIRECTORS' SECURITIES TRANSACTIONS

For the Model Code set out in Appendix C3 to the Exchange Listing Rules:

(a) whether the issuer has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code;

(b) having made specific enquiry of all directors, whether the directors of the issuer have complied with, or whether there has been any non-compliance with, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions; and

(c) for any non-compliance with the required standard set out in the Model Code, if any, details of these and an explanation of the remedial steps taken by the issuer to address them.

H. RISK MANAGEMENT AND INTERNAL CONTROL

Details of the review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems under code provision D.2.1, which shall be conducted at least annually, including:

(a) a statement from the board: (i) acknowledging its responsibility for the issuer's risk management and internal control systems; and (ii) confirming that the issuer's risk management and internal control systems are appropriate and effective for the purposes set out in Principle D2 of the Corporate Governance Code;

(b) the main features of the risk management and internal control systems, including the process used to identify, evaluate and manage significant risks, and the procedures for the timely, accurate and complete disclosure of discloseable information, including inside information and any other information required to prevent a false market in the issuer's securities;

(c) any significant changes during the reporting period in (i) the issuer's assessment of risks (including ESG risks) and (ii) the risk management and internal control systems;

(d) whether the issuer has an internal audit function;

(e) the responsibilities of internal departments (such as the internal audit function, if it exists) and external providers for reviewing the effectiveness of the issuer's risk management and internal control systems, the process used to conduct those reviews and their frequency;

(f) information supporting the board's conclusion that the risk management and internal control systems are appropriate and effective, including any confirmations received (as applicable) from: management, the relevant board committee(s) with responsibility for the issuer's risk management and internal controls and any other internal departments (such as the internal audit function, if it exists), the issuer's independent auditors, and/or other external providers; and

(g) scope of the review and details of review findings, including any significant control failings or weaknesses that were identified in the current reporting period, or that were previously reported but remain unresolved, and any remedial steps taken or proposed to address such control failings or weaknesses.

I. AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

An analysis of remuneration in respect of audit and non-audit services provided by the auditors (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the issuer. The analysis must include, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid.

J. DIVERSITY

(a) (i) The issuer's policy on board diversity or a summary of the policy, which should include information on measurable objectives (e.g. numerical targets and timelines) that it has set for the promotion of gender diversity on its board and the measures the issuer has adopted to develop a pipeline of potential successors to the board to achieve gender diversity; and (ii) the results of the issuer's review of the implementation of its board diversity policy conducted during the year (including progress towards the issuer's objectives and how the issuer has arrived at its conclusion);

(b) the issuer's policy on diversity in the workforce (including senior management) or a summary of the policy, including any plans or measurable objectives (e.g. numerical targets and timelines) the issuer has set for achieving gender diversity, and progress on achieving those objectives. Where applicable, issuers may disclose any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant; and

(c) the gender ratio of: (i) senior management; and (ii) the workforce (excluding senior management).

Note: In this Corporate Governance Code, "senior management" refers to the same persons referred to in the issuer's annual report and required to be disclosed under paragraph 12 of Appendix D2.

K. SHAREHOLDERS' RIGHTS

(a) How shareholders can convene an extraordinary general meeting;

(b) the procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed; and

(c) the procedures and sufficient contact details for putting forward proposals at shareholders' meetings.

L. INVESTOR RELATIONS

(a) Any significant changes in the issuer's constitutional documents during the year;

(b) the issuer's shareholders' communication policy (or its summary), which should include channels for shareholders to communicate their views on various matters affecting the issuer, as well as steps taken to solicit and understand the views of shareholders and stakeholders;

(c) a statement of the issuer's review of the implementation and effectiveness of the shareholders' communication policy conducted during the year (including how it arrives at the conclusion); and

(d) details of the shareholder engagement conducted under code provision F.1.1 (if applicable).

M. DIVIDENDS

(a) Where the issuer has a policy on payment of dividends:

(i) the policy or a summary of the policy, including the aim or objective of the policy, and the key factors that the board will take into account when deciding whether to declare, recommend or pay any dividend; and

(ii) a confirmation that all dividend decisions made by the board were made in accordance with the issuer's dividend policy; otherwise, an explanation of any deviations from the issuer's dividend policy;

(b) where the issuer does not have a policy on payment of dividends:

(i) the fact that no such policy exists; and

(ii) the reason(s) for the absence of such policy;

(c) regardless of whether the issuer has a policy on payment of dividends, the issuer must:

(i) where the board declared a dividend (whether interim or final) during the year, the reason(s) for any material variation in the dividend rate compared to that for the previous corresponding period; and

(ii) where the board decided not to declare any dividend, the reason(s) for the board's decision and the measures that the issuer intends to take to enhance investors' return (if any).

PART 2 – PRINCIPLES OF GOOD CORPORATE GOVERNANCE, CODE PROVISIONS AND RECOMMENDED BEST PRACTICES

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

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.

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.

Note: An issuer should have a corporate strategy and a long term business model. Long term financial performance as opposed to short term rewards should be a corporate governance objective. An issuer's board should not take undue risks to make short term gains at the expense of long term objectives.

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

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.

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) 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

B.1.1 The independent non-executive directors should be identified in all corporate communications that disclose the names of directors.

B.1.2 An issuer should maintain on its website and on the Exchange's website an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.

B.1.3 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.

B.1.4 An issuer should conduct a formal evaluation of the board's performance at least every two years. Issuers should confirm in the Corporate Governance Report whether they conducted a board performance review during the reporting period and if not, when the next board performance review will be conducted. If a board performance review was conducted during the reporting period, issuers should disclose in the Corporate Governance Report:

(a) whether the board performance review was conducted internally or by an external provider;

(b) how the board performance review was conducted, including the scope of the review and the responsible department(s)/committee(s)/external provider(s) involved in conducting the review;

(c) the connection (if any) between any external provider involved in the board performance review and the issuer or any of its directors; and

(d) details on the findings of the board performance review, including significant areas of improvement (if identified during the board performance review), and measures taken or planned as a result of the board performance review.

B.1.5 An issuer should maintain and disclose in the Corporate Governance Report a board skills matrix setting out information including:

(a) details of the mix of skills that the board currently has;

(b) an explanation of how the combination of skills, experience and diversity of the directors serves the issuer's purpose, values, strategy and desired culture; and

(c) (where applicable) details of any further skills that the board is looking to acquire, its plans to acquire such further skills, and how the plans made in the previous year(s) were achieved or progressed in the reporting year.

Recommended Best Practices

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.

Note: A cross-directorship exists when two (or more) directors sit on each other's boards.

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

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.

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.

B.2.3 [To be repealed after 30 June 2031] 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.

B.2.4 [To be repealed after 30 June 2028] Where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should:

(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

(b) appoint a new independent non-executive director on the board at the forthcoming annual general meeting.

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

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:-

(a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually, assist the board in maintaining a board skills matrix, 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;

(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; and

(e) support the issuer's regular evaluation of the board's performance.

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 and issuer's website.

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.

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:

(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) [To be repealed after 30 June 2028] if the proposed independent non-executive director will be holding their seventh (or more) directorship of an issuer listed on the Main Board or GEM, 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.

B.3.5 Issuers should appoint at least one director of a different gender to the nomination committee.

C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

C.1 Responsibilities of directors

Principle

Every director must understand, and, at all times, be aware of 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. To ensure directors' contribution to the board remains informed and relevant, all directors must participate in continuous professional development to develop and refresh their knowledge and skills for a proper understanding of the issuer's business, operations and governance policies and full awareness of their responsibilities under statute and common law, the Exchange Listing Rules, legal and other regulatory requirements. Directors should provide a record of the continuous professional development they received to the issuer.

Code Provisions

C.1.1 An issuer should be responsible for arranging and (where necessary) funding:

(a) a comprehensive, formal and tailored induction for newly appointed directors upon appointment; and

(b) suitable continuous professional development for all directors.

C.1.2 The functions of non-executive directors should include:

(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.

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.

C.1.4 Directors should disclose to the issuer at the time of their appointments, and in a timely manner for any changes, the number and nature of offices held in public companies or organisations and other significant external time 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.

C.1.5 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.

Note: Non-executive directors' attendance at general meetings is important. An independent non-executive director is often the chairman or a member of board committees and as such, the individual should be accountable to shareholders by being available to respond to questions and enquiries in relation to their work. Without attending general meetings, the director will not be able to develop a balanced understanding of the views of shareholders.

C.1.6 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.

C.1.7 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.

Recommended Best Practices

C.1.8 Where the chairman is not an independent non-executive director, an issuer should appoint one independent non-executive director to be the lead independent non-executive director to (a) serve as an intermediary for the other directors and shareholders; and (b) be available to other directors and shareholders where normal communication channels with the chairman or management are inadequate.

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

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.

C.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.

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.

C.2.4 One of the important roles of the chairman is to provide leadership for the board. 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.

C.2.5 The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.

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.

C.2.7 The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

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.

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.

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

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.

Note: The board should not delegate matters to a board committee, executive directors or management to an extent that would significantly hinder or reduce the ability of the board as a whole to perform its 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.

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.

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

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.

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).

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

C.5.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present. So, a regular meeting does not include obtaining board consent through circulating written resolutions.

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.

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.

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.

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.

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.

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.

Note: Subject to the issuer's constitutional documents, and the laws and regulations of its place of incorporation, attendance by a director at a meeting by electronic means such as telephonic or videoconferencing may be counted as physical attendance.

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).

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.

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.

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

C.6.1 The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. Where an issuer engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority (e.g. chief legal counsel or chief financial officer) at the issuer whom the external provider can contact.

C.6.2 The board should approve the selection, appointment or dismissal of the company secretary.

Note: A board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution.

C.6.3 The company secretary should report to the board chairman and/or the chief executive.

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.

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

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.

D.1.2 Management should provide all members of the board with, and the board and each director are entitled to and should request for, monthly updates giving a balanced and understandable assessment of the issuer's financial and operating 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.

Note: The information provided should (where available) include monthly management accounts and management updates, background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and other relevant internal financial statements. For budgets, any material variance between the projections and actual results should also be disclosed and explained.

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.

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.

Recommended Best Practices

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.

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. Where it decides not to continuously announce and publish its financial results for a particular quarter, it should announce the reason(s) for this decision.

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. 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 is responsible for ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems for the purpose of dealing with identified risks, safeguarding the issuer's assets, preventing and detecting fraud, misconduct and loss, ensuring the accuracy of the issuer's financial reports and achieving compliance with applicable laws and regulations. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems on an ongoing basis. The board is also responsible for ensuring that the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems is reviewed at least annually, and management should provide a confirmation to the board on the effectiveness of these systems.

Code Provisions

D.2.1 The board should ensure that the review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems, which shall be conducted at least annually, is adequately resourced. The scope of the review should cover all material controls, including financial, operational and compliance controls, and 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)) for the purposes of assessing the adequacy and the effectiveness of the issuer's risk management and internal control systems;

(d) significant control failings or weaknesses identified during the review of the risk management and internal control systems, and 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 any remedial measures taken to address such control failings or weaknesses;

(e) the effectiveness of the issuer's processes for financial reporting and Exchange Listing Rule compliance; and

(f) the adequacy of resources (internal and external) for designing, implementing and monitoring the risk management and internal control systems, including 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.

Note: Issuers should refer to the guidance issued by the Exchange on the Exchange's website, as amended from time to time, on the scope of the review of the risk management and internal control systems.

D.2.2 The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.

Notes: 1 An internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the issuer's risk management and internal control systems.

2 A group with multiple listed issuers may share group resources to carry out the internal audit function for members of the group.

D.2.3 The issuer should establish a whistleblowing policy and system for employees and those who deal with the issuer (e.g. 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.

D.2.4 The issuer should establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.

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

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.

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:

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm,

whichever is later.

D.3.3 The audit committee's terms of reference should include at least:-

Relationship with the issuer's auditors

(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;

(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;

(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;

Review of the issuer's financial information

(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:-

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Exchange Listing Rules and legal requirements in relation to financial reporting;

(e) Regarding (d) above:-

(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

(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;

Oversight of the issuer's financial reporting system, risk management and internal control systems

(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;

(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;

(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;

(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;

(j) to review the group's financial and accounting policies and practices;

(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;

(l) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the board on the matters in this code provision; and

(n) to consider other topics, as defined by the board.

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 and the issuer's website.

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.

D.3.6 The audit committee should be provided with sufficient resources to perform its duties.

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.

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

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.

E.1.2 The remuneration committee's terms of reference should include, as a minimum:-

(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:

(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.

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 and the issuer's website.

E.1.4 The remuneration committee should be provided with sufficient resources to perform its duties.

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.

Recommended Best Practices

E.1.6 If E.1.2(c)(ii) is adopted, 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.

E.1.7 A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.

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.

E.1.9 Issuers generally should not grant equity-based remuneration (e.g. 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.

F. SHAREHOLDERS ENGAGEMENT

F.1 Effective communication and conduct of shareholders meetings

Principle

The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use formal meetings (including general meetings) and other appropriate channels under the issuer's shareholders' communication policy to communicate with them and encourage their participation. In addition, the issuer should ensure that shareholders are given sufficient advance notice of shareholders meetings and provide sufficient information to enable shareholders to familiarise themselves with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings.

Code Provisions

F.1.1 The board, in particular the independent non-executive directors, should be accessible to shareholders to facilitate constructive engagement and to understand their views on matters affecting the issuer, including governance and performance against the issuer's corporate strategy. The board should include in the Corporate Governance Report information on engagement conducted with shareholders during the reporting period, including:

(a) the nature and number/frequency of the engagements conducted;

(b) the group(s) of shareholders involved in these engagements;

(c) the representatives of the issuer involved in these engagements (e.g. chief executive, chairman of the board, independent non-executive directors, board committee chairmen and members of senior management); and

(d) the issuer's approach to following up on the outcomes of these engagements.

F.1.2 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.

Note: An example of a substantially separate issue is the nomination of persons as directors. Accordingly, each person should be nominated by means of a separate resolution.

F.1.3 The chairman of the board should attend the annual general meeting. The chairman of the board should also invite the lead independent non-executive director (if any) and the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In the absence of any committee chairman, 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 relevant 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. 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.

Note: Subject to the issuer's constitutional documents, and the laws and regulations of its place of incorporation, attendance by the above persons at a meeting by electronic means such as telephonic or videoconferencing may be counted as physical attendance.

F.1.4 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.

Recommended Best Practices

F.1.5 Issuers are encouraged to include the following information in their Corporate Governance Report:

(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.