

## The Appendix: some noteworthy areas in the Guide

- **Long-serving INEDs**
  - **Issue:** by the first AGM held on or after **1 Jul 2028**, the majority of INEDs must not be Long-serving INEDs
  - **Guidance:** (FAQ 1.1, No.12)
    - HKEX expects **non-Long Serving INEDs to represent a majority** (*i.e. more than 50%*) of INEDs
    - 50/50 split not allowed
- **Board skills matrix**
  - **Issue:** maintain and disclose a board skills matrix, with **enhanced disclosure**
    - e.g. **explain how** the combined skills serve the issuer's purpose/values/strategy/culture; **details and plans** to acquire (*if any*) further skills
  - **Guidance: example** (*reinforcing "importance", "adequacy", "future plans"*) (Table 3, P.26)
- **Board performance review**
  - **Issue:** discretion for issuers regarding format (*e.g. internal or external providers*)
  - **Guidance:** the board
    - should consider **if internal review is adequate** (*e.g. with more complex business operations that have changed or expanded their business model*) (Para 15, P.23)
    - may consider involving an **external reviewer in specified areas only** (*e.g. to assist in the design of the review process and the assessment of the review findings*); can minimise costs to gain valuable external insights (Para 16, P.23)
    - details of **assessment criteria** (Table 2, P.24)
- **Mandatory director training**
  - **Issue:** no prescribed number of training hours (*except for First-time directors*)
  - **Guidance:** (Para 33, P.28)
    - referenced the minimum training hours of various institutes (*i.e. HKIoD, HKCGI, HKICPA, Law Society of Hong Kong*)
    - ranging from 10 to 20 training hours per year

[Note: Abbreviations

CP (Code Provision)

MDR (Mandatory Disclosure Requirement)

RBP (Recommended Best Practice)]

- **Nomination committee**
  - **Issue:** *(New MDR)* **annually assess and disclose** its assessment of each director's time commitment, and contribution to the board
  - **Guidance:** **annual nomination committee assessment** *(Table 1, P.9)*
- **Lead INED: communication with shareholders**
  - New RBP *(NOT CP)*
  - **Guidance:** *(Para 40, P.10)*
    - provide shareholders with **independent insights on matters** such as governance, board effectiveness, corporate strategy and capital management; and **how the INEDs have discharged responsibilities** *(e.g. scrutiny of loans granted)*
    - investors **should not expect** to discuss with Lead INED the issuer's results or operational matters; but he/she may shed light on board deliberation process
- **Risk management and internal control**
  - **Recap of requirements** *(which include)*
    - *(New MDR)* **enhanced disclosure** on details of the *(at least annually)* board review *(e.g. information supporting the board's conclusion, including confirmation from management; internal audit; auditors, other external service provider)*
    - *(New MDR)* **board statement** 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 CG Code** *(note: updated language with express reference to "identified risks, safeguarding assets; preventing fraud; ensuring accuracy of financial reports; compliance with applicable laws and regulations")*
    - *(Updated CP D.2.1)* the board's review of **issuer and subsidiaries' systems**; scope of the review should cover **all material controls**, including financial, operational and compliance controls
  - **Guidance:**
    - *(On CP)* **scope for the review "should be broad and cover all material aspects** of these systems, including financial, operational and compliance controls. It should also cover the issuer's **subsidiaries"** *(Para 19, P.45)*
    - details of the **components** and **scope** of annual reviews *(Table 7, P.46)*