

Hong Kong Stock Exchange's Enhancements to Corporate Governance Requirements Take Effect on July 1, 2025

by Simon Chan, Esq. and Rachel Han

The amendments to the Corporate Governance Code ("**CG Code**") and the related Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Exchange**" and "**Listing Rules**", respectively) come into effect on 1 July 2025. New requirements apply to listed issuers' corporate governance reports ("**CG Report**") and annual reports in respect of financial years commencing on or after July 1, 2025. Key amendments are set out below as a quick reference:

- **Designation of lead INED** As a new recommended best practice under the CG Code, where the chairman is not an independent non-executive director ("**INED**"), an issuer should appoint one INED to be the lead INED whose primary responsibility is to facilitate and strengthen communications among the board members and with the shareholders.
- **Mandatory director training** A first-time director (with no prior experience as a director of an issuer listed on the Exchange or has not served as a director of an issuer listed on the Exchange within three years prior to the appointment) must complete a minimum of 24 training hours within 18 months of the appointment. A first-time director who has served as a director of an issuer listed on an exchange other than the Exchange within three years prior to the appointment must complete no less than 12 hours of the continuous professional development within 18 months of the appointment.
- **Overboarding** An INED must not concurrently hold more than six directorships of issuers list on the Main Board or GEM Board of the Exchange.
- **Service tenure of INED** To promote board renewal and diversity of perspectives in the boardroom, the tenure of INEDs is capped at nine years.
- **Board performance review** As an enhanced code provision under the CG Code, there should be a formal evaluation of the board's performance at least every two years, with specific disclosures in the CG Report on the board performance review including review scope, mode, methodology and findings. The information should

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include any identified key aspects of the board's performance which merit improvement (e.g. additional skills for the board to acquire) and the measures taken or planned to address the findings.

- **Board skills matrix** A new code provision under the CG Code requires every issuer to maintain a board skills matrix and disclose in the CG Report information on the existing skill mix of the board, how the combination of skills, experience and diversity of the directors serves the issuer's purpose, values, strategy and desired culture, and details and plans to acquire further skills
- **Gender diversity**

Issuers should have at least one director of a different gender in the nomination committee pursuant to a new code provision under the CG Code. A new Listing Rule requires issuers to have and disclose a diversity policy for the board and the workforce (including senior management). The diversity policy can be a standalone document, or it can form part of an issuer's other firmwide / organizational document.

For further insights or guidance on corporate governance of listed companies in Hong Kong and related matters, please contact Corporate Team of our Hong Kong office.