Edvantage Group Holdings Limited
中滙集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0382)
(the "Company")

CORPORATE GOVERNANCE CODE

Amended and restated with effect from 1 January 2022[1]

CORPORATE GOVERNANCE CODE

This Corporate Governance Code (this "Code") sets out the corporate governance practices followed by the Company. Apart from the following provisions, the principles and code provisions set out in the Corporate Governance Code of Appendix C1 to the Rules ("Exchange Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Exchange") issued by the Exchange and the amendments to such principles and code provisions from time to time shall apply to the Company and shall be deemed to be included into this Code.

In this Code, "Director(s)" or "director(s)" shall mean any director(s) of the Company from time to time whereas "Board" or "board" shall mean the board of directors of the Company from time to time.

This Code is prepared in both English and Chinese. In the event of inconsistency, the English test shall prevail.

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[1] The Company first adopted the Corporate Governance Code at its Board Meeting on 16 July 2019. The Company adopted this amended and restated Corporate Governance Code with effect from 1 January 2022 by way of the written resolutions of all directors of the Company passed on 29 December 2021, which was subsequently amended by way of the resolution passed at a meeting of the board of directors of the Company held on 24 November 2023.

A. CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

A.1 Corporate strategy, business model and culture

Principle

The Company 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 Company.

Code Provisions

A.1.1 The board should establish the Company's purpose, values and strategy, and satisfy itself that these and the Company'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 Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives.

Note: The Company 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. The Company'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 the Company'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 Company’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 Company’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 Company’s business, and should ensure that the directors devote sufficient time and make contributions to the Company 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 The Company 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 The board should review the implementation and effectiveness of the Company’s policy on board diversity on an annual basis.

B.1.4 The Company 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.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. The Company 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 Company'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 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 Where all the independent non-executive directors of the Company have served more than nine years on the board, the Company 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[2].

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.

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2 The appointment of a new independent non-executive director requirement will come into effect for the financial year commencing on or after 1 January 2023.

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 and make recommendations on any proposed changes to the board to complement the Company'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 re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

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 the Company's website.

B.3.3 The Company should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the Company'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) 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.

C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

C.1 Responsibilities of directors

Principle

Every director must always know their responsibilities as a director of the Company 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

C.1.1 Newly appointed directors of the Company 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 Company'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 Company's business and governance policies.

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 Company'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 Company'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 Company or its securities.

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 Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

Note: Directors should provide a record of the training they received to the Company.

C.1.5 Directors should disclose to the Company 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 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.1.6 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.

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.1.7 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

C.1.8 The Company should arrange appropriate insurance cover in respect of legal action against its directors.

C.2 Chairman and Chief Executive

Principle

There are two key aspects of the management of the Company – 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 Company. 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

The Company 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 Company'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 Company'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 The Company 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 Company's needs.

C.3.3 Directors should clearly understand delegation arrangements in place. The Company 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 Company 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 Company's expense. The board should resolve to provide separate independent professional advice to directors to assist them perform their duties to the Company.

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 Company'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 Company'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 Company and have day-to-day knowledge of the Company's affairs. Where the Company 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 Company 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 monthly updates giving a balanced and understandable assessment of the Company'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 Exchange Listing Rules.

Note: The information provided may include background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and monthly and other relevant internal financial statements such as monthly management accounts and management updates. 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 Company'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 Company 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.

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 Company's strategic objectives, and ensuring that the Company 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 Guide 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

D.2.1 The board should oversee the Company's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the Company'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.

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 Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting.

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 Company'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 Company 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 Company's financial performance or condition; and

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

D.2.4 The Company 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:

(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.

D.2.5 The Company should have an internal audit function. In case the Company does not have an internal audit function it 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.

Note:

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

2 *In case the Company belongs to a group with multiple listed issuers, such group may share group resources to carry out the internal audit function for members of the group.*

D.2.6 The Company should establish a whistleblowing policy and system for employees and those who deal with the Company (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 Company.

D.2.7 The Company 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 Company'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 Company'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.3.2 The audit committee's terms of reference should include at least:-

Relationship with the Company'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 Company's financial information

(d) to monitor integrity of the Company'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 Company'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 Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

(f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company'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 Company'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 Company, 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 Company'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 Company 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 Company 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 Company's relations with the external auditor.

E. REMUNERATION

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

Principle

The Company 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 Company'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; and

(h) to ensure that no director or any of their associates is involved in deciding that director's own remuneration.

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

Company's website.

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

E1.5 The Company 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.

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

F.1.1 The Company should have a policy on payment of dividends and should disclose it in the annual report.

F.2 Shareholders meetings

Principle

The Company 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

F.2.1 For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The Company should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the Company 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.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. The Company'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 Company'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.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.