

18 June 2021

Hong Kong Exchanges and Clearing Limited  
8<sup>th</sup> Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

Dear Sirs

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

We refer to the Consultation Paper on Review of Corporate Governance Code and Related Listing Rules (“**Consultation Paper**”) published by HKEx in April 2021.

We wish to comment the proposals relating to Long Serving INEDs as outlined in the Consultation Paper. Unless otherwise stated, capitalised terms used in this letter have the same meaning as defined in the Consultation Paper.

Whilst we agree with your proposal to revise an existing CP to require additional disclosure of the factors considered, and the process and the board or nomination committee's discussion, in arriving at a determination of why a Long Serving INED is still independent and should be re-elected, we have strong reservations on your proposal to require independent shareholders' approval for Long Serving INEDs.

In our opinion, the assessment of an individual director's independence should be a multifaceted exercise conducted on a case-by-case basis, with reference to the specific attributes and circumstances of the relevant individual. Determining independence solely on the basis of tenure seems to us, with respect, a superficial approach. The extent to which an independent director remains independent and how the effectiveness of board oversight evolves over the tenure of independent directors, are empirical questions. Your proposal assumes that longer tenures for independent directors are necessarily bad for shareholders, but there is no discussion of empirical evidence to support that assumption. Our understanding is that there are researches identifying a number of specific benefits which accrue when independent directors serve for longer periods. Some of which are:

- Independent directors can accumulate firm specific information and knowledge over time, enhancing their commitment to the company and their competence. This may make them stronger monitors of management because they understand management's prior behaviour and decisions better than new directors.

- Independent directors are likely more capable and/or willing to monitor management, and the effectiveness of board oversight is likely to be improved, over time.

An additional benefit of independent non-executive directors serving for longer terms is the opportunity to participate in establishing and seeing through long-term strategic goals.

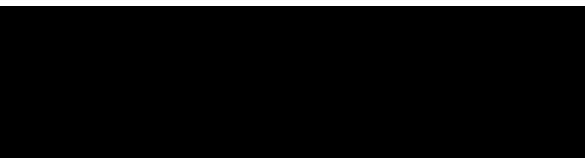
The Corporate Governance Code already requires the further appointment of an INED who has served more than 9 years to be subject to a separate resolution to be approved by shareholders, with the papers accompanying the resolutions required to include the reasons why the board believes he is still independent and should be re-elected. This approach, taken together with the additional disclosure of the factors considered in arriving at the termination of why the board believes a Long Serving INED it is still independent and should be re-elected, would strike the right balance as it could be tailored to the specific circumstances of the individual INED. Going further to adopt an election process that disenfranchises the majority shareholders in the whole process as proposed in the Consultation Paper is not appropriate in our view.

We do not agree with your proposal to introduce a CP requiring the appointment of an additional INED at the forthcoming AGM where all the INEDs on the board are Long Serving INEDs. This makes the same assumption referred to above, without addressing the empirical evidence either supporting or against to the assumption.

If you require any further information, please feel free to contact the undersigned on 

Yours faithfully

For and on behalf of  
**Melco International Development Limited**



Position: Company Secretary and Group General Counsel