

Submitted via Qualtrics

Prudential plc

Company/Organisation view

Listed Company

Question 1

Do you agree with our proposal to introduce a new Code Provision (CP) under the Corporate Governance Code (CG Code) requiring issuers without an independent board chair to designate one independent non-executive director (INED) as a Lead INED to enhance engagement with investors and shareholders?

Yes

Please provide reasons for your views.

Being dual primary listed on the London and Hong Kong stock exchanges, we fully support the proposal as it aligns with the UK practice, where similar roles have proven effective in enhancing board independence and effectiveness.

Question 2(a)

Regarding continuous professional development for directors, do you agree with our proposal to make continuous professional development mandatory for all existing directors, without specifying a minimum number of training hours?

Yes

Please provide reasons for your views.

We support the proposal to make continuous professional development mandatory for directors without specifying a minimum number of training hours. This approach allows issuers the flexibility to design and implement training programmes that are relevant and beneficial to their directors' roles and responsibilities, without the constraints of a rigid framework.

Question 2(b)

Regarding continuous professional development for directors, do you agree with our proposal to require First-time Directors to complete a minimum of 24 hours of training within 18 months following their appointment?

No

Please provide reasons for your views.

We note that paragraph 57 in the Consultation Paper states that the 24 hours of training to be completed by First-time Directors (as defined in the Consultation Paper) are separate from, and in addition to, the general induction training to be provided by an issuer to newly appointed directors. In our view, whilst 24 hours of training may be a reasonable amount of training to expect a new director to undertake in the first 18 months following their appointment, issuers should be given more flexibility to determine the areas of training that are most relevant for the individual director. It may be difficult for issuers to develop 24 hours of training on the topics specified in paragraph 47 that is pertinent for the individual director. For example, in our experience from many years of briefing directors on the Hong Kong laws and the requirements under the Hong Kong Listing Rules that are applicable to them as a director of a listed issuer takes no more than 5 hours. Therefore, we recommend that the 24-hour training requirement be integrated with the general induction training that issuers provide to new directors, which will include familiarisation with the organisation and its business as well as the areas set out in paragraph 47.

Question 2(c)

Regarding continuous professional development for directors, do you agree with our proposal to define “First-time Directors” to mean directors who (i) are appointed as a director of an issuer listed on the Exchange for the first time; or (ii) have not served as a director of an issuer listed on the Exchange for a period of three years or more prior to their appointment?

Please provide reasons for your views.

We support the principle that directors with less experience may require more comprehensive training compared to seasoned counterparts. However, we advocate for issuers to have the flexibility to design induction programmes that are specifically tailored to the individual experience and background of each director.

Question 2(d)

Regarding continuous professional development for directors, do you agree with our proposal to specify the specific topics that must be covered under the continuous professional development requirement?

No

Please provide reasons for your views.

We believe issuers and their boards should have the flexibility to determine the scope of the mandatory training. Every year, as part of the board

effectiveness review, each of our directors will be asked about their training needs. This approach ensures that the training is relevant and tailored to the issuer's specific circumstances and requirements as well as the director's specific needs. Additionally, recognising that core topics such as the roles of the board and directors' duties do not change significantly from year to year, issuers may struggle to find new topics to cover annually, and may be exposed to a risk of becoming a mere "check-the-box" exercise.

Question 3

Do you agree with the proposed consequential changes to Principle C.1 and CP C.1.1 of the CG Code?

Yes

Please provide reasons for your views.

Question 4

Do you agree with our proposal to upgrade the current Recommended Best Practice (RBP) in the CG Code to a CP requiring issuers to conduct regular board performance reviews at least every two years and make disclosure as set out in CP B.1.4?

Yes

Please provide reasons for your views.

Question 5

Do you agree with our proposal to introduce a new CP requiring issuers to maintain a board skills matrix and make disclosure set out in CP B.1.5?

No

Please give reasons for your views.

While we appreciate the intention behind this proposal is to enhance transparency and board effectiveness, we would question whether the proposal will have the desired effect. Specifically, by requiring too much detailed public disclosure, some directors may become overly sensitive about which skills boxes they tick, potentially resulting in less realistic assessments which could undermine the value of the skills matrix as a tool to support the board or nomination committee.

Question 6(a)

In relation to our proposal to introduce a “hard cap” of six listed issuer directorships that INEDs may hold, do you agree with the hard cap to ensure that INEDs are able to devote sufficient time to carry out the work of the listed issuers?

Yes

Please provide reasons for your views.

We agree with the proposal to introduce a ‘hard cap’ of six listed issuer directorships for INEDs. This measure ensures that INEDs can dedicate time and attention to each of their directorial roles.

Question 6(b)

In relation to our proposal to introduce a “hard cap” of six listed issuer directorships that INEDs may hold, do you agree with the proposed three-year transition period to implement the hard cap?

Please provide reasons for your views.

No comment.

Question 7

Do you agree with the proposal to introduce a new Mandatory Disclosure Requirement (MDR) in the CG Code to require the nomination committee to annually assess and disclose its assessment of each director’s time commitment and contribution to the board?

Please provide reasons for your views.

No comment.

Question 8(a)

In relation to our proposal to introduce a “hard cap” of nine years on the tenure of INEDs, beyond which an INED will no longer be considered to be independent, do you agree with the proposed hard cap to strengthen board independence?

No

Please give reasons for your views.

We do not agree with the proposed implementation of a hard cap. Instead, we consider that independence should be determined by the board of the issuer, with length of service being one factor to be considered. If necessary, the

Listing Rules could set a rebuttable presumption that INEDs will not be independent after nine years, but leave it open for boards to reach a view that an individual director is still independent after such time. This is in line with the approach in the UK.

By way of a case study, in 2022 the Board of Prudential plc sought to extend the tenure of its Senior Independent Director (SID) beyond nine years. The Nomination Committee and the Board considered that given the significant transition the Board was undergoing at the time, and the average tenure of the Non-executive Directors being just over three years, it was in the best interest of the Company to retain the SID for one additional year in order for the Board to benefit from the stability and continuity of knowledge and experience. The Nomination Committee and the Board satisfied themselves that the SID remained independent in character and judgement.

The Chair consulted extensively the Company's major investors, who were supportive of the proposed extension, and the SID's re-election received 96.65 % vote in favour.

The flexibility of the UK regime enabled an extension of the SID's tenure, which would not have been possible under the HKEX's proposal.

Question 8(b)

In relation to our proposal to introduce a “hard cap” of nine years on the tenure of INEDs, beyond which an INED will no longer be considered to be independent, do you agree that a person can be re-considered as an INED of the same issuer after a two-year cooling-off period?

Please provide reasons for your views.

No comment.

Question 8(c)

In relation to our proposal to introduce a “hard cap” of nine years on the tenure of INEDs, beyond which an INED will no longer be considered to be independent, do you agree with the proposed three-year transition period in respect of the implementation of the hard cap?

Please provide reasons for your views.

As set out in our answer to Q8(a) above, we do not agree with the proposed implementation of a hard cap.

Question 9

Do you agree with the proposal to require all issuers to disclose the length of tenure of each director in the CG Report?

Yes

Please provide reasons for your views.

Question 10

Do you agree with our proposal to introduce a CP requiring issuers to have at least one director of a different gender on the nomination committee?

Yes

Please provide reasons for your views.

Question 11

Do you agree with our proposal to introduce a Listing Rule to require issuers to have and disclose a diversity policy for their workforce (including senior management)?

Yes

Please provide reasons for your views.

We agree to mandate issuers to have a diversity policy for their workforce (including senior management) as it is a positive step towards promoting diversity and inclusion and supports building a diverse pipeline for succession. Nevertheless, flexibility should be provided to issuers in where they disclose such policy, e.g., by making diversity policies available on the issuer's website to provide access to stakeholders without overloading the corporate governance report.

Question 12

Do you agree with our proposal to upgrade from a CP to a MDR the requirement on the annual review of the implementation of an issuer's board diversity policy?

No

Please provide reasons for your views.

We appreciate and value the importance of diversity and inclusion in board appointments and succession planning. However, other jurisdictions such as the UK do not mandate annual reviews of the implementation of diversity policies. This reflects that diversity policies often require time to show tangible results and that frequent reviews might not effectively capture the long-term impact effectively. Allowing issuers the flexibility to adapt this requirement to their unique circumstances can lead to more meaningful and sustainable diversity outcomes.

Question 13

Do you agree with our proposal to require as a revised MDR separate disclosure of the gender ratio of: (i) senior management; and (ii) the workforce (excluding senior management) in the CG Report?

Yes

Please provide reasons for your views.

We are supportive of the proposal. However, issuers should have the flexibility to determine where this disclosure is to be made in the annual report or in the sustainability report.

Question 14

Do you agree with our proposal to codify the arrangements during temporary deviations from the requirement for issuers to have directors of different genders on the board as set out in draft Main Board Listing Rule 13.92(2) in Appendix I?

Yes

Please provide reasons for your views.

Question 15(a)

Do you agree with our proposal to emphasise in Principle D.2 the board's responsibility for the issuer's risk management and internal controls and for the (at least) annual reviews of the effectiveness of the risk management and internal control systems?

Yes

Please provide reasons for your views.

We recognise the need for boards to be held accountable for risk management and internal control across the organisation and therefore concurs that emphasising the board's responsibility in Principle D.2 would be a reasonable adjustment to the Code.

Question 15(b)

Do you agree with our proposal to upgrade the requirement to conduct (at least) annual reviews of the effectiveness of the issuer's risk management and internal control systems to mandatory and require the disclosures set out in MDR paragraph H?

Yes

Please provide reasons for your views.

Given the importance of risk management and internal control to our business and operations we would be supportive of the proposed upgrade being mooted. The disclosure content proposed for MDR paragraph H is all reasonable and will complement work already being planned.

Question 16

Do you agree with our proposal to refine the existing CPs in section D.2 of the CG Code setting out the scope of the (at least) annual reviews of the risk management and internal control systems?

Yes

Please provide reasons for your views.

We are in agreement with the proposal to refine the CPs in section D.2 as we perform regular risk management and internal control reviews through a number of activities including risk and control self-assessments (RCSAs), assurance reviews, and other reviews/audits. Refinements to the CPs would not significantly impact activities already being undertaken within the company and they would serve as a means of further reinforcing senior management's attention to risk management and internal control as a system.

Question 17

Do you agree with our proposal to introduce a new MDR requiring specific disclosure of the issuer's policy on payment of dividends and the board's dividend decisions during the reporting period?

Yes

Please provide reasons for your views.

Question 18

Do you agree with our proposal to introduce a Listing Rule requirement for issuers to set a record date to determine the identity of security

holders eligible to attend and vote at a general meeting or to receive entitlements?

Yes

Please provide reasons for your views.

Question 19

Do you agree with our proposal to codify our recommended disclosures in respect of issuers' modified auditors' opinions into the Listing Rules?

Yes

Please provide reasons for your views.

Question 20

Do you agree with our proposal to clarify our expectation of the provision of monthly updates in CP D.1.2 and the note thereto?

No

Please provide reasons for your views.

We believe that while transparency is crucial, it is not appropriate to be overly prescriptive in the information to be provided to the board. The board or chair of the board should have the discretion to determine what information is necessary for the board to function effectively and efficiently, and for directors to discharge their fiduciary duties.

We do not consider that it is appropriate to mandate that board members are provided with monthly management accounts. By mandating their provision, board members will thereby be expected to read them in order to discharge their duties under Rule 3.08. However, such documents (assuming that they exist in all cases) are by their nature operational documents and may not be the most valuable documents for directors in the discharge of their responsibilities.

Question 21

Do you agree with our proposal to align requirements for the nomination committee, the audit committee and the remuneration committee on establishing written terms of reference for the committee and the arrangements during temporary deviations from requirements as set out

in draft Main Board Listing Rules 3.23, 3.27, 3.27B, 3.27C and 8A.28A in Appendix I?

Yes

Please provide reasons for your views.

Question 22

Do you agree with the proposed implementation date of financial years commencing on or after 1 January 2025, with transitional arrangements as set out in paragraphs 182 to 183 of the Consultation Paper?

Please provide reasons for your views.