

Submitted via Qualtrics**Tencent Holdings Limited****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?

No

Please provide reasons for your views.

While the Exchange's intention to enhance communication with shareholders is appreciated, we find it unnecessary and potentially harmful to introduce the appointment of Lead INED for the following reasons:

1. We note that while some jurisdictions, e.g. the UK, Singapore and Australia, may have adopted or recommended the concept of a Lead INED, such concept is not universally adopted among major stock exchanges worldwide. For example, NYSE and NASDAQ have yet to introduce the role of Lead INED. Creating the role of Lead INED will increase unnecessary administrative burden and cost on the issuers in Hong Kong. That would run counter to another trend of reducing mandatory requirements in listing rules, as exemplified by the removal of the requirement in the UK listing rules for votes on significant or related party transactions. We believe that having more prescriptive measures does not necessarily serve to enhance the corporate governance of issuers, and any misdirected efforts may burden issuers unnecessarily and diminish the competitiveness of the Hong Kong stock market vis-à-vis its competitors such as NYSE and NASDAQ.
2. In Hong Kong, every listed company has established a shareholders' communication policy (as required under the CG Code) and such policy has been set out in the company's CG Reports and website. The policy should set out the effective means for shareholders to communicate with the listed company.
3. Although the Exchange has indicated in the consultation paper that all directors would still be subject to the same fiduciary duties and bear the same responsibilities, the introduction of a Lead INED would inevitably put more

burden on the relevant INED. We are of the opinion that all directors have the same duty as regards communicating with potential investors and shareholders, and no one of them shall be singled out.

4. The introduction of Lead INED would add complexity and cause disruptions to the decision-making process as the lead INED may, by virtue of his special status, seek to exert more influence over the other INEDs which may hinder the exercise of independent judgment by the latter.

5. The Lead INED, in discharging his duty as the channel of communication between directors and shareholders, will need to have frequent interactions with the issuer's investors relationship department. That is not normally undertaken by INEDs of a listed company. The additional responsibilities of Lead INED concerning communications will also give rise to a higher demand on time over and above what the INEDs were prepared to commit to. Most INEDs act on a part-time basis, and have other commitments outside of the listed company. We believe such role on communications should be better served by the board chair, who not only has more in-depth knowledge of the business and operations of the issuer, but also sees that as part of his ordinary duties and has dedicated time for that.

6. While we appreciate that there may be few circumstances where investors and shareholders might be interested in the views of and actions taken by INEDs, we note that the CG Code already contains provisions regarding attendance of INEDs at general meetings. For example, Code Provision C1.6 prescribes that INEDs attend general meetings to gain and develop a balanced understanding of the views of shareholders; and Code Provision F2.2 prescribes that the chairman of any independent board committee should be available to answer questions at the general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. If the Exchange is of the opinion that the current Code Provisions are not sufficient to promote the communication between the shareholders and the board, the Exchange may consider adding provisions to require issuers to enhance their shareholders' communication policy to serve that purpose, rather than placing the burden on a particular individual by introducing the role of Lead INED.

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.

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.

To clarify, we do not oppose the Exchange's proposal to require First-time Directors to complete a minimum number of hours of training. However, we hope the Exchange could consider lowering the 24 hours requirement to a minimum 12 hours of training within 18 months following their appointment. We believe that directors shall be appointed on the basis that they possess the requisite skills, experience and knowledge for being a director of a listed company prior to their appointment, not after they have completed a large number of hours of training. The training for First-time Directors is only for ensuring that they are equipped with specific knowledge about listing on the Stock Exchange of Hong Kong. We believe 12 hours should be sufficient for that purpose.

We note that a significant number of directors of issuers in Hong Kong are either promoted from the senior management of an issuer (in the case of executive directors) or nominated by virtue of their own professions or qualifications or connections with institutional investors (in the case of non-executive directors). We believe that these directors, despite being newly appointed, are sophisticated enough to understand the roles and duties of directors of a Hong Kong issuer upon their appointment as they are required, under Rule 3.09D of the Listing Rules, to obtain legal advice from a firm of solicitors qualified to advise on Hong Kong law and it is common that such legal advice includes relevant information on compliance matters of Hong Kong listed companies. The number of hours of mandatory training should not be benchmarked against other stock exchanges where there is no such equivalent requirement.

In addition, we note that paragraph 57 of the Consultation Paper specifies that the 24-hour training requirement for First-time Directors would be separate

from and additional to any general induction training provided by an issuer to newly appointed directors. We invite the Exchange to reconsider that position as there is no reason to exclude such induction training, as they typically cover topics such as directors' duties and responsibilities and the Listing Rules.

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?

Yes

Please provide reasons for your views.

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 it is not appropriate for the Exchange to prescribe the training topics that must be covered under the continuous professional development requirement.

Prescribing mandatory training topics may restrict the ability of listed companies to tailor their training programs to the individual needs and backgrounds of their directors. Experienced directors may already possess the knowledge and skills covered under the prescribed training topics, rendering the mandatory training neither effective nor necessary.

Listed companies vary in size and industry and may have different training needs for their directors. The one-size-fits-all approach proposed by the Exchange may not address the unique challenges faced by individual companies.

Directors' duties are not limited to regulatory and compliance matters. Prescribing training topics which focus primarily on regulatory compliance may overlook the broader competencies required for enhancing board engagement. The Listing Rules should allow for a more adaptive and targeted approach to directors' training.

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.

Listing out the skills of the directors in a matrix devised by the issuer itself may give the appearance that the directors possess all the required skills – why would an issuer admit otherwise – but it is not clear how that could contribute to improving corporate governance. If it does not, then we would be concerned that this would become a mere rhetorical exercise.

As regards the proposed CP B.1.5(a), our concern is that it is hard to measure the skills of the directors objectively other than by referencing their education background, work experience and qualifications. For that purpose, we believe the directors' biographies in the annual report should suffice.

As regards the proposed CP B.1.5(b) and CP B.1.5(c), we believe that may lead to an increase in generic disclosure in the CG Report. For example, an issuer may simply state that a director with legal background would be valuable in compliance work and a director with accounting background would assist in financial reporting. As skills are difficult to quantify, issuers would, in order to avoid being accused of making misleading or inflated statements in the CG Report, resort to conservative or boilerplate disclosures, which further diminish their importance and relevancy.

After all, the effectiveness of the board of an issuer is only partly attributable to the skills possessed by individual directors. There are also other important factors such as orderly succession of board members, independence of independent non-executive directors and the ability of the directors to work seamlessly together. A multifaceted sets of skills of the board does not guarantee an effective board. We believe the proposed new disclosures would be of limited additional value to shareholders compared to the existing requirements.

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.

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?

Yes

Please provide reasons for your views.

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?

No

Please provide reasons for your views.

The value of contributions by a director is not measured by the amount of time he spends. Focussing too much on time commitment would shed a wrong light on board members of high calibre, who may have very high productivity. Quality of advice, business acumen and foresight are more important than number of hours being put in. Each director may contribute to an issuer in a different way. So long as the nomination committee sees to it that the directors dedicate a sufficient amount of time and can adequately discharge their fiduciary duties, the exact number of hours is not important and the directors should not be assessed on that basis.

We are concerned that over-emphasizing time commitment and specific contributions may discourage qualified candidates to take on directorships of issuers in Hong Kong, especially those who are practising professionals or have other engagements that require a significant amount of their time. Such candidates would otherwise be able to contribute to board diversity and corporate governance by sharing valuable insights obtained through their other commitments such as professional practice, directorships of overseas issuers, public services and voluntary services. We are of the view that this proposed MDR is overly prescriptive, that it would not bring much useful information to investors and may discourage qualified candidates from joining the boards of Hong Kong-listed companies.

If the Exchange is minded to impose certain assessment and disclosure requirements in this regard, we hope the Exchange could consider having assessments simply on overall adequacy, not number of days or hours or even percentage of time spent, to be conducted at the time of re-election of each director when the nomination committee actually has the chance to make a recommendation on whether to re-elect the director, instead of annually, and disclosures shall be made accordingly.

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.

1. Other major exchanges do not have such rigid tenure restrictions. The New York Stock Exchange, NASDAQ and the Tokyo Stock Exchange do not stipulate a maximum tenure for independent directors. For London Stock Exchange, the UK Corporate Governance Code only regards a tenure of over 9 years as being “likely to impair, or could appear to impair, a non-executive director’s independence”, which is not a disqualifying factor but one factor to be taken into account when considering a director’s independence.

Introducing such additional restriction on the Hong Kong Stock Exchange would make it less attractive and competitive as a listing venue compared to other major exchanges.

2. Long-serving INEDs can provide valuable insight and contribute meaningfully to the board, even after serving for more than 9 years. The assumption that long-serving INEDs lose independence is without a firm ground, as independence is about one’s integrity, discipline and mentality, not just measured by one’s length of service. Long-serving INEDs could also be as well-positioned as a newly appointed INEDs to protect minority shareholders with them exercising their independent judgment.

3. An INED’s independence and his suitability to act should be an issue ultimately for the shareholders to decide, and the length of service should only be one of the factors to be considered. It should be sufficient for issuers to provide enhanced disclosure on directors’ length of service to help shareholders make informed decisions. Shareholders should have the right to vote on the appointment of directors, as directors owe duties to all shareholders, not just the controlling shareholders and such rights shall not be curtailed by a restriction on maximum tenure. In any event, we note that under Code Provision B2.4(b) that is currently in place, an issuer should appoint a new INED at the forthcoming annual general meeting where all the INEDs have served more than nine years on the board. We believe that such provision is already sufficient for balancing board diversity from the

perspective of lengths of service by requiring the appointment of new INED, thus rendering the nine years “hard-cap” unnecessary.

4. There is no empirical evidence that long-serving INEDs lose independence. Replacing a good long-serving INED may reduce board quality and interrupts with continuity. An issuer incurs costs each time it replaces a director, in identifying suitable candidates, bringing them on board and giving time for them to familiarise with the company’s business. Such cost should only be incurred when there is a genuine need for replacement, but not for complying with a mechanical rule that compels retirement.

5. The Glass Lewis paper quoted in the Consultation Paper recognizes that “Ultimately, criteria for assessing director independence is based on a director’s track record indicative of making objective decisions as well as the director’s compliance with the applicable independence listing requirements.” It does not single-mindedly regard length of tenure as the sole determining factor. Also, in BlackRock’s paper quoted in the Consultation Paper, no empirical evidence has been suggested. Setting a fixed number on the length of service without empirical grounds would be arbitrary.

In summary, the proposed requirements on long-serving INEDs are seen as unnecessary and potentially detrimental to Hong Kong issuers and their shareholders. It would be more appropriate to address independence by requiring enhanced disclosure for his/her re-election, which is currently required under code provision B.2.3.

If the Exchange is minded to adopt the proposal after due consideration of the reasons outlined above, we suggest that the Exchange should take a gradual approach to implementation, and adopt the proposal as a Recommended Best Practice rather than a Code Provision as a first step. This would allow companies to carefully weigh the benefits of retaining long-serving INEDs against the need for fresh perspectives, without being bound by a rigid rule. A Recommended Best Practice, as opposed to a Code Provision, provides greater flexibility for companies to make informed decisions based on their specific circumstances and needs.

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?

No

Please provide reasons for your views.

Please refer to our responses to Q.8(a).

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?

No

Please provide reasons for your views.

Please refer to our responses to Q.8(a).

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?

No

Please provide reasons for your views.

While we appreciate the importance of board diversity, it is unclear why having at least one director of a different gender on the nomination committee would be necessary, or conducive, for ensuring board diversity. The Consultation Paper does not cite any evidence of nomination committee members having any bias in recommending directors of their own sex. Due to Rule 13.92 of the Listing Rules, a listed issuer would not normally have a board comprising a single gender. Given that the proposal of a director's

appointment and re-appointment would normally be discussed or determined at the board level, we believe that the current requirement under Rule 13.92 of the Listing Rules is sufficient for promoting gender diversity in an issuer's board and its wider workforce.

As the membership of nomination committee is usually limited – many listed companies have only three members in its nomination committee – requiring members of different sexes to be in the committee would unduly restrict rotations and successions, in that any member leaving the committee must be replaced by someone of the same gender if the leaving member is the only one in the committee of that gender.

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.

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?

Yes

Please provide reasons for your views.

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.

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 do not oppose the Exchange's proposal in principle, but we strongly suggest that the "subsidiaries" referred to in Principle D.2 shall exclude "insignificant subsidiaries" (as defined under R14A.09 of the Listing Rules) as the reviews of the effectiveness of the risk management and internal control systems of such insignificant subsidiaries are often undertaken by the management of the subsidiaries and possibly with the involvement of staff members of the issuer. They are too insignificant to involve the board of the issuer. Making the board responsible for that would create inefficiencies both at the issuer (senior management time and attention spent on insignificant matters) and at the insignificant subsidiaries (over-reporting to parent company and risk of being micro-managed). It would also not add value to shareholders.

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.

Please refer to our response to Q.15(a).

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.

Please refer to our responses to Q.15(a).

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.

Not all information in management accounts is useful or suitable for consumption by directors on a monthly basis. For example, including full financials or budget in monthly updates to the board does not match the regular interval for business planning or financial forecast, which are carried out on a quarterly basis for most companies, whether listed or unlisted. In addition, a monthly summary of financial information would normally be sufficient to give the board a timely update, with the right level of detail, on the issuer's financial and operating performance, position and prospects and to enable the board as a whole and each director to discharge their duties under the Listing Rules and the relevant laws. Since not all directors possess the necessary financial and accounting expertise to appraise all the information in the management accounts, providing them to all directors every month would not add extra value to the effectiveness of the board.

We believe there should be some flexibility for the board of each issuer to decide what to include in their monthly updates with reference to the actual business needs of the issuer. Most importantly, the directors are always entitled to request further information from the management should they desire to do so based on their own professional judgment. If there is any significant matter which warrants the board's attention, it will be reported either through a board meeting or separate communication even before the monthly financials are prepared. Adding monthly management accounts to the monthly updates on a regular basis would not add much value and may cause information overload and distractions.

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?

Yes

Please provide reasons for your views.