

Date: 4 November 2024

Hong Kong Exchanges and Clearing Limited
8/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

By Email

Subject: Comments on Proposed Hard Cap of Nine Years on Tenure of Independent Non-Executive Directors

Dear Sirs,

We are writing to express our objection to the proposed introduction of a hard cap of nine years on the tenure of independent non-executive directors (“INED(s)”), as outlined in the consultation paper published by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in June 2024.

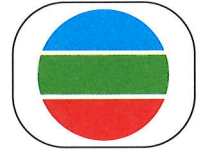
Existing guidelines for independence work well

We firmly believe that the independence of INEDs should not be determined rigidly by their length of service. Instead, it should be assessed based on the absence of any substantial interest between the INEDs and the listed issuer. The Rules Governing the Listing of Securities on the Stock Exchange, particularly Rule 3.13, provide a well-established framework that outlines the criteria for assessing the independence of non-executive directors. This framework ensures that the independence of INEDs is determined by objective criteria rather than a strict tenure cap.

This framework takes into account various factors including but not limited to the INED’s shareholding in the listed issuer, receipt of securities as gifts or financial assistance, past involvement as professional advisers with the listed issuer and other stakeholders and material interests or business dealings with the listed issuer. These factors contribute to an objective and substantive assessment of independence. It is unfair to suggest that an INED who has served the listed issuer for a long time is unlikely to be independent. By adhering to the established guidelines, the listed issuer can ensure that its INEDs maintain their objectivity and independence.

Importance of experience of INED to the listed issuer

The experience of INEDs is crucial to a listed issuer, particularly when dealing with complex board dynamics and diverse operations, especially for those with global



operations spanning multiple industries. The longer the INEDs serve, the better they understand the listed issuer's operations, enabling them to make informed decisions and contributions that are in the best interests of the listed issuer and its shareholders. Replacing experienced INEDs as soon as they have served nine years can disrupt boardroom dynamics and hinder the effective fulfilment of certain board functions that require their expertise.

Challenges to certain specialised industries

Implementing a tenure cap could prove to be particularly challenging for certain specialised or regulated industries such as the broadcasting industry. These industries require directors with specialized knowledge and familiarity with specific regulations, such as the Broadcasting Ordinance (Cap. 562 of the laws of Hong Kong) and other rules and regulations set by the Communications Authority. Such knowledge and familiarity are rare in the market, and can only be accumulated by our directors through years of service and experience. Retaining such INEDs with relevant experience becomes crucial for maintaining effective governance and addressing the unique challenges faced by industries such as ours.

In conclusion, instead of over-emphasizing the length of tenure, we suggest that the Stock Exchange consider alternative measures to ensure the independence of non-executive directors. This could involve strengthening the existing criteria for independence and enhancing the transparency of directorship appointments. By doing so, the Stock Exchange can strike a balance between safeguarding independence and recognizing the value of long-term directorship.

We believe that a more holistic approach to assessing the independence of INEDs will ultimately serve the best interests of listed issuers and their shareholders.

Thank you for your attention on this matter.

Yours faithfully,
For and on behalf of
Television Broadcasts Limited

