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Subject: Continuing Professional Development of Directors				
This Issue advises directors on the approaches in the pursuit of Continuing Professional Development.				
No. of Pages: 4		Appendices: I. CPD Planner with Sample Subject Menu II. Record of CPD		

1.1 References

- (1) "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 issuer should be responsible for arranging and funding suitable training....Directors should provide a record of the training they received to the issuer." – *Listing Rules Appendix 14 Corporate Governance Code, A.6.5, HKEx*
"(The Corporate Governance Report should cover) how each director, by name, complied with A.6.5." – *Listing Rules Appendix 14 Corporate Governance Report, Mandatory Disclosure Requirements, I(i), HKEx*
- (2) "The whole spirit of the CPT (continuous professional training) requirements....is to ensure that a person engaged in regulated activities remains "fit" by undergoing training that enhances his technical skills and professional expertise; and "proper" by periodically refreshing himself on the relevant ethical standards and regulatory knowledge." – *Guidelines on Continuous Professional Training, 1.2, Securities and Futures Commission*
- (3) "A member of The Hong Kong Institute of Directors undertakes to uphold the Institute's Code of Conduct with the commitment to....pursue continuing professional development programmes for directors so as to master up-to-date knowledge, skills and best director practices." – *The HKIoD Code of Conduct, Article 11, HKIoD*
- (4) "The main matters for inclusion in a Board Protocol are likely to be....What is expected of directors....ongoing training" – *Guidelines on Corporate Governance for SMEs in Hong Kong, 2.5.19, HKIoD*
- (5) "Every board is encouraged to have a board charter.... (which) may include....board members' induction and training programme." – *Guide to Corporate Governance for Subvented Organisations, 2.4, HKSAR Government*

1.2 General Principles on CPD

- (1) Continuing Professional Development ("CPD") is sometimes referred to as Continuing Professional Training ("CPT") or Continuing Professional Education ("CPE"). It is the systematic maintenance, improvement and broadening of knowledge, experience and skills, and the development of personal qualities helpful in the execution of professional duties throughout a career. (Source: *Guidelines of Membership Accreditation Through CPD, 1, HKIoD*)
- (2) In this day and age, professionals in many disciplines are required to pursue CPD in order to keep up to date with their professional practices in a dynamic world. Although directors are not licensed as "professionals" *per se*, they should fulfill their responsibilities with the engagement of

CPD. The spirit and act of professionalism applies to directors because in any company, the board of directors is ultimately responsible for decisions that determine the prosperity and integrity of the company.

- (3) The pursuit of CPD by a director applies regardless of the type of company that a director serves, be it a listed company, public company, private company, statutory organisation, non-government organisation, charitable institution or any non-profit-distributing organisation, and regardless of company scale, be it a large corporation or SME.
- (4) To perform professionally, a director needs to strengthen capability in the duty of care in general and the duty of skill in particular. The duty of care calls for careful thought, analysis, judgment and other individual qualities. The duty of skill calls for skill-sets that apply to the various requirements in legal and regulatory compliance, strategic corporate development, board development and fulfillment of specific board roles. All these qualities and skill-sets may be enhanced through engaging in CPD.
- (5) The board of directors of a company should encourage and facilitate learning by the individual directors in accordance with their individual and specific needs. Further, the board of directors should arrange for learning as a group, as the board functions as a team and therefore when learning together in a group activity, the team dynamics and shared common understanding of a certain subject can be realised. One opportunity of group learning is a briefing session or workshop following or preceding a board meeting. Learning needs can best be identified by board evaluation processes. The board's performance as a whole should be assessed regularly.

1.3 CPD Platforms

- (1) The most commonly engaged CPD activity is attending a training course in a classroom setting. However, activities outside of the classroom may also produce learning outcome. There is, in fact, a wide spectrum of opportunities that constitute CPD of directors. The following list, though not exhaustive, illustrates examples of CPD platforms that emerge from the day-to-day activities.

Formal CPD, ie activities involving some form of interaction:-

- (a) Attending: a training course, a conference/seminar, any form of speaker forum
- (b) Delivering: a training course, a talk in a conference/seminar or any form of speaker forum
- (c) Organising: a talk or an event
- (d) Director work based: in-house training, leading a new discipline, coaching
- (e) Service: voluntary board work

Informal CPD, ie activities not involving interaction:-

- (f) Authoring a paper or an article
- (g) Knowledge from relevant books, journals, press, documentaries, videos, audio materials, distance-learning, e-learning, etc

Although Informal CPD generates learning outcome, directors should not rely solely on Informal CPD. With Formal CPD, directors may benefit substantially from the synergy through interaction with others.

- (2) The above platforms generate CPD relevant to directors ONLY when the subject matters or contents are beneficial to director development or board practices.

1.4 CPD Contents

- (1) Directors should be up to date with both hard rules and soft skills applicable to the fulfillment of their roles and responsibilities. Whereas hard rules are stipulated in legal requirements (as in Ordinances & precedents), regulatory requirements (as in Listing Rules), corporate requirements (as in Memorandum and Articles of Association, company policies, etc) and funding requirements (usually applicable to non-profit-distributing organisations), soft skills are applicable throughout all aspects of company direction.
- (2) According to HKIoD's definition of Core Competences for directors, a director should master five groups of skills, knowledge and qualities. Hence, the pursuit of CPD by directors should be relevant to these five groups, viz
 - (a) Group 1: corporate business functions at a *strategic* level (versus management level), in areas of, for example, strategic planning, finance, marketing, production, product/service delivery, management development practices, remuneration benefits strategies, information technology, commercial law, etc.
 - (b) Group 2: power, responsibility and liability of the board and the individual director, in areas of, for example, corporate governance, company direction, duties to the company, shareholders and stakeholders, legal and regulatory stipulations, etc.
 - (c) Group 3: board development and boardroom practices, in areas of, for example, board structure, board proceedings, committee work, board performance evaluation, etc.
 - (d) Group 4: individual attributes and qualities, in the aspects of, for example, communication skills, vision, creativity, team-building and team-playing skills, analytical and synthesising skills, judgment, decision-making, etc.
 - (e) Group 5: business ethics, with knowledge and judgment on responsible investment, corporate responsibilities towards sustainability and investor relations.
- (3) In addition to the above competencies, a board/committee chairman should be well versed with the order of meetings and master the skills of chairmanship in motivating board/committee members to participate actively in meetings in order to contribute towards a productive board/committee. Hence, it is important that a board/committee chairman should pursue CPD to be up to date with related knowledge and skills.
- (4) In addition to the above competencies, an independent non-executive director ("INED") should master the skills required of this particular role, including regulatory requirements, vision from an independent perspective, committee work, fulfillment of special tasks in situations of connected transactions, approaches in putting forth an argument and engagement of diplomacy to achieve results. Hence, it is important that an INED should pursue CPD to be up to date with related knowledge and skills.

1.5 CPD Time

- (1) Each director should assess his/her ongoing learning requirements based on individual knowledge, director experience, corporate needs and board role. As a reference, HKIoD prescribes for its members a mandatory minimum requirement of 10 CPD hours per year and a recommended best practice of 20 CPD hours or above per year. These stipulations for HKIoD members are subject to review and revision. Directors should keep themselves up to date on

important changes and HKIoD will indicate these as and when they arise. While directors should allocate time for CPD, they must ensure that quality learning outcome is generated.

1.6 Management of CPD

- (1) It is recommended that directors plan their CPD engagement and allocate time for this purpose amidst their busy schedules. A CPD Planner with Sample Subject Menu is attached in Appendix I.
- (2) It is recommended that directors record their CPD activities so as to facilitate reporting and future planning. Listed companies, in particular, are required to disclose in annual report how their directors have pursued CPD in the year under review. Non-listed companies are also encouraged to review and disclose the CPD pursuit of their directors to shareholders/stakeholders. To contribute towards the processes of review and disclosure of CPD pursuit by the board, it will be useful if a director logs CPD activities undertaken. As a reference, the simple form of Record of CPD for HKIoD members is attached in Appendix II, which facilitates the recording of each CPD activity undertaken in a one-line entry.

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