May 2023
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The journal of the Hong Kong
Chartered Governance Institute
香港公司治理公會會刊

General meetings

Physical, virtual or hybrid?

Partial truth disclosures
Governance and sustainability
Board gender diversity

CHARTERED GOVERNANCE
Hong Kong

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Hong Kong

24th ACRU ANNUAL CORPORATE AND REGULATORY UPDATE

Friday 9 June 2023

8.55am – 5.50pm

Hong Kong Convention and Exhibition Centre

Hybrid Mode

For enquiries, please call the Professional Development Section on 2881 6177 or email: cpd@hkcgi.org.hk

CGj

CHARTERED GOVERNANCE Hong Kong

Membership and studentship statistics update

As of 31 March 2023, the statistics were as follows:
Students: 2,649 **Graduates:** 399 **Associates:** 6,262 **Fellows:** 837

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May 2023

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An essential dialogue

This month's journal looks at Hong Kong's new statutory regime for holding general meetings. Readers of this journal will probably be aware that our Institute has been instrumental in modernising Hong Kong's statutory and regulatory requirements relating to the holding of general meetings. In the midst of the Covid pandemic, we called on the Financial Services and the Treasury Bureau to consider emergency regulations to allow for virtual meetings. That conversation has now led to amendments to the Companies Ordinance (CO) and Companies Model Articles Notice that expressly cater for the scenario of Hong Kong–incorporated companies holding fully virtual or hybrid general meetings.

This month's cover story provides a highly useful introduction to the implications of the new regime, which came into effect on 28 April. Its authors – Benita Yu FCG HKFCG, Senior Partner, Slaughter and May, and Chair of the Institute's Company Law Interest Group (CLIG), together with Vincent Chan, Partner, Slaughter and May – have also written the Institute's latest guidance note on this topic. Both the CLIG guidance note, now available on the Institute's website, and this month's cover story, offer practical advice on the options now open to companies in light of the CO amendments.

Rather than going into any more detail on this month's cover theme, in my message this month I would like to focus on a very significant event to be held next month – namely, our 24th Annual Corporate and Regulatory Update (ACRU 2023). This year's ACRU, to be held on 9 June, is special in a number of ways.

Firstly, this will be the first time since 2019 that we have been able to return to hosting the event at the Hong Kong Convention and Exhibition Centre (HKCEC). ACRU is our most popular CPD event and can easily fill out one of the large HKCEC halls. Since large, in-person gatherings were impossible during the Covid pandemic, ACRU has been held as an online webinar for the last three years. This has accelerated our transition to the current hybrid attendance format – which I believe improves accessibility to the forum without sacrificing the benefits of a face-to-face dialogue for those who can attend in person.

Our 24th ACRU will also be special because it welcomes Hong Kong's newest regulator to the ACRU dialogue. On 1 October 2022, the Financial Reporting Council (FRC) was renamed the Accounting and Financial Reporting Council (AFRC) and was vested with expanded statutory functions as the independent regulatory and oversight body of the accounting profession. This year will therefore be the AFRC's ACRU debut. The other 'regulars' joining the dialogue comprise Hong Kong Exchanges and Clearing Ltd, the Securities and Futures Commission, the Financial Services and the Treasury Bureau, the Companies Registry and the Inland Revenue Department.

With a speaker lineup of that calibre, you can guarantee that this year's ACRU will be a one-stop-shop for the full spectrum of governance and compliance issues at the top of the agenda in 2023. These include: climate change, family offices and the competitiveness of Hong Kong as a marketplace. If you haven't already signed up for the event, I urge you to do so. The value of our ACRU forum has only increased since the event was launched over two decades ago. At a time of environmental stress, changing demography and accelerating regulatory and technological change, it has become more essential than ever for members of our profession, and indeed anyone involved in governance, to be part of the dialogue. I look forward to seeing you all there!

Ernest Lee FCG HKFCG(PE)

必要对话

本月会刊探讨了香港关于举行股东大会的新法定制度。本刊读者可能了解，公会在推动香港有关举行股东大会的法定制度及监管规定现代化方面，一直发挥重要作用。在新冠疫情期间，公会曾呼吁财经事务和库务局考虑制定紧急法规，允许召开虚拟会议，公会此举促成了对《公司条例》和《公司章程范本公告》的修订，明确了允许在香港注册的公司举行完全虚拟或混合股东大会的情景。

本月的封面故事(Cover Story)针对于4月28日生效的新规进行了详尽介绍。本期封面故事的作者-- 司力达(Slaughter and May) 律师事务所高级合伙人、公会公司法兴趣小组主席余嘉宝女士FCG HKFCG和司力达(Slaughter and May) 律师事务所合伙人陈力恆先生也撰写了关于该主题的最新指引说明。公司法兴趣小组的指引说明和本月的封面故事(现均可由公会网站查阅)都为公司在《公司条例》修正案下的选择提供了非常实用的建议。

在本月会刊中，本人不想对封面故事做详细介绍，而是想重点介绍公会下个月将举行的一个非常重要的活动，即，公会第24届企业规管最新发展研讨会(ACRU 2023)。今年的ACRU将于6月9日举行，有很多特别之处。

首先，本次ACRU是公会自2019年以来第一次重新回到香港会议展览中心举办。ACRU是公会最受欢迎的持续专业发展活动，参会者可以轻松坐满会展中心的一个大厅。由于在新冠疫情期间不能举行大型的现场聚会，ACRU在过去三年中一直以在线网络研讨会的形式举行。这促使公会更快速地转换到了目前的混合会议形式 – 本人相信这使研讨会可触达更广人群，同时也保留了面对面对话的益处。

第24届ACRU的另一特别之处在于，研讨会邀请了香港最新成立的监管机构参与对话。2022年10月1日，财务汇报局(FRC)更名为会计及财务汇报局(AFRC)，并被赋予更大范围的法定职能，成为会计行业的独立监管和监督机构。因此，今年将是AFRC在ACRU的首次亮相。其他加入对话的 "常客 " 包括香港交易及结算所有限公司、证券及期货事务监察委员会、财经事务及库务局、公司注册处和税务局。

以这样的演讲者阵容，相信本届ACRU可以保证为大家提供一个一站式的平台，帮助大家了解2023年最重要的治理和合规问题，包括：气候变化、家族办公室和香港市场的竞争力。如果您尚未报名参加这次活动，本人建议您尽快报名。自二十多年前公会启动这项研讨会以来，ACRU的价值只增不减。在环境压力、人口变化以及监管和技术变革加速的时代，对于公会会员，以及其他任何治理相关从业人员来讲，参与对话以了解最新信息比以往任何时候都更加重要。本人期待在本届ACRU见到大家！

李俊豪先生 FCG HKFCG(PE)

General meetings – Hong Kong's new statutory regime

On 28 April 2023, Hong Kong's new statutory regime for holding general meetings came into effect. Benita Yu FCG HKFCG, Senior Partner, and Vincent Chan, Partner, Slaughter and May, update *CGj* readers on the new legal requirements and recommended good practices for holding hybrid or virtual general meetings.

With effect from 28 April 2023, the Hong Kong Companies Ordinance (CO) and Companies Model Articles Notice (Model Articles) were amended to expressly cater for the scenario of Hong Kong–incorporated companies holding general meetings that are fully virtual or hybrid – the latter being meetings that are attended both at physical location(s) and using virtual meeting technology (VMT). In response to this, the Hong Kong Companies Registry issued a Guidance Note – Good Practice on Holding Virtual or Hybrid General Meetings (CRGN).

Can a Hong Kong company hold fully virtual or hybrid general meetings?

The lack of an express provision in the CO dealing with virtual general meetings led to uncertainty for Hong Kong companies (particularly during the pandemic), although a general consensus emerged that hybrid meetings may be supported under the CO in the absence of contrary provisions in the Articles of Association (Articles). The CO amendments make clear that Hong Kong companies:

- can hold fully virtual or hybrid meetings if the Articles do not contain any Preclusions (see below)
- can hold hybrid meetings, but not fully virtual ones, if the Articles do not contain Preclusions 1 and 2, but 3 only, and
- cannot hold fully virtual or hybrid meetings if the Articles contain Preclusions 1 or 2.

Accordingly, subject to any contrary provisions in a company's Articles, Hong Kong companies' general meetings can be held either at physical location(s), or in a fully virtually or hybrid manner. Enabling provisions in Articles are not required.

Are there different rules for Hong Kong listed companies?

The amendments are only relevant for Hong Kong–incorporated companies. For Hong Kong listed companies (wherever incorporated), Hong Kong Exchanges and Clearing Ltd (HKEX) and the Securities and Futures Commission issued FAQs in 2022

Highlights

- the lack of an express provision in the CO dealing with virtual general meetings led to uncertainty for Hong Kong companies, particularly during the pandemic
- the Companies Ordinance amendments make clear that Hong Kong companies can hold fully virtual or hybrid meetings in the absence of contrary provisions in their articles of association
- in practice, some listed issuers may avoid fully virtual meetings due to shareholder expectations and the benefits arising out of in-person communications

> **Subject to any contrary provisions in a company's Articles, Hong Kong companies' general meetings can be held either at physical location(s), or in a fully virtually or hybrid manner. Enabling provisions in Articles are not required.**

noting that the Listing Rules do not impose requirements on the format for general meetings, and companies may hold fully virtual meetings if allowed under relevant company laws and the company's Articles.

HKEX updated its Guide on General Meetings (HKEX Guide) on 28 February 2023 to give guidance on listed issuers' virtual and hybrid meetings. In brief, the HKEX Guide:

- encourages issuers to consider holding virtual or hybrid general meetings to promote shareholder engagement and participation (where permitted under the relevant company laws and constitutional documents)
- requires the notice of a general meeting to specify the meeting format (physical, virtual or hybrid) and the arrangements for a virtual or hybrid meeting, including clear instructions on how to access the VMT and preregistration and verification procedures (if any)
- requires shareholders attending virtually to be able to listen, speak, submit real time questions and cast their votes electronically in real time, with safeguards in place to validate/accurately count the votes, and requires the voting record to be provided for audit, and
- recommends holding hybrid/ physical meetings at a time convenient to the largest possible number of shareholders to attend the physical venue.

The HKEX Guide also refers issuers to the CRGN and replicates some of the safeguards recommended in that document. For example, issuers should make contingency plans for technical issues, provide technical support to shareholders prior to and/or during the meeting, and should consider using authentication methods such as unique login IDs and passwords, or sending a one-time unique PIN. Where issuers implement registration and authentication, relevant information should be provided to shareholders prior to the meeting.

In practice, some listed issuers may avoid fully virtual meetings due to shareholder expectations and the benefits arising out of in-person communications. One proxy adviser stated in its Hong Kong proxy voting guidelines that fully virtual meetings have the potential to curb meaningful communication with shareholders, and it would look to issuers to make robust disclosures in the event of a fully virtual meeting (for example posting the company's answers to questions raised by shareholders on the IR section of their websites).

Preclusions

Preclusion 1. Articles expressly preclude the use of VMT for general meetings.

Preclusion 2. Articles require meetings to be held only at a physical venue.

Preclusion 3. Articles require at least one physical venue, for example requiring notice of a general meeting to specify a physical venue.

What should Hong Kong companies consider prior to adopting virtual or hybrid general meetings?

Whether a company should adopt VMT will depend on factors specific to the company, such as the number and location of shareholders and any resource constraints. The CRGN specifies that there is no one-size-fits-all approach – the overall aim is to opt for the most appropriate mode of meeting, having considered the best interests of the shareholders. Prior to any adoption, Hong Kong companies should consider the issues set out below.

- Assess if the company's Articles contain any Preclusions. Articles that require a notice of general meeting (Notice) to specify a physical venue do not necessarily

Virtual general meetings – the legal requirements and recommended good practices

	New CO provisions	Recommended good practices under the CRGN
Mode of holding general meetings	Subject to the company's Articles, a company may hold a general meeting: (a) at a physical venue, (b) by using VMT, or (c) both at a physical venue and by using VMT. A company may use VMT unless the company's Articles expressly preclude the use of VMT, or require the meeting to be held *only* at a physical venue. An Article requiring a notice to specify a physical venue is not in itself a provision that requires a meeting to be held *only* at a physical venue.	Companies may consider using VMT to maximise members' participation, but there is no one-size fits all approach. The aim is to promote shareholder engagement and encourage participation at meetings, while allowing companies to assess their own situations, members' base/profile, and resource restraints. For example, it may not be cost-effective for some companies to hold virtual meetings. For physical or hybrid meetings, it is good practice to arrange a time that is convenient for the largest possible number of members to attend the physical venue.
VMT	VMT is defined as a technology that allows a person to listen, speak and vote at a meeting without being physically present at the meeting.	The VMT should preferably be accessible in both video and audio formats. The most appropriate VMT or mix of VMTs will depend on factors specific to the company and its members. The Guidance Note includes a list of factors to consider when choosing the technology. Companies should ensure the adequacy and functionality of the VMT used to enable members to follow proceedings and participate in the meeting uninterrupted.
Content of Notice of general meeting	The Notice must specify either or both: (a) the physical venue of the meeting, and/or (b) the VMT. The ability to specify a VMT in the Notice is subject to any Preclusions in the Articles. If two or more physical venues are specified, the Notice must state the principal venue and the other venue(s).	Where VMT is used, it is good practice to provide detailed information on the meeting arrangements in the Notice, for example: • the relevant link, what the technology will cover and any devices needed • details on preregistration and verification • how to download any required software or app • access to documents such as proxy forms • appointment of proxies/corporate representatives • how to submit questions in advance or at the meeting and how questions will be responded to • how to contact technical support • how to cast votes, and • tips and notes regarding internet connection.

Virtual general meetings – the legal requirements and recommended good practices (continued)

	New CO provisions	Recommended good practices under the CRGN
Publication of Notice on website	If a Notice is given by making it available on a website, the notification for notifying a member of the availability of the Notice on the website must specify the physical venue, VMT or both (in accordance with the Notice).	Where a Notice is given by making it available on a website, it is good practice to dedicate a section or webpage of the company website to inform members of the details of the meeting.
Quorum	A person who attends by using the VMT specified in the Notice is to be regarded as being present while so attending.	All persons attending the meeting virtually at the time the quorum is called must be counted for the purposes of determining whether there is a quorum.
Technical issues	No specific provisions.	Consider: • ways for members to check their devices' connection to the VMT in advance • providing technical support prior to and/or during the meeting (where practicable, this should be made available to members online and via telephone free of charge) • holding a test run or mock meeting in advance • providing dial-in or teleconferencing in case internet connection is lost, and • adjourning the meeting if issues cannot be solved promptly or result in a number of members being unable to participate.
Security and authentication	No specific provisions.	Security and authentication are crucial considerations. Consider implementing security measures to ensure no unauthorised person can attend and members with the right to attend are not excluded. Measures should be simple so as not to become an attendance barrier. Where there is preregistration and authentication, members should be provided with the information in advance. For example, they should be provided with the link, meeting login ID and password that, where possible, is unique to that member. One-time unique PINs sent by SMS or email may also be used. The CRGN lists various security measures that may be adopted when using videoconferencing software (for example validating identities in a virtual waiting room before granting access), and what companies should remind members of (for example not to share their login IDs and passwords).

	New CO provisions	Recommended good practices under the CRGN
Raising of questions	No specific provisions, save that the VMT must allow the member to speak at the meeting.	VMT should preferably allow members to submit real-time questions during the meeting orally and electronically in writing. It is good practice to allow members to submit questions within a reasonable time prior to the meeting by electronic means or post. Companies are encouraged to respond to all substantial and relevant questions promptly, to consider answering questions in advance by publishing answers on their websites, to explain how questions would be grouped, and the number and nature of questions asked and not answered. At a hybrid meeting, companies should try to ensure that a balanced number of questions from physical and virtual attendees are addressed.
Voting	No new provisions, save that the VMT must allow members to vote at a meeting.	Members should be able to cast their votes electronically in real time. Where an electronic voting system is used, it should accurately count votes cast and provide a record for audit. Companies are encouraged to allow members to send proxy instruments electronically.
Model Articles	Various Articles are updated to reflect the potential use of VMT at general meetings and adjourned meetings.	

preclude the use of VMT, but may prevent the holding of fully virtual meetings.

- Assess if the Articles sufficiently address the risk of technical issues impacting the meeting. For example, if the VMT fails, is there an ability for the chairperson to adjourn without needing to obtain the meeting's consent?

- Consider the content of Notices for virtual meetings in light of the statutory requirements to specify the VMT, as well as the detailed recommendations in section 3 of the CRGN.

- Choose the right technology or mix of technologies, which must allow members to listen, speak and vote at the meeting. The CRGN emphasises security and authentication as key considerations and recommends allowing members to also see the proceedings of the meeting.

Benita Yu FCG HKFCG, Senior Partner, and Vincent Chan, Partner
Slaughter and May

Benita Yu chairs the Institute's Company Law Interest Group (CLIG). She and her co-author, Vincent Chan, have written the latest CLIG guidance note on Hong Kong's new statutory regime for general meetings. It is available on the Institute's website: www.hkcgi.org.hk. The authors can be contacted at: benita.yu@slaughterandmay.com and vincent.chan@slaughterandmay.com.

Governance and sustainability

What are investors looking for?

In the first part of a two-part interview, *CGj* talks to Dr Christine Chow, board member, International Corporate Governance Network, and Head of Active Ownership at Credit Suisse Asset Management, about the role that investors and asset managers can play in promoting good governance and sustainable business practices.

What is your view of the role that asset managers can play in the transition to carbon net-zero?
'Asset managers are often not asset owners. They are asset allocators – their role is to learn from, educate, support and monitor portfolio and target companies, and to be a good steward of assets to create value for investors so that investors can meet their financial obligations and investment goals. These investors come in all shapes and sizes – from an average man in the street, a pensioner, a worker, to the state represented by institutions such as large sovereign wealth funds.

To clarify asset owner expectations with regards to how asset managers consider net-zero targets, the International Corporate Governance Network (ICGN) recently updated its Model Mandate in partnership with the United Nations–supported Global Investors for Sustainable Development Alliance (GISD). This includes reference to a range of governance, stewardship and sustainability objectives, particularly associated with the United Nations Sustainable Development Goals.

Asset managers should have constructive dialogue and not micromanage portfolio companies, although this does not mean that they should not use their shareholding power, media tools and industry platforms to exert pressure when there are material concerns.

Regarding net-zero, asset managers should brainstorm with companies on their business strategy, which should include a net-zero transition element that also takes into consideration other social impacts. The discussions should also address the associated changes in business models, capital expenditure, financing options and governance – not only through board oversight but generally through education, improvement in culture, and a fair distribution of dividend and reinvestment.

For example, in the auto sector, a shift from internal combustion engines to electric vehicles (EVs) is already seeing the need to shrink the existing workforce in size, requiring different skills in the engineering of products, batteries management, sourcing of raw materials, recycling practices and solutions, and lobbying for EV charging infrastructure, which is more of a location-based discussion.

All of these require redesigning business processes and workflows. This changes the power balance and dynamics within a company, which a good executive management team should also be aware of and manage accordingly.

In promoting sustainable business practices, asset managers should take into consideration the track record of companies if there have been specific controversies relating to bribery and corruption, product safety and fines due to violations of environmental regulations. But this is only the baseline. Engaging on backward-looking controversies alone dismissively promotes a tick-box mentality. More effort should be spent on understanding what companies have learnt from past mistakes and what actions are being, or have been, taken to address structural weaknesses in processes and management issues. This might include a review of the incentives

Highlights

- the most important target set should be to reduce absolute emissions and carbon intensity – how this should be achieved should be left to the company to decide
- single and double materiality are not polar opposites, but are converging on their impact and outcomes
- ISSB has identified biodiversity, human capital and human rights as priority topics to consider after climate, and will embark on a project to move forward integrated reporting

system in place that may have encouraged undesirable behaviour creating unintended consequences (see 'Incentive schemes – beware the unintended consequences').

Investors themselves are subject to a host of requirements associated with net-zero, as articulated in ICGN's Statement of Shared Climate Change Responsibilities to the United Nations Climate Change Conference of the Parties 26(COP26) (held on 20 October 2021). This called for investors to publicly commit to science-based emissions reduction targets (including credible interim targets) on how investment portfolios will achieve net-zero carbon emissions by 2050.

The statement also called for improvements in the quality of disclosures, including those relating to investment policies, company engagements and proxy voting. It is also expected that investors will comprehensively integrate financial, natural and human capital considerations into stewardship activities across asset classes, investment decision-making, company monitoring, engagement (individually or collectively) and voting. The statement was reinforced and strengthened for COP27, and no doubt we will have further discussion during the ICGN-Hawkamah Dubai Conference just before COP28.

To share more practical experience as an investor, one of the biggest challenges on our journey to net-zero and the publication of our Climate Action Plan was around calculations of our financed emissions. As my colleague Dr Ece Satar Pfister, who is our climate specialist at Credit Suisse Asset Management, has emphasised, like other industries, Scope 3 emissions of an asset manager are the most significant and the most challenging to calculate. Financed emissions are calculated using financial data with emissions data from third-party data providers. Therefore, acknowledging data gaps and limitations are key to transparent disclosure and understanding progress in our net-zero journey. We aim to lead the way among our peers and encourage our portfolio companies to adopt transparent emissions disclosure practices. Credit Suisse Asset Management and discretionary mandates within Investment Solutions and Sustainability (IS&S), part of Credit Suisse Wealth Management, have reported a decrease in investment-associated emissions in intensity terms and in absolute terms by 27% and 5%, respectively, since 2019 for their in-scope assets (listed equities and corporate bonds).

To bring it back to the net-zero scenario and sustainable business practices, if the overarching goal is to achieve net-zero emissions, the most important target set should be to reduce absolute emissions and carbon intensity. How this should be achieved should be left to the company to decide. To quote Dr Ece Satar Pfister, Climate Specialist, Credit Suisse Asset Management, "Since we are in the decade of action and are already experiencing the impacts of climate change on society and businesses, targets and commitments to net-zero are not sufficient. The implementation of credible decarbonisation plans linked to short-term accountability of reduction targets should be at the top of the agenda. This expectation should be accompanied by high-quality disclosure (quality not just quantity), robust accounting and sound auditing processes."'

Corporates have become quite good at making the right noises but is business as usual still the norm?

'I am not sure that is the case based on the companies I have come across. The large-cap, systemically important or high-risk sector companies that are on the radar of sustainable investors are

> **asset managers should have constructive dialogue and not micromanage portfolio companies, although this does not mean that they should not use their shareholding power, media tools and industry platforms to exert pressure when there are material concerns**

showing progress. It also depends on leadership, culture and strategy.

Investors generally find that mid-size companies in the value chain of multinational enterprises often improve their ESG practices because their customers expect them to. They tend to seek data due to a combination of aspiration to best practices (for example following the OECD Guidelines for Multinational Enterprises) and regulations (for example following the 2017 French Duty of Vigilance, the 2015 UK Modern Slavery Act, or the 2022 US Uyghur Forced Labor Prevention Act). Long-standing examples of this process can be found in the garments and footwear, auto and electronics and energy sectors. Increasingly, food and beverage, and real estate and infrastructure are also following this trend.

Of course, the investor community is diverse, and therefore if the divestment trend goes on, and companies are undervalued, there will be bargain hunters, sometimes taking them private. Incentives such as the US Inflation Reduction Act (IRA) – which creates tax incentives or credits for qualifying renewable energy projects and equipment – changes the business case.

Intelligent investors should think about the unintended consequences of any policies and incentives in order to anticipate the next scandal when considering the investment opportunities they bring. For example, if we go back to the 1997 Asian financial crisis – what were the causes of the crisis? Macroeconomic problems such as current account deficits, high levels of foreign debt, climbing budget deficits, excessive bank lending, poor debt–service ratios, and imbalanced capital inflows and outflows.

The crisis led to the build up of foreign exchange reserves in Asian countries to hedge against external shocks. This money needs to generate return in globally stable currencies, such as the US dollar. In the meantime, a combination of policies that encouraged home ownership and disjointed sales-driven incentives caused an explosion of subprime lending in the US. By 2008, the default of subprime mortgage borrowers triggered the collapse of the subprime mortgage market, which in turn caused the credit crunch in the banking sector.

Since then, an extended period of low interest rate and periods of quantitative easing has mispriced risks. We are only just seeing the normalisation of interest rates. Long-term investors must study these longer-term trends and unintended consequences of policies and incentives systems to better manage forward-looking risks.'

In the context of widespread greenwashing, should investors be insisting on a science-based and outcomes-based approach?

'If we define a science-based approach as a method in which decisions are made that takes scientific methods and/or results into account, then yes. However, this is different from science-based targets, which expect limited reliance on offsets and focus on near-term emissions reduction. Without offsets, it is almost impossible to achieve net-zero.

Also, we must acknowledge the role carbon offsets can play in the net-zero transition, especially when we bring nature as an asset class into the discussion and seek to support ecosystem management, forest preservation, sustainable agriculture, marine life preservation and maintaining biodiversity worldwide. Developing countries that have been disadvantaged over centuries need flexibility and offset mechanisms to ensure that their natural resources are adequately priced and protected.

The outcomes-based approach is advocated in the 2020 UK Stewardship Code. This means that when setting key performance indicators (KPIs), instead of measuring the input factors, such as the number of times engagement meetings have taken place, asset managers are expected to evaluate their own performance based on a positive change in outcomes, such as improvement in product innovation and operational efficiency as a result of constructive dialogue between investors and companies.

The alternative is activity-based engagement, which falls into the trap of "what gets measured gets managed". Setting a target for asset managers to engage with 90% of the portfolio is a clear quantifiable target, however, based on my conversations with many key institutional asset owners around the world, they would rather see high-quality examples of engagement that yield systemic and meaningful changes that promote long-term value creation. It would be an undesirable outcome if quality is sacrificed for blanket coverage.'

What is your view of the Sustainability Disclosure Standards that are expected to be published by the International Sustainability Standards Board (ISSB) next month?

'Enhanced corporate sustainability reporting will be a game changer on both sides of the Atlantic. In fact in Europe, ICGN's Global Governance Principles were referred to in Recital 44 of the European Corporate Sustainability Reporting Directive last year as an authoritative global framework of governance information of most relevance to users. First introduced in 2001, this is a highly influential document given that it is used by many ICGN members (who today represent around US$70 trillion in assets under management) in voting policies and company engagements and is often referred to by national standard-setters.

The ISSB has taken an inclusive approach in its decision-making and in communicating the decisions of the board. The ISSB standards build on existing reporting frameworks that we are familiar with and the ISSB has engaged with key stakeholders in the process. ICGN issued two letters commenting on the two Exposure Drafts of the new Sustainability Disclosure Standards S1 and S2. The effective date of both standards would be for annual reporting periods from 1 January 2024, so information will be needed in 2025 for the 2024 reporting period.

Scope 3 greenhouse gas (GHG) emissions are going to be challenging for all companies, but companies have embarked on this journey for over 10 years (as mentioned in ICGN's consultation response to S2). Setting out clear reporting boundaries would be key in addressing green- or sustainability-washing risks.

At the recent ICGN Stockholm Conference, we were thankful to have ISSB Vice-Chair Sue Lloyd share her

Incentive schemes – beware the unintended consequences

A recent ICGN conference in Stockholm discussed the dilemma between the 'what gets measured gets managed' teaching from Peter Drucker, and Goodhart's Law that 'when a measure becomes a target, it ceases to become a good measure'. For example, mis-selling scandals in the financial industry have been linked to dysfunctional incentive schemes where sales staff are incentivised to sell customers unsuitable financial products to reach targets that will improve their salary or bonuses.

'Sales-linked incentives should not be an outsized component of a total remuneration package as it encourages excessive risk-taking,' Dr Christine Chow says. She adds that complexity is also a flaw in an incentives scheme. If a sales executive in a bank has multiple targets to sell loans, credit cards and overdrafts, the individual will find the easiest path, or the path with the highest certainty to achieve the targets, instead of meeting customer needs.

'In general, we need more listening, smarter reflection, and not just more measurement. This is also one of the key points made during the Stockholm Conference. Investors do not need companies to provide 3,000 indicators. Focus on key metrics that drive performance, explain it clearly and hold executives to account with effective board oversight,' she says.

The ICGN 2023 Stockholm Conference was held in Stockholm 7–8 March 2023. More information is available on the ICGN website: www.icgn.org.

> I would say we are only at the beginning of the journey to understand what diversity and inclusion is about, and how they differ

insights. Key messages include those outlined below.

- From an interoperability perspective, ISSB is keen to work with Europe to align with the European Sustainability Reporting Standards, finding common disclosures that meet both sets of objectives.
- Although the 1 January 2024 target for launching the new ISSB standards is ambitious, there are transition reliefs. For example, a company is not required to provide Scope 3 GHG emissions disclosures in the first year. Companies are encouraged to try including credible estimation methods in the early years.
- ISSB has identified biodiversity, human capital and human rights as priority topics to consider after climate, and will embark on a project to move forward integrated reporting.'

The draft ISSB standards have not advocated a double materiality approach to sustainability reporting – is this an omission?

'I do not consider this an omission, but a careful and pragmatic approach to creating a global baseline. At the recent ICGN Stockholm Conference, speakers pointed out that single and double materiality are not polar opposites, but are converging on their impact and outcomes. Take climate change, for example. What is financially material to a company, such as transition or physical impacts on financials, also have broader societal consequences – from impairments to insurance premiums and social licence to operate.'

The main focus of the ESG movement has been on environmental aspects – do you anticipate more of a focus on social KPIs in the future?

'In the UK, the Financial Conduct Authority (FCA) Discussion Paper 23/1, published in January 2023, showed that regulators are seeking feedback on how regulated financial institutions are dealing with the breadth of sustainability topics, covering environmental and social issues. In particular, there is a strong interest in diversity and inclusion (D&I) data at these firms.

Some people equate D&I with the number of women on the board or in executive roles, whilst the issues are a lot more nuanced. If we speak to Gen Z, many of them identify themselves as non-binary – which means that they self-identify as outside of the gender binary. If this is the trend, how should we consider gender-based categorisation? Besides, diversity is not just about gender, it is about ethnicity and skin colour, and this is just the visible part of diversity. Neurodiversity, social mobility, disability, LGBTQ+ – there are essentially countless numbers of categorisation and most of the time they overlap because we are people and are multidimensional in the way we categorise ourselves.

I would say we are only at the beginning of the journey to understand what diversity and inclusion is about, and how they differ. To succeed in embracing D&I, we need to think hard about what makes a company culture inclusive – it is about giving a voice to everyone, irrespective of their jobs, hierarchy and background. It is about being open to ideas, constantly reaching out for synergies and collaboration, being honest about conflicts and differences in views and differences, and embracing them with courage and optimism.

For social issues related to human rights, we will need an even longer discussion.'

Dr Christine Chow was interviewed by CGj Editor Kieran Colvert.

> *In addition to her roles at ICGN and Credit Suisse, Ms Chow is Convenor of the Sustainability and Climate Action Task Force set up by the Accounting and Financial Reporting Council (AFRC) in Hong Kong. Until early 2023, she was the global head of Stewardship at HSBC Asset Management and a board member of HSBC Asset Management UK Ltd.*

Gender balance and board effectiveness

Philip Sidney, Senior Associate, Lintstock, highlights the findings of a new Lintstock study indicating that better gender diversity on boards is not only a question of fairness, but of effectiveness.

The growing momentum behind gender diversity on corporate boards has been one of the most noticeable developments in corporate governance over the past decade. The push for diversity has certainly changed the face of boards in the UK. The Hampton–Alexander Review recommended in 2016 that FTSE 350 boards should aim for a minimum of 33% female representation by 2020, a target that was achieved in 2021. As readers of this journal will know, Hong Kong is moving in the same direction following a change to the Corporate Governance Code in 2022. All listed companies in Hong Kong are required to appoint one director 'of a different gender' to the other board members by the end of 2024.

The benefits of gender diversity are generally well recognised. At a time of increasing scrutiny of the corporate world from politicians, regulators and the general public, there is an increasing expectation that company boards ought to reflect the demographic makeup of their stakeholder universe and wider society as a whole. Equally, it is widely acknowledged that broadening diversity in the boardroom contributes to diversity of thought and helps boards to avoid the risk of groupthink. As board reviewers, we at Lintstock have seen many examples of male and female directors consistently engaging differently on areas of board performance – for example we tend to find that it is female directors who are more likely to address uncomfortable issues such as CEO succession.

Nevertheless, it is difficult to come up with hard evidence to back up such observations. Conversation on board gender diversity is often stymied by the difficulty of proving the impact that female representation has on a board's dynamics and focus, and ultimately its oversight. Understandably, the necessary confidentiality of the board environment makes research into this area difficult, leaving studies to judge the impact of board diversity by extrapolation rather than direct evidence (for example by comparing companies' financial performance and correlating it with the female representation on their respective boards).

Lintstock's latest piece of research – Evidencing the Contribution of Gender Balance to Board Effectiveness – produced in partnership with the 30% Club, aims to address this gap. Leveraging our experience of working with corporate boards and drawing on our unique set of quantitative and qualitative data from years of board reviews, the study demonstrates definitively that a gender-balanced board is more than the sum of its parts. Taking an evidence-based, data-driven approach, the study explores the nuances of male and female director engagement.

Our data is based on the Lintstock Governance Index – a set of over 60 metrics, drawn from Lintstock's recent board reviews, that puts performance in context by tracking the relative strengths and weaknesses of boards. Using the data contained in the index, we tracked directors' quantitative and qualitative assessment of performance across some 100 UK board reviews, and split out the responses of male and female directors in order to build an overall picture of the contributions made by both sexes and to observe how they complement and interrelate with one another. In doing so we have been able to track engagement on an entirely anonymous basis, gaining insight from behind the boardroom door to form an analysis that is based on information rather than anecdote.

How directors engage

The data shows that including gender diversity on boards is not only a question of fairness, but of effectiveness – it is clear that female directors' contributions augment and round out overall board oversight. Male and female directors gave similar ratings when assessing the majority of board effectiveness metrics, which

Highlights

- the engagement and contribution of female directors improves oversight through rounding out the board's focus
- the Lintstock study found that female directors have greater engagement with issues such as succession, talent management, employee engagement and culture
- the conversation around board diversity is expected to broaden over the coming years to encompass areas such as culture, socioeconomic background, disability, neurodiversity and sexual orientation

> there is an increasing expectation that company boards ought to reflect the demographic makeup of their stakeholder universe and wider society as a whole

demonstrates that there is good consensus across boards as a whole – but the span of women's ratings tended to be wider on both the positive and negative ends of the scale, and on average women's ratings of performance were slightly lower. This suggests that women are more likely to be critical of poor performance, as well as being more likely to reward areas of good performance with a higher rating.

This is borne out in the relative engagement of male and female directors in the board review exercise, at least judging by word count – on average, female directors write 32% more than their male colleagues, indicating that women are more open to providing feedback on performance.

Some of the directors' respective areas of confidence and sensitivity in the data also point to a difference to the way in which male and female directors engage in and around the boardroom. Two areas in which there is a significant divergence in sentiment between men and women is the length of the board packs and the length of board meetings, both of which are rated notably more highly by female directors. It seems that female board members are significantly more tolerant of larger board packs, in contrast with their male colleagues who consistently demand greater concision and summarisation.

Similarly, women were more than 30% more likely to request more or longer board meetings. Coupled with the higher levels of engagement that female directors demonstrate in board reviews, these findings suggest a greater willingness among female directors to accept the overhead of board service and invest time in building board oversight.

Where directors focus

Through the data it is also possible to map differences in where board members direct their focus when considering certain topics. Both male and female directors tend to feel that their boards spend too little time on strategy, but within this context men were more inclined to focus on specific elements of their company's strategic plan and the wider shape of the business, whereas women focused more on the enablers of performance (that is, people, customers etc) and took much more of a big-picture approach.

There was also a marked tendency for female board members to engage more on emerging issues and in the areas in which boards struggle the most – though these areas often overlap, as it is a rare board that can establish perfect oversight of issues as soon as they show up on the radar. Most prominent among these is people oversight, with metrics in this area – covering succession, talent management, employee engagement and culture – regularly featuring at the lower end of the Lintstock Governance Index.

People oversight was moving up the agenda of UK boards even before the Covid-19 pandemic's impact on remote working practices and employee well-being. Responding to growing scrutiny of issues such as pay ratios and workers' rights, the 2018 update to the UK Corporate Governance Code (the UK Code) introduced a requirement for boards to engage with their companies' workforce through the appointment of an employee to the board, the establishment of a formal workforce advisory panel or the appointment of a designated non-executive director for employee engagement.

The female directors in our sample engaged heavily on employee sentiment and culture, which were two areas in which engagement varied notably between the sexes. Women were 70% more likely to recommend increasing the board's direct contact with employees, and were over twice as likely to suggest increasing the amount of time the board spends considering culture. This level of engagement could be connected to female directors embracing the new UK Code requirements – female respondents were over twice as supportive of employee engagement initiatives, and in our sample women were 50% more likely to serve in the role of designated non-executive director for employee engagement.

Diversity – moving beyond gender?

Perhaps unsurprisingly, the focus on diversity was an area in which some of the most interesting findings emerged in our research. Having been a key concern in discussions of board composition for a number of years, anxieties around representation and social justice (highlighted by movements such as #MeToo and Black Lives Matter) have made this issue more and more pressing. We know of many boards who have experienced a step change in investor and societal engagement around board diversity over the past two years, and for whom diversity represents a significant reputational risk. Indeed, some institutional investors have indicated that they will vote against any FTSE 350 board that does not comply with the Financial Conduct Authority's requirement for 40% female representation on boards and leadership teams, even before the FCA itself brings in that requirement in 2024.

Against such a backdrop, it is natural that both male and female directors are likely to raise diversity as an area for improvement in board composition, with gender being the most frequently specified area for improvement by all. That said, our data suggests that the focus in this area is evolving and moreover that this evolution is

> **we know of many boards who have experienced a step change in investor and societal engagement around board diversity over the past two years, and for whom diversity represents a significant reputational risk**

being led by women – whereas male directors were 25% more likely to stress the need to improve gender diversity on the board, their female colleagues directed their attention to augmenting other areas of diversity.

Notably, the female board members in our sample were three times more likely than their male counterparts to prioritise improving their boards' ethnic diversity. This issue has become markedly more salient in the past two years, given the political and social fallout of the killing of George Floyd in 2020, and over half of our board review exercises in recent years have seen the appointment of an ethnic minority director identified as a priority. This desire is particularly pronounced in financial services companies, where practically all of our clients over the past two years have emphasised the need to improve their board's ethnic diversity.

Women were also more likely to recommend including greater diversity in other areas, including age, culture and social background, and we tend to find that this is particularly the case when we work with non-corporate clients such as utility providers or charities. We anticipate that the conversation around diversity will continue to broaden over the coming years, moving beyond what we have seen several boards refer to as 'visible diversity' to encompass areas such as culture, socioeconomic background, disability, neurodiversity and sexual orientation.

As boards continue to evolve, companies will need to continue to balance diversity considerations with ensuring that the board retains the skills and expertise necessary for maintaining effective oversight of the business. That said, it is to be hoped that continued efforts to promote diversity amongst top management and the wider workforce will ensure in time that the pool of experienced candidates is sufficiently diverse for this not to be an 'either/or' question.

Conclusion

We hope that through our research we have been able to demonstrate what diversity delivers, by showing how the engagement and contribution of female directors improves oversight through rounding out the board's focus. As mentioned at the outset of this article, the momentum behind gender diversity is increasing and expanding, and in the UK organisations are now setting their sights on achieving greater gender balance on executive committees, as well as removing the barriers preventing women from occupying the top positions of chair, senior independent director, chief executive and chief financial officer. In July this year, the Severn Trent water company will make history by becoming the first FTSE 100 company to have a female chair, chief executive and chief financial officer. As boards look to gain greater dividends from diversity in the future, it is to be hoped that further data and insights will emerge to verify the benefits that gender diversity, and diversity more broadly, brings to and around the boardroom.

Philip Sidney, Senior Associate, Lintstock

Lintstock is a London-based corporate governance advisory firm specialising in board effectiveness reviews. The firm conducts research into topical governance issues and hosts webinars and workshops for company secretaries around the world.

On 14 June at 3.30pm HKT, Lintstock is hosting a one-hour webinar discussing its research into gender balance, where it will be joined by a panel of experts, including Hanneke Smits (Global Chair, 30% Club) and Denise Wilson OBE (CEO, FTSE Women Leaders Review).

For more information, or to obtain a copy of Evidencing the Contribution of Gender Balance to Board Effectiveness, please contact Lintstock Partner Neil Alderton at: na@lintstock.com.

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Diversity, equity and inclusion (DEI)

Authors from City University of Hong Kong and The Hong Kong University of Science and Technology make a case for an enhanced DEI workforce policy to bolster Hong Kong's competitiveness and sustainable development, and put forward a number of practical suggestions for improvement.

In light of recent challenges to sustaining Hong Kong's innovation capacity and competitiveness, as well as to enhancing its human capital and talent pool, this paper explores the potential contributions of developing a DEI labour force, and puts forward suggestions for improvement measures at policy and corporate levels.

The values of DEI

Businesses and governments play an instrumental role in enhancing the representation and participation of different groups in society by implementing and promoting DEI policies in their respective jurisdictions and activities. 'Diversity' is based on the acceptance and tolerance of different perspectives among groups. The concept became prevalent in the 1980s, in response to changes in the demographic characteristics of the social labour force and the workplace. It refers to a simple recognition of the social fact that groups or individuals with different characteristics coexist in a community or group setting, and a belief that each individual offers a unique contribution arising from their varied, and thus unique, experiences and characteristics. Diversity can be defined in two ways, both narrow and broad.

A narrow understanding of diversity refers to differences in 'ascribed' characteristics, such as age, gender, race and physical ability. Such diversities generally cannot be determined by people's subjective wishes or abilities. A narrow sense of diversity is sometimes described as 'superficial diversity', because most of the differences can be identified by looking at a person's appearance, or can at least appear to be identified. Therefore, differences according to the narrow sense of diversity have long been a source of power differentials, discrimination and prejudice in society.

A broad sense of diversity includes differences in 'achieved' characteristics, such as educational level, geographic background, language, culture, religion, values, socioeconomic status, family status, experience, skills, professional knowledge and personality.

From a practical and policy perspective, the two definitions have their own advantages and disadvantages. Emphasising a narrow understanding of diversity can lead society to focus on groups that have traditionally been discriminated against (such as women, people with disabilities and ethnic minorities), but it then also becomes easier to ignore other minority groups. Hence, it is not conducive to the unity of various minority groups in society to promote diversity in this narrow sense. A broad sense of diversity, on the other hand, highlights that all differences are equally important, making up for the limitations of narrow diversity. But in reality, differences vary in importance and treatment methods. Governments and enterprises are usually unable to simultaneously and equally take into account the variety of differences due to limited resources. In consequence, there is a need to consider the practical situation to evaluate the pros and cons of adopting different diversity definitions in context.

Given that everyone can offer a different contribution to society, the communal population together carries a moral responsibility to one another in the sense that every member of the community should be equitably treated without suffering from systemic disadvantages – thus the 'equity' requirement. Governments and institutions should improve fairness and justice in procedures and resource allocations to ensure an equal opportunity and treatment for everyone, and to identify and eliminate barriers to the equitable participation

Highlights

- research shows that greater diversity and inclusion in the workforce correlates positively with profitability, employee retention and customer loyalty
- despite certain measures currently in place to combat discrimination and promote equal opportunities, Hong Kong falls behind in terms of DEI metrics
- suggestions to improve the sustainable development and competitiveness of Hong Kong through an enhanced DEI workforce policy include strengthening resources support and awareness, incentives for change, extending the regulatory framework for DEI performance and reinforcing the role of NGOs in developing DEI policies and practices

> "effective DEI policies will help promote economic development, provide fair opportunities and build a truly harmonious society"

of all groups. Given diversities, a uniform treatment may not necessarily achieve fairness. This complicates policy considerations as 'one size fits all' policies may often not be optimal.

Early work on promoting diversity focused on enhancing proportional diversity, or representational diversity. To some extent, these efforts have improved job opportunities for groups that were historically underrepresented in the job market. However, the advances are often limited to entry levels, while promotion opportunities have been scarce, or the impact is not sustained as many of those who initially benefited might still leave the job market prematurely.

The value of 'inclusion' requires a worker to fulfil his or her needs for uniqueness and belongingness through communal experience, which also enhances his or her sense of identity and commitment to the communal group. Inclusion removes all barriers and discrimination by actively encouraging each individual or group to express his/her views and to make contributions, as well as to participate in creating a culture and collaborative environment that everyone accepts with mutual respect. Specifically, diversity in the workplace ensures that employees are not excluded because of their identities, and that the company creates a work team with a wide range of backgrounds and experience. Inclusion further provides the necessary space and opportunities to encourage each employee to express opinions, and to develop and create value.

DEI and sustainable development

Nine of the 17 United Nations Sustainable Development Goals (SDGs) are closely related to DEI values. Whether for society at large or a firm, DEI is the key to sustainable development.

- **Goal 1**: End poverty in all its forms everywhere.
- **Goal 4**: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- **Goal 5**: Achieve gender equality, and empower all women and girls.
- **Goal 8**: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- **Goal 9**: Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.
- **Goal 10**: Reduce income inequality within and among countries.
- **Goal 11**: Make cities and human settlements inclusive, safe, resilient and sustainable.
- **Goal 16**: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels.
- **Goal 17**: Strengthen the means of implementation and revitalise global partnership for sustainable development.

Effective DEI policies will help promote economic development, provide fair opportunities and build a truly harmonious society. First, DEI policies create an inclusive and diverse environment, where acceptance of different opinions and suggestions are encouraged. Social innovation can be promoted to address pressing social problems, which enhance competitiveness and promote economic development. Second, DEI policies aim to correct long-term imbalances in development resources and structural barriers to development opportunities, helping to build a fair society where all people – especially disadvantaged groups facing adversity – have equitable access to development resources and development opportunities. Third, DEI promotes mutual understanding to achieve true social harmony. Because people have the opportunity to express different opinions, and to gain acceptance and respect, society can better cater for the needs of different people by bringing together different ideas and viewpoints. Promoting mutual understanding through communication can help eliminate discrimination, strengthen community relations, increase a sense of belonging, establish an atmosphere of inclusion and diversity, and achieve true social harmony.

Extant research suggests that increasing workforce diversity benefits corporate performance and social resilience against crises. Firms with more women in leadership positions are more profitable, and businesses that hire more staff with disabilities subsequently experience improvements in profits, employee retention and client loyalty, while an increased racial diversity of employees in law firms in the US is shown to be positively correlated with the financial performance of businesses. McKinsey's 2018 report, 'Delivering through diversity', stresses the values of diversity and inclusion in differentiating a company's competitive advantage, which closely impacts its financial performance. Executive teams with a high degree of racial or cultural diversity are 33% more likely to outperform their peers in profitability, and corporate boards with greater diversity in race and culture are 43% more likely to be more profitable than are other boards. These findings have started to influence public policy. For example, the Commonwealth and Development Office of the UK Government has recently outlined a 2022/2030 plan for promoting disability inclusion.

DEI policy development in Hong Kong

Four Hong Kong ordinances, namely the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance and the Race Discrimination Ordinance, have been enacted to explicitly address concerns in relation to anti-discrimination and equal opportunities. The Equal Opportunities Commission (EOC) was established in 1996 as an execution agency and to review the need for further policy development. The Racial Diversity and Inclusion Charter for Employers, launched by EOC, offers a checklist of DEI policies and practices for business to facilitate the pursuit of DEI objectives. Since 2016, listed companies have been required to disclose details of their workforce, such as gender, age and employment type, under the environmental, social and governance (ESG) reporting framework. Employers who hire workers with a disability will receive an allowance to purchase assistive equipment and install workplace modifications, as well as an on-the-job training allowance for up to nine months per worker.

Despite these measures, room for improvement persists. For example, in 2021 women accounted for only 14.3% of the boards of Hang Seng Index companies, an increase of only 0.4% from 2019. In 2018, the labour force participation rate of the elderly in Hong Kong was 11.7%, lower than the average level of the Organisation for Economic Co-operation and Development (OECD) economies (14.8% in 2017), and far lower than neighbouring South Korea (31.5%), Singapore (26.8%) and Japan (23.5%). The unemployment rate for persons with disabilities has almost doubled, from 6.7% in 2013 to 11% in 2021. Even highly educated persons with disabilities face difficulties finding employment. Of the various ethnic groups, South Asians have a higher unemployment rate (5.3%) than the general population (3.7%), and are predominantly employed in entry-level positions. The language policy for non-Chinese speaking students – the Chinese Language Curriculum Second Language Learning Framework – does not provide adequate support for second-language learning. Many ethnic minorities have not been able to master the Chinese language. As the population ages, age discrimination is increasingly becoming an issue, causing strains on the existing legislative framework.

There is evidence that with proper support, employees with diverse backgrounds will deliver well in the workplace. However, supervisors and frontline staff often lack experience in working with colleagues with diverse backgrounds. Many job seekers with diverse backgrounds are also not familiar with the labour market and need assistance to adapt to the work requirements. Some DEI support and services are currently offered by non-governmental organisations (NGOs), but most are narrowly focused on providing basic training for employees with diverse backgrounds, and are insufficiently geared to the needs of the employers and other colleagues.

Recommendations

What can be done to further enhance the DEI workforce policy, with a view to improving the prospect of sustainable development and competitiveness of Hong Kong? Below we set out a few ideas to kick-start the discussion.

1. Strengthen resources support

Invest resources in support of diversity, from raising awareness of "extant research suggests that increasing workforce diversity benefits corporate performance and social resilience against crises"

DEI values to provision of training and strategic consulting (especially for human resources departments and senior corporate management). The government and public sector organisations should take a lead and encourage private sector organisations to participate.

2. Strengthen the assessment of the diversity and inclusiveness of enterprises and provide more incentives
The government can step up the evaluative framework of DEI performance to provide incentives for change. For example, do employees have enough opportunities to express their opinions? More performance indicators and DEI rating frameworks may be developed, as well as award schemes to encourage companies to enhance diversity and inclusion.

3. Extend the regulatory framework to better address DEI issues
With an evolving DEI agenda (for example, sexual orientation, aging), there is a need to continually review and extend the regulatory framework. This requires good management of the discussion process to enable effective communication between stakeholders with diverse interests and values, as well as timely decision-making. The government can use means such as organising public consultations to promote understanding among parties and initiate a process of change through small, incremental measures (such as piloting in a small segment of the population and starting with time-phased, voluntary actions before the introduction of mandatory requirements).

4. Strengthen the capacity-building role of NGOs
The NGO sector could play a more active role in raising DEI awareness in businesses and assisting them to develop practical DEI policy initiatives and measures. The current Funding and Service Agreements administered by the Social Welfare Department for the NGO sector can be expanded to include diverse employment support services to businesses, from matching supply of and demand for workers with diverse backgrounds, provision of training to both the workers and management, and consultancy services on the design and review of corporate DEI policy, to execution monitoring and performance assessment.

Linda Chelan Li, Professor of the Department of Public and International Affairs and Director of the Research Centre for Sustainable Hong Kong (CSHK) of the City University of Hong Kong; Chi Kin Kwan, Assistant Professor of the Department of Social and Behavioural Sciences and Member of CSHK; Nick Or, Assistant Professor of the Department of Public and International Affairs and Member of CSHK; Phyllis Lai Lan Mo, Professor of the Department of Accountancy and Associate Director of CSHK; Kim Kwok, Visiting Assistant Professor of the Department of Social and Behavioural Sciences and Member of CSHK; and Jeffrey Chung, Teaching Associate of the Division of Social Science at The Hong Kong University of Science and Technology and member of the Sustainable Hong Kong Research Hub

City University of Hong Kong and The Hong Kong University of Science and Technology

Research Centre for Sustainable Hong Kong

Established in June 2017 by a cross-disciplinary research team, the Research Centre for Sustainable Hong Kong (CSHK) is an Applied Strategic Development Centre of City University of Hong Kong (CityU). CSHK conducts impactful applied research with the mission of facilitating and enhancing collaboration among the academic, industrial and professional service sectors, the community and the government for sustainable development in Hong Kong and the region. Linda Chelan Li, Professor of the Department of Public and International Affairs at CityU, is Centre Director. This policy paper (Policy Paper 20), which was first published in Chinese in February 2023 and then in English in March 2023, is part of the research on a diverse workforce. For more information, please visit www.cityu.edu.hk/cshk.

香港公司治理公会
双重会员资格 - 特许秘书及公司治理师
网络说明会

日期: 2023年6月7日(星期三)

时间: 13:00 – 14:00

语言: 普通话

平台: 腾讯会议

费用: 免费

本次说明会将为大家介绍香港公司治理公会(公会)的双重会员资格,并邀请两位演讲嘉宾作为资深专业人士从自身的职业/专业发展角度分享其执业与学习经验,以及对于公会专业资格发展前景之见解。

主持及主讲

刘翠薇女士 FCG HKFCG(PE)
香港公司治理公会会籍总监

演讲嘉宾

郭洪逍先生 FCG HKFCG
金基控股
董事会办公室主任

吴武振先生 ACG HKACG
新丝路文旅有限公司
公司秘书

报名截止日期:2023年6月2日(星期五)
如需咨询,请与公会北京代表处杜女士联系:
联系电话:010-66419368-601
电子邮箱:xiuhui.du@hkcgi.org.hk

欢迎扫码参会!

An inconvenient 'partial truth'?

Stephanie Chan, Partner, Adrian PT Tang, Senior Associate, Louisa Wong, Associate, and Samantha Chan, Associate, Sidley Austin, summarise recent guidance from Hong Kong Exchanges and Clearing Ltd (HKEX) on the information disclosure requirements of the Listing Rules, highlighting a number of disclosure issues in relation to newly listed issuers and concerns over partial truth disclosures.

On 20 March 2023, HKEX published the March 2023 edition of its Enforcement Bulletin, which provides helpful guidance on HKEX's expectations as to the issuers' disclosure of information required under the Hong Kong Listing Rules. HKEX also elaborated on some disclosure issues related to newly listed issuers and its concerns over partial truth disclosures in public announcements.

The disclosure of information requirements

Under the Hong Kong Listing Rules, timely disclosure of complete and accurate information is a cornerstone requirement for issuers as investors must be given sufficient information to make informed decisions on their investments in issuers. This includes information regarding all material factors that may affect the investors' interests.

Listing Rule 2.13 in particular lays out HKEX's expectations on the presentation of information in company announcements, namely that it must be clearly presented and in plain language, and the information provided must be accurate, complete in all material respects and not misleading or deceptive.

Issuers' failure to comply with the disclosure requirements would render the disclosure mechanism ineffective and lead to potential prejudice to investors. HKEX has demonstrated repeatedly that it will not hesitate to take regulatory and disciplinary action against issuers and their directors for any failings in connection with publishing misleading announcements.

Disclosure misconduct by newly listed issuers concerning the use of IPO proceeds

HKEX has conducted several investigations in relation to disclosures made by newly listed issuers, including matters arising from the relevant prospectuses, listing application documents, and activities prior to and following the listing. In particular, HKEX has expressed concerns over the following matters:

1. significant changes in the use of initial public offering (IPO) proceeds or outflows of money that were not properly disclosed to the public, despite the fact that these material factors could be relevant to the investors' consideration

2. unusuallty high underwriting commissions or other listing

Highlights

- HKEX requires information presented in company announcements to be clearly presented and in plain language, and to be accurate, complete in all material respects and not misleading or deceptive
- regulatory and disciplinary action will be taken against issuers and directors for any failings in connection with publishing inaccurate or incomplete information, as well as information that is misleading by omission, even if the limited information disclosed was factually correct
- HKEX has expressed particular concerns about disclosure misconduct by newly listed issuers in relation to the use of IPO proceeds, as well as about partial truth disclosures in company announcements, notably in resignation announcements for directors and auditors

> **timely disclosure of complete and accurate information is a cornerstone requirement for issuers as investors must be given sufficient information to make informed decisions on their investments**

expenses and material amounts of discretionary listing expenses being paid by the listing applicant or its connected persons (also see the Securities and Futures Commission (SFC) and HKEX's joint statement on IPO-related misconduct dated 20 May 2021), and

3. questionable investments using a significant portion of the IPO proceeds and seemingly disproportionate payments for consultancy arrangements, which lack commercial rationale and appear unfavourable to issuers, and which may have been paid in full and in advance (also see the Review of Issuers' Annual Reports 2022 issued in January 2023).

In this regard, HKEX sought to remind issuers, directors and professional advisers that they must ensure that timely and adequate disclosure is made concerning the use of IPO proceeds or any material commitments and expenditures to be incurred around the time of, or shortly after, the listing, and HKEX will closely examine and monitor the use of IPO proceeds after listing to identify any failures and take enforcement action as appropriate.

Partial truth disclosures in company announcements are problematic

Another area of particular concern for HKEX is the potential that company announcements do not sufficiently and properly reflect the full and complete truth of a matter and, instead, issuers may be inclined to cherry-pick and address only the positive or neutral matters while steering away from sensitive but material matters.

HKEX notably indicated that this can happen where 'a disclosure omits, buries or downplays material facts of an unfavourable nature, or if favourable possibilities are presented as more probable than they really are'. HKEX considers such announcements to be 'passively' or indirectly misleading, since while the facts and information given may not be false, the omission of other relevant information gives a misleading picture to investors.

HKEX cited the following examples:

- 'Painting a rosy picture of the future prospects of a newly acquired business, whilst failing to disclose that the operation of the new business would be contingent upon obtaining certain governmental approvals which were known to be difficult to obtain.'
- 'Attributing a delay in the publication of audited results to the Covid-19 pandemic, when the issuer is also aware, but does not disclose, that serious audit issues have been raised by the auditors, which would likely have resulted in delayed publication irrespective of the pandemic.'

HKEX reminded issuers and directors that where an announcement is misleading by omission, it can be just as harmful as disclosures that are incorrect or untrue. HKEX has made it clear that where disclosures are misleading by omission of material information, disciplinary action against those responsible may still follow even if the limited information disclosed was factually correct.

Resignation announcements for directors and auditors

HKEX particularly noted that one of the common areas where partial truth disclosures are deployed is in the resignation announcements for directors and auditors. In particular, while common reasons are given for the departure of the relevant directors (such as to pursue other personal endeavours) or auditors (such as the inability to agree on an audit fee), there is potential for undisclosed underlying reasons of disagreement that may hint at more serious issues in play.

For directors' resignations, HKEX referred to the issuers' obligation to announce the resignation and to disclose the reasons for it pursuant to Listing Rule 13.51. This obligation includes the need to assess whether there are any matters to be brought to the attention of investors, and the directors are obliged to ensure such disclosure is accurate and meaningful. HKEX mentioned the unhelpful practice of referring to 'personal reasons' and indicated that careful attention is required to ensure that appropriate disclosures are made, particularly if the resignation comes during a time of sensitivity.

For directors' resignations, if the issuers' announcements do not adequately reflect the circumstances of their departure, then this should be raised with the issuers or HKEX. Directors are also reminded to make sure they retain proper records in this regard to demonstrate their compliance with their duties.

For auditors' resignations, HKEX noted that the issuers' audit committees are expected to ensure that the auditors' resignation letters clearly reflect the reasons for the resignations, and the issuers' announcements should draw investors' attention to any issues or matters affecting (a) the audit process, (b) the audit fee, or (c) the issuers' relationships with the auditors. HKEX referred to the open letter issued by the Accounting and Financial Reporting Council in January 2023 to public interest entity auditors and members of audit committees, and emphasised that simply citing disagreement over audit procedures or audit fees as a generic reason to hide deeper underlying issues that might be the real root cause of the resignation is problematic.

Other recent enforcement cases

In the Enforcement Bulletin, HKEX also referred to various sanctions that it had imposed against issuers and directors in 13 cases during the second half of 2022. These included the first cases where Director Unsuitability Statements were imposed against 13 directors and Prejudice to Investors' Interests Statements were also made against another 12 directors. These are among the most severe sanctions that HKEX can apply to directors and are generally reserved for the most egregious cases of misconduct.

The main areas that have attracted HKEX's investigation and recent enforcement include:

Issuers

1. disclosure of inaccurate, incomplete and/or misleading information, and

2. failure to comply with the procedural, disclosure and approval requirements applicable to transactions that constituted (a) major and/or disclosable, and (b) connected transactions.

Directors

1. breach of duties by failing to safeguard issuers' assets or interests

2. breach of duties in relation to disclosure of inaccurate, incomplete and/or misleading information

3. breach of duties by failing to avoid or properly address conflicts of interest in transactions

4. breach of duties by procuring an issuer to provide financial assistance to related parties, and failure of other directors to monitor and follow up on relevant transactions, and

5. breach of undertakings to cooperate with the Listing Division's investigation.

These areas are likely to continue to be HKEX's key enforcement priorities going forward.

Conclusion

The latest Enforcement Bulletin highlights one of HKEX's key focuses on good disclosures. HKEX's concerns on partial truth disclosures are especially important for issuers and directors to bear in mind for future announcements (particularly including resignation announcements involving directors and auditors). HKEX expressly stated that directors should not be satisfied with an announcement simply because the facts it contains are correct. HKEX has made it clear that disclosing incomplete yet factually correct details of a matter may still be considered as misleading by omission. This is a stern reminder that factual accuracy, completeness and timeliness are expected of issuers' announcements, and the failure to meet these requirements could result in enforcement and disciplinary action taken by HKEX against the issuers and directors. The recent enforcement cases demonstrate that HKEX will not shy away from disciplining issuers and directors who fail to meet the expectations, including making prejudicial statements as to a director's suitability to continue acting in such capacity.

One notable trend mentioned in the Enforcement Bulletin is the fact that HKEX achieved early settlements with issuers and directors in five of the 13 enforcement cases. Based on our experience, there is often an advantage to all parties if the disciplinary matter can be resolved by an early settlement, since this may result in a significant saving of costs, time and resources, and the avoidance of a prolonged investigation, and to enhance the chance of persuading HKEX to impose a less severe sanction. Issuers and directors should consider engaging in early settlement negotiations with HKEX to improve the prospects of a more favourable outcome.

Stephanie Chan, Partner, Adrian PT Tang, Senior Associate, Louisa Wong, Associate, and Samantha Chan, Associate
Sidley Austin

More information is available on the HKEX website: www.hkex.com.hk.

Online resources

The March 2023 edition of the HKEX Enforcement Bulletin, together with its Review of Issuers' Annual Reports 2022, is available on the HKEX website: www.hkex.com.hk.

The Securities and Futures Commission (SFC) Joint Statement on IPO-related Misconduct is available on the SFC website: www.sfc.hk.

The Accounting and Financial Reporting Council (AFRC) guidance on additional issues regarding late changes in auditor appointments is available on the AFRC website: www.afrc.org.hk.

Professional Development

Seminars: March 2023

13 March

CSP training: directors of Hong Kong private/ public companies and register of directors under new inspection regime

Speakers: Ivy Chow FCG HKFCG, Director, Peony Wong, Senior Manager, and Candy Ng ACG HKACG, Manager, PwC Hong Kong Tax – Corporate Services Ltd

22 March

Advanced AGM and shareholder meeting practices of listed companies

Chair: Jerry Tong FCG HKFCG, Institute Assessment Review Panel member and Professional Development Committee member, and Financial Controller and Company Secretary, Sing Lee Software (Group) Ltd

Speakers: Stephanie Cheung, Director, Relationship Management, and Gigi Ho, AVP, Relationship Management, Computershare; and Bryan Ko, Head of Asia, Georgeson

29 March

Fund administration – evolvement & governance

Chair: Willa Chan ACG HKACG, Institute Technical Consultation Panel (TCP) – Wealth Management Interest Group member, and Founding Principal, Willa Legal

Speaker: Derek Tsoi, Commercial Director, Fund Services, Intertrust Group Hong Kong

30 March

Update on amendments to BVI Business Companies Act

Chair: Jenny Choi FCG HKFCG(PE), Institute TCP – Wealth Management Interest Group Co-Chairman, Professional Services Panel member and AML/CFT Work Group member, and Partner, Ernst & Young Company Secretarial Services Ltd

Speakers: Anna Lin, Partner, Wynne Lau, Partner, and Yvonne Lee, Associate, Conyers

ECPD Videos on Demand

Some of the Institute's previous ECPD seminars can now be viewed on its online platform – ECPD Videos on Demand.

Details of the Institute's ECPD Videos on Demand are available in the Professional Development section of the Institute's website: www.hkcgi.org.hk.

For enquiries, please contact the Institute's Professional Development Section: (852) 2830 6011, or email: cpd@hkcgi.org.hk.

ECPD forthcoming seminars

Date	Time	Topic	ECPD points
25 May 2023	6.45pm–8.45pm	Company secretarial practical training series: connected transactions – practice and application	2
31 May 2023	6.45pm–8.15pm	CSP training series: how to serve the board better (session four: ways of acting as the board's communicator)	1.5
14 June 2023	3.00pm–4.30pm	Practical overview of HKEX's latest guidance on disclosure requirements	1.5
19 June 2023	4.00pm–5.30pm	Offeree board in a takeover: what you need to know and to plan in advance?	1.5

For details of forthcoming seminars, please visit the Professional Development section of the Institute's website: www.hkcgi.org.hk.

Membership

New Associates

The Institute would like to congratulate our new Associates listed below.

Chan Oi Ye, Tracy Robyn	Guan Muyi	Leung Kai Ning	Sin Yuet Sheung
Chan Shing Yan, Stefanie	Hau Ka Yan	Leung Wing Ping	So Mei Yee, Sandy
Chan Wai Yin	Ho Man Fung	Leung Yat Pan	To Lok Man
Chan Yan Lam	Ho Ming Wai, Teresa	Li Tin Yan	Wong Che Tou
Chan Yin Lam	Ho Sin Tung	Lin Huajuan	Wong Cheuk Yi
Chan Yuet Ying	Ho Wai Wan, Vivien	Liu Yin Na	Wong Chi Yi, Cynthia
Chau Kwan Kit	Ho Wing Kei	Lo Wai Sum	Wong Ching Wa
Cheng Faye	Hung Tsz Ki	Lung Yi	Wong Kit Ni, Nicole
Cheng Yao	Kan Chun Nai	Ma Fangfen	Wong Man Yee
Cheung Lai Kwan	Kui Ho Ki	Ma Kei Man	Wong Po Tin
Cheung Ming Yeung	Kwok Chun Hei	Mack Hon Wah	Wong Sze Man
Cheung Siu Ting	Kwok Sin Kam	Ng Ka Wing	Wong Tat
Choi Man Ka, Vanessa	Lai Yin Kwan, Debby	Ng Yee Wah	Yeung Suet Ying
Chun Cheuk Sze	Lam Yin Tung	Ngan Man Hei	Yeung Wai Chung
Chun Wai Yin	Lau Wai Wa, Daniel	Ou Yeung Shing Yi, Sandy	Yip Man Wai
Fang Lu	Law Chui Mei	Shum Ka Yi	Yu Chi Kit
Fung Ka Man, Carmen	Lee Shui Kam	Sin Pui Yiu	Zhang Cong

New graduates

The Institute would like to congratulate our new graduates listed below.

Choy Pui Man	Lau Yee Yan	Liu Jing	Wong Hoi Yin

Membership (continued)

Fee structure 2023/2024

The Institute's annual subscription and renewal fees have not been increased since the financial year 2019/2020. In addition, during the pandemic the Institute provided a 10% discount on annual subscriptions, renewal fees and ECPD seminar fees for members, graduates and students.

Whilst the Institute works hard to control costs, inflation means that costs are increasing every year. As a result, the Council has resolved to adjust the annual subscriptions, renewal fees and election fees for members, graduates and students starting from 2023/2024. Nevertheless, the fee for ECPD seminars, which was set in 2013/2014, will remain unchanged.

Subscription and related fees for members, graduates, students and Affiliated Persons for 2023/2024, which will apply from 1 July 2023 to 30 June 2024, are set out below:

Members and graduates

Items	Amount (HK$)
Annual subscription	
Fellows	2,750
Associates	2,350
Graduates (holding the status for less than 10 years, ie on or after 1 August 2013)	2,030
Graduates (holding the status for more than 10 years, ie before 1 August 2013)	2,750
Concessionary subscription	
Retired rate (note 1)	500
Reduced rate (note 1)	500
Hardship rate (note 1)	1
Senior rate	100
Election fees	
Fellows	2,100
Associates	2,100
Graduate advancement fee	2,030
Re-election fees	
Fellows	3,470
Associates	3,150
Graduates	2,630
Other fees	
Certificate replacement (member, graduate, Affiliated Person)	200 per copy
Membership or graduateship confirmation	250
Issue of physical membership or student card	200
Transcript application	200 per copy

The Mainland's Affiliated Persons Programme

Items	Amount (HK$)
Annual subscription	2,410
Registration fee (for new Affiliated Person who registered between 1 July and 31 December)	2,410
Registration fee (for new Affiliated Person who registered between 1 January and 30 June)	1,205

Students

Items	Amount (HK$)
Studentship registration	
Registration fee	1,400
Re-registration fee	1,650
Renewal fee	1,000
Late studentship registration administration charge (note 2)	700
Examinations and exemptions	
Examination fee	1,400 per module
Examination postponement fee	1,000 per module
Examination appeal fee	2,200 per module
Exemption fee	1,400 per module
Exemption reapplication administration charge (note 3)	700 per application
Exemption appeal application fee	1,400
Other fees	
Transcript application	200 per copy
Examination technique workshop	500 per workshop
CCA late registration charge (note 4)	700 per month

Notes:

1. For the above concessionary subscription rates, applications must be submitted to the Secretariat on or before Friday 30 June 2023. All applications are subject to the approval of the Membership Committee, the decision of which is final. Members and graduates can submit their applications online via their user account. Application forms can also be downloaded from the Resources section of the Institute's website: www.hkcgi.org.hk.

2. An administration charge will be applied to late studentship registrations submitted within the following specific periods for taking the corresponding examinations in November and June.

Late studentship registration period	Examination diet
1–15 August 2023	November 2023
1–15 February 2024	June 2024

Membership (continued)

3. An additional administration charge for each exemption reapplication will be applied to students who do not settle their exemption fees within the designated period following the exemption approval.

4. For students who enrol in the Institute's Collaborative Course Agreement (CCA) programmes, a monthly administration charge will be applied to late studentship registration submitted after the designated deadline.

All members, graduates and students must renew their status with the Institute by settling the respective annual subscription fee. The renewal notice and the debit note for the year 2023/2024 will be sent to all members, graduates and students by email in early July 2023. They should settle their payment no later than Saturday 30 September 2023. Failure to pay by the deadline will constitute grounds for membership, graduateship or studentship removal.

For enquiries, please contact the Institute's Secretariat: (852) 2881 6177, or email as appropriate: member@hkcgi.org.hk, or student@hkcgi.org.hk.

Forthcoming membership activities

Date	Time	Event
17 June 2023	10.00am–2.00pm	Fun & Interest Group – golf fun day 2023 (inclusive of lunch)
24 June 2023	2.00pm–4.00pm	Community Service – volunteer training for elderly service

For details of forthcoming membership activities, please visit the Events section of the Institute's website: www.hkcgi.org.hk.

Membership activities: March 2023

11 March
Mentorship training – transformation journey: understanding your inner power

11 March
Elementary first aid course

18 March
Community Service – fun day with children: mosaic candleholder workshop plus floor curling

Advocacy

CGI Global Council Meeting

The Spring 2023 CGI Global Council Meeting was held in Dublin on 20 and 21 April 2023. Representing the Institute as participants were the following:

- Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Past International President and Institute Past President, and Honorary Adviser to Council
- Gillian Meller FCG HKFCG(PE), Institute Immediate Past President
- Professor Alan Au FCG HKFCG, Chairman of the CGI Professional Standards Committee and Institute Council member
- Ellie Pang FCG HKFCG(PE), Institute Chief Executive

CGj print edition subscribers go green

As part of its commitment to preserving the environment, the Institute offers members, graduates and students the option of receiving an electronic version of *CGj*. The monthly journal has been available on the Institute's website since August 2015. The Institute is pleased to report that, as at 30 June 2022, a total of 6,383 subscribers have opted for the electronic version (e-CGj).

If members and graduates are existing print subscribers, here's how you can help: forgo receiving a hard copy of CGj and utilise the digital version instead. Sign up and switch to the electronic green version between 1 June and 16 June by updating your preference online under the Profile section of your user account on or before 16 June 2023. Otherwise, your option for the print version from the previous year will continue to apply in 2023/2024.

For enquiries, please contact the Institute's Membership Section: (852) 2881 6177, or email: member@hkcgi.org.hk.

Advocacy (continued)

Director training series at HKEX Connect Hall – promoting governance by supporting directors and governance professionals

The Institute is pleased to announce the completion of its three-part series of director training – a focus on INEDs on 17 March 2023 at the HKEX Connect Hall, with a cumulative audience of over 1,200 directors, governance professionals and other stakeholders.

The director training series, held in collaboration with HKEX, was designed to broaden awareness and understanding of directors' duties, particularly those relevant to independent non-executive directors (INEDs), and covered a wide range of governance issues, including current and upcoming regulatory expectations under the Listing Rules.

The Institute would like to thank all speakers and panellists listed below (in alphabetical order of first name), as well as HKEX for its support of the series.

Director Training – a focus on INEDs

Session One: Understanding Director/INED's Duties

- **Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE)**, Past International President and Institute Past President, and Executive Director and Company Secretary, CK Hutchison Holdings Ltd
- **Ellie Pang FCG HKFCG(PE)**, Institute Chief Executive
- **Ernest Lee FCG HKFCG(PE)**, Institute President and Technical Partner, Deloitte China
- **Gillian Meller FCG HKFCG(PE)**, Institute Immediate Past President and Legal and Governance Director, MTR Corporation Ltd
- **Katherine Ng**, Head of Listing, HKEX
- **Teresa Ko JP BBS FCG HKFCG**, Senior Partner, Hong Kong and China Chairman, Freshfields Bruckhaus Deringer, and Co-Vice Chair, IFRS Foundation

Session Two: Tackling Current Governance and Regulatory Issues

- **Christine Kan**, Managing Director, Head of Listed Issuer Regulation, Listing Division, HKEX
- **David Gordon Eldon GBS CBE JP**, Deputy Chairman, The Hongkong and Shanghai Banking Corporation Ltd
- **David Simmonds FCG HKFCG**, Institute Vice-President and Chairman of the Membership Committee, and Chief Strategy, Sustainability & Governance Officer, CLP Holdings Ltd

- **Frank Yuen FCG HKFCG**, Group General Counsel and Head of Compliance, CK Hutchison Holdings Ltd

- **Joe Fan**, Vice-President, Listed Issuer Regulation, Listing Division, HKEX

- **John MM Williamson**, Non-Executive Director, London Metal Exchange, Independent Non-Executive Director, Pacific Basin Shipping Ltd, and Chairman, UK Tote Group

- **Melissa Fung**, Risk Advisory Southern Region Lead Partner, Deloitte China

Session Three: Enforcement – Current Issues and Disciplinary Processes

- **Candy Au**, Assistant Vice President, Enforcement, Listing Division, HKEX

- **Ernest Lee FCG HKFCG(PE)**, Institute President, and Technical Partner, Deloitte China

- **Jon Witts**, Senior Vice President, Head of Enforcement, Listing Division, HKEX

- **Julia Charlton**, Principal Partner, Charltons

- **Kelvin Wong SBS JP**, Chairman, Accounting and Financial Reporting Council

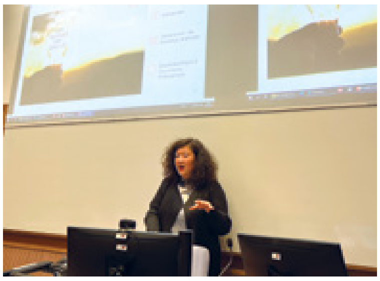
- **Mohan Datwani FCG HKFCG(PE)**, Institute Deputy Chief Executive

To help directors and other key stakeholders to better fulfil their duties, as well as manage and mitigate risks as part of purposeful and sustainable business, the Institute will continue to offer high-quality training.

Visit www.hkcgi.org.hk for more details about upcoming training sessions and membership of the Institute, or call us on (852) 2881 6177.

Advocacy (continued)

Guest lecture at City University of Hong Kong



On 27 March 2023, Patricia Hui FCG HKFCG conducted an interactive guest lecture on boardroom dynamics for 40 postgraduates in the Master of Science in Professional Accounting and Corporate Governance (CG Stream) from City University of Hong Kong.

Professional seminar at The Hong Kong Polytechnic University

On 31 March 2023, Matthew Young FCG HKFCG(PE), Institute Education Committee Vice-Chairman, conducted a professional seminar on the roles of company secretaries and governance professionals in Hong Kong for 190 accounting undergraduates from The Hong Kong Polytechnic University. Information was also shared about the Institute's dual qualification of Chartered Secretary and Chartered Governance Professional.

Joint Institute and CPA Australia seminar

The Institute and CPA Australia jointly held a seminar on 21 April 2023 in Beijing, under the theme of Corporate Governance, Risk Control and Compliance (GRC) Countermeasures under the New Changes. The seminar attracted over 40 participants, mainly comprising members, Affiliated Persons and students from the Institute and CPA Australia.

Kenneth Jiang FCG HKFCG(PE), Chief Representative of the Institute's Beijing Representative Office, delivered the welcome speech on behalf of the Institute and chaired the panel discussion. Four senior professionals shared their insights on the following topics:

- atypical recovery – global macro and large-asset allocation outlook for 2023
- the Mainland's progress on carbon peaking and carbon neutrality, and the sustainable development of enterprises
- Goldwind's ESG practices and the professionals' role in governance cognition and pathways of companies listed in Hong Kong under the new ESG changes, and
- ESG challenges and opportunities for Mainland companies.

Register now for the 24th Annual Corporate and Regulatory Update!

The Institute's 24th Annual Corporate and Regulatory Update (ACRU 2023) will be held in hybrid mode on 9 June 2023 at the Hong Kong Convention and Exhibition Centre.

ACRU provides a unique forum for governance professionals, directors, senior management and other stakeholders to gain insights from regulators. Aiming to deliver on practical governance and through a year-in-review of key regulatory themes and concerns, ACRU 2023 will provide regulator perspectives on emerging trends in the governance field. Representatives from the Accounting and Financial Reporting Council, Companies Registry, Financial Services and the Treasury Bureau, Hong Kong Exchanges and Clearing Ltd (HKEX), Inland Revenue Department and Securities and Futures Commission will be joining this year's conference.

For details and registration, please visit the ACRU 2023 website: www.acru.hkics.org.hk.

Meeting with Shenzhen Qianhai Financial Association representatives

On 15 March 2023, two representatives from the Shenzhen Qianhai Financial Association (the Association), namely Hawk Zen, Chief Risk Officer, and Shirley Yan, Assistant to the Secretary General and Director of Membership Services Department, along with Kaiser Wan, Chairman of the Hong Kong Institute of Certified Public Accountants' Young Members Committee, visited the Institute's Hong Kong office, with the purpose of building up a communication platform for the promotion of financial cooperation between Shenzhen and Hong Kong. The meeting was attended by Institute President Ernest Lee FCG HKFCG(PE), Institute Chief Executive Ellie Pang FCG HKFCG(PE), Institute Registrar Louisa Lau FCG HKFCG(PE), Institute Head of Membership Melani Au ACG HKACG and Institute Education Committee Vice-Chairman Matthew Young FCG HKFCG(PE).

Institute attendees warmly welcomed all three guests to the meeting and expressed a keen interest in forging cooperative ties between the Association and the Institute.

The Institute also shared information about membership of the Institute and the dual designation of Chartered Secretary and Chartered Governance Professional, which is highly regarded by governmental departments, regulators and professional bodies in Hong Kong and the Mainland.

Notice

Featured job openings

Company name	Position
Hong Kong Corporate Services Group Ltd	Senior Company Secretarial Officer/Assistant Company Secretarial Manager
Hongkong Land Group Ltd	Senior Company Secretarial Officer
The Hong Kong Chartered Governance Institute	Senior Officer/Officer, Marketing and Communications (Ref: MKT 2023-04)
TOM Group International Ltd	Company Secretarial Assistant/Assistant Officer

For details of job openings, please visit the Jobs in Governance section of the Institute's website: www.hkcgi.org.hk.

Chartered Governance Qualifying Programme (CGQP)

June 2023 examination diet timetable

The June 2023 examination diet of the CGQP will be held between 5 and 15 June 2023.

Week one

Time	5 June Monday	6 June Tuesday	7 June Wednesday	8 June Thursday
9.15am–12.30pm*	Hong Kong Taxation	Hong Kong Company Law	Interpreting Financial and Accounting Information	Corporate Secretaryship and Compliance

Week two

Time	12 June Monday	13 June Tuesday	14 June Wednesday	15 June Thursday
9.15am–12.30pm*	Corporate Governance	Risk Management	Strategic Management	Boardroom Dynamics

* Including 15 minutes reading time (9.15am–9.30am).

Key dates

Key dates	Description
2 May	Pre-released case studies for the Part 2 modules: Risk Management, Strategic Management and Boardroom Dynamics
18 May	Release of examination admission slips
6 July	Closing date for examination postponement applications
Mid-August	Release of examination results
Mid-August	Release of examination papers, mark schemes and examiners' reports
Late August	Closing date for examination results review applications

Note: The Institute reserves the right to change the dates and details without prior notice.

For details, please visit the Examinations page under the Chartered Governance Qualifying Programme subpage of the Studentship section of the Institute's website: www.hkcgi.org.hk.

For enquiries, please contact the Education and Examinations Section: (852) 2830 6010, or email: exam@hkcgi.org.hk.

Learning support

The Institute provides a variety of learning support services for students to assist them with preparing for the CGQP examinations.

Video-recorded Student Gatherings

Video-recorded Student Gatherings are available in the Students Gathering page under the Learning Support subpage of the Studentship section of the Institute's website: www.hkcgi.org.hk.

Student Gathering (1st session): getting started with the CGQP examinations – from planning to success
Student Gathering (2nd session): sharing from outstanding students in the CGQP examinations
Student Gathering (3rd session): preparing for and passing professional examinations – with flying colours!

Examination technique online workshops and student seminars

Video-recorded examination technique online workshops and student seminars are available for subscription to assist with preparing for the CGQP examinations.

For details, please visit the Online Learning Video Subscription page under the Learning Support subpage of the Studentship section of the Institute's website: www.hkcgi.org.hk.

For enquiries, please contact the Education and Examinations Section: (852) 2830 6010, or email: exam@hkcgi.org.hk.

Studentship activities: March 2023

29 March

Student Ambassadors Programme 2022/2023: a visit to Hong Kong Exchanges and Clearing Ltd

Forthcoming studentship activities

Date	Time	Event
1 June 2023	6.00pm–7.30pm	Academic cocktail reception

HKEX proposes new climate disclosure requirements

On 14 April, Hong Kong Exchanges and Clearing Ltd (HKEX), published a consultation paper seeking market feedback on proposals to enhance climate-related disclosures under Hong Kong's ESG framework.

HKEX proposes to mandate all listed companies to make climate-related disclosures in their ESG reports (upgrading from the current comply or explain requirement). The consultation proposes to introduce new climate-related disclosures aligned with the International Sustainability Standards Board (ISSB) Climate Standards. The ISSB Climate Standards build on the principles of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and set out detailed climate disclosures.

Key proposals

Governance

- Disclose the issuer's governance process, controls and procedures used to monitor and manage climate-related risks and opportunities.

Strategy

- Climate-related risks and opportunities. Disclose material climate-related risks and, where applicable, opportunities faced by the issuer and their impact on the issuer's business operations, business model and strategy.

- Transition plans. Disclose issuer's response to climate-related risks and opportunities identified, including any changes to its business model and strategy, adaptation and mitigation efforts, and climate-related targets set for such plans.

- Climate resilience. Disclose resilience of the issuer's strategy (including its business model) and operations to climate-related changes, developments or uncertainties, which shall be assessed using a method of climate-related scenario analysis that is commensurate with the issuer's circumstances.

- Financial effects of climate-related risks and opportunities. Disclose current (quantitative where material) and anticipated (qualitative) financial effects of climate-related risks, and where applicable, opportunities on the issuer's financial position, financial performance and cash flows.

Risk management

- Disclose the issuer's process to identify, assess and manage climate-related risks and, where applicable, opportunities.

Metrics and targets

- Greenhouse gas emissions. Disclose Scope 1, Scope 2 and Scope 3 emissions.

- Cross-industry metrics. Disclose the amount and percentage of assets or business activities (i) vulnerable to transition/physical risks, or (ii) aligned with climate-related opportunities, and the amount of capital expenditure deployed towards climate-related risks and opportunities.

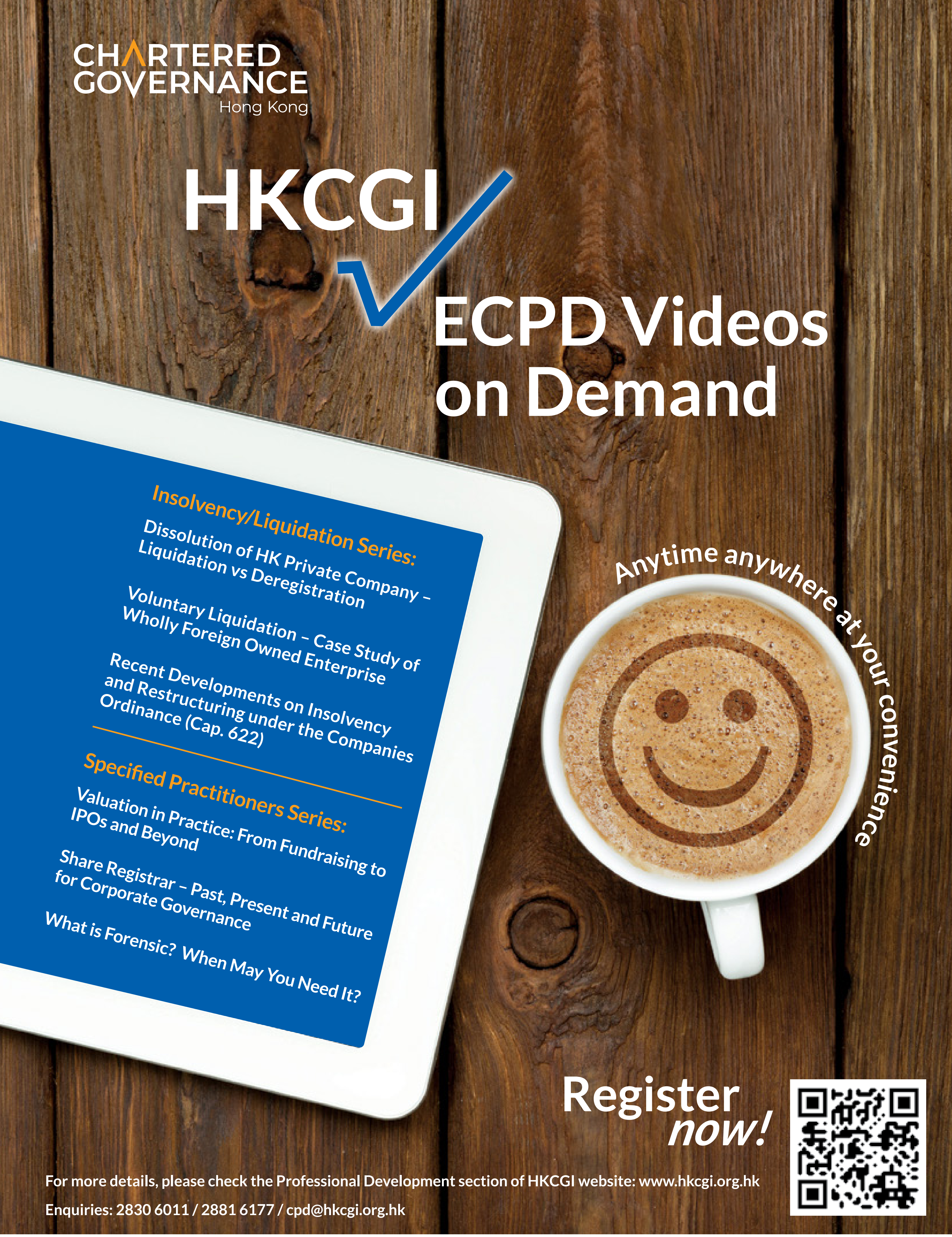
- Internal carbon price. For issuers who maintain an internal carbon price, disclose the internal carbon price and such that was applied in the issuer's decision-making.

- Remuneration. Disclose how climate-related considerations are factored into executive remuneration policy.

Proposed effective date

Subject to responses to its consultation, the new requirements will come into effect on 1 January 2024 and will apply to ESG reports in respect of financial years commencing on or after the effective date. HKEX proposes interim provisions for disclosure requirements that may require more time and work to ensure compliance. Issuers will need to be in full compliance in respect of financial years commencing on or after 1 January 2026 (that is, the first ESG reports fully compliant with the new Listing Rules will be produced in 2027).

The deadline for submissions to the consultation is 14 July 2023. HKEX will issue implementation guidance together with the consultation conclusions. More information is available on the HKEX website: www.hkex.com.hk.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