



November 2023

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

Boardroom dynamics

Insights from behavioural governance

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Good governance comes with membership

About The Hong Kong Chartered Governance Institute

The Hong Kong Chartered Governance Institute (HKCGI, the Institute) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies, as well as the development of the profession of the Chartered Secretary and Chartered Governance Professional in Hong Kong and the mainland of China (the Mainland).

The Institute was first established in 1949 as an association of Hong Kong members of The Chartered Governance Institute (CGI). In 1994 the Institute became CGI's Hong Kong Division and, since 2005, has been CGI's Hong Kong/China Division.

The Institute is a founder member of Corporate Secretaries International Association Ltd (CSIA), which was established in March 2010 in Geneva, Switzerland. Relocated to Hong Kong in 2017, where it operates as a company limited by guarantee, CSIA aims to give a global voice to corporate secretaries and governance professionals.

HKCGI has over 6,800 members, more than 300 graduates and around 3,000 students.

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This month we launch this new column in our journal giving voice to younger members of the profession. First up is Matthew Young FCG HKFCG(PE), Head of the Corporate Secretarial Department, Hong Kong Jockey Club.

本月我们推出了新专栏，令我们的年轻成员有机会发声。首先登场的是赛马会公司秘书处总监杨位恒先生 FCG HKFCG(PE) 36

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Our cover story this month addresses a key governance challenge for members of our profession – how to optimise the effectiveness of the board of directors. Readers of this journal will be very familiar with the answers generally given to this question by traditional governance frameworks – they tend to focus on board structures and processes. While these are supremely relevant, the traditional approach often leaves unsaid the fact that directors are human beings. As such, they bring to the board their own personalities and any governance framework that tries to ignore this fact will only ever be, at best, partially effective.

On the flipside, a framework fully cognisant of the human factors relevant to good board decision-making is much more likely to succeed in creating the conditions for constructive challenge and healthy debate. This is where the theory and practice of boardroom dynamics comes into play and our cover story this month highlights the main advantages of incorporating insights from this area of governance into our board support work. It offers a wealth of suggestions to consider, some of which should already be in place. Director nomination and induction, together with board evaluation and

Lessons from psychology

succession, processes should certainly already be considering boardroom dynamics, culture and behavioural issues. Other suggestions range from relatively simple changes – for example circulating a draft meeting agenda for directors themselves to shape what will be discussed – to more ambitious reforms such as creating a board-specific code of conduct setting out the ethical and behavioural expectations for directors.

Perhaps most useful, however, are the suggestions relating to the hardest behavioural challenge – managing interpersonal conflicts. It is important to emphasise here that boardroom dynamics is not about keeping harmony at all costs – a robust debate will usually involve conflicting views. Nevertheless, establishing trust and mutual respect between board members is essential to avoid such debates escalating into unhealthy interpersonal conflict. Once again, our cover story offers practical suggestions to consider. For example, the board chair, supported by the governance professional, may opt to hold face-to-face conversations with the conflicted parties ahead of board meetings in an informal setting.

Nevertheless, the first obstacle to addressing such issues tends to be the reluctance of all parties to acknowledge that the conflict is a potential problem. This reluctance is part of that same mindset that

delayed for so long the recognition and acceptance of psychology as a legitimate part of governance theory and practice. Our In Profile interview this month addresses this mindset directly. In the interview, Dr Robert Wright, Associate Professor, Department of Management and Marketing, The Hong Kong Polytechnic University, talks about his most recent research report that provides insights from psychology on how executives approach complex challenges.

Hopefully, this month's journal will go some way towards restoring psychology to its rightful place in governance, but before I go, I would like to also mention a new column we are launching this month – NextGen Governance. This column will feature interviews with students and younger members of the profession about their views on governance and why they chose to pursue a career in our profession. I highly recommend this new column to CGj readers. The perspectives of our students and younger members on the meaning of governance as a practice and career choice will help shape the future direction of the profession in the years ahead.

Ernest Lee FCG HKFCG(PE)

心理学启示

本期的封面故事(Cover Story)探讨了治理从业者所面临的一项重要治理挑战--如何优化董事会的效率。本刊的读者一定非常熟悉传统治理框架对这一问题的一般回答--它们往往侧重于董事会的架构和程序。虽然这些都极为重要，但传统方法往往忽略了董事也是人这一事实。因为他们会将自己的个性带入董事会，任何试图忽视这一事实的治理框架充其量只能起到部分作用。

反之，一个充分考虑到与董事会良好决策相关的人为因素的框架，才更有可能成功地为董事会建设性的迎接挑战和开展健康的辩论创造条件。这正是董事会动态治理理论和实践发挥作用的地方，本月的封面故事强调了在董事会的支持工作中运用这一治理见解的主要优势。它提供了大量可供参考的建议--其中一些应该已经到位。董事提名和任职，以及董事会评估和继任这些过程肯定已经考虑到了董事会动态治理、文化和行为问题。其他建议包括相对简单的变化--例如分发会议议程草案，让董事们自己决定将讨论的内容，也包括雄心勃勃的改革，例如制定专门针对董事会的行为准则，列出对董事的道德和行为的期望。

不过，最有用的建议可能与最难应对的行为挑战有关，即，管理人际冲突。在此需要强调的是，董事会动态治理并不是要不惜一切代价保持和谐--一场激烈的辩论通常会涉及相互冲突的观点。然而，在董事会成员之间建立信任和相互尊重对于避免此类辩论升级为不健康的人际冲突至关重要。我们的封面故事再次提供了可供参考的实用建议。例如，董事会主席可以在治理专业人士的支持下，选择在董事会会议之前，在非正式场合与冲突各方进行面对面的交谈。

然而，解决此类问题的第一个障碍往往是各方都不愿意承认人际冲突是一个潜在的问题。长期以来心理学作为治理理论和实践的一个合法组成部分，却迟迟得不到认可和接受，这种不情愿的心态也是原因之一。本月的"人物专访(In Profile)"直接探讨了这种心态。在访谈中，香港理工大学管理与市场营销系副教授罗伯特-赖特(Dr Robert Wright)谈到了他最近的一份研究报告，该报告从心理学的角度深入探讨了高管如何应对复杂的挑战。

希望本期会刊能对于恢复心理学在治理领域的应有地位发挥一定作用。最

后，我还想提一下本月推出的一个新专栏--新一代治理。该专栏将采访本行业的学员和年轻会员，了解他们对治理的看法以及为何选择从事本行业。我向本刊读者强烈推荐这个新栏目。学员和年轻会员们对于将治理作为一种实践和职业选择的意义的理解与观点，将对于未来几年治理专业的发展方向产生影响。



李俊豪先生 FCG HKFCG(PE)

Boardroom dynamics

Patricia Hui FCG HKFCG(PE), lawyer and governance professional, highlights the way better board dynamics leads to a more effective board and better governance.



There are two essential aspects to boardroom dynamics. The first aspect focuses on the dynamics of boardroom interactions that we might observe in a board meeting. It relates to how boards behave and

interact rather than the tasks they perform, and how they discuss issues and make decisions rather than the issues themselves.

The second aspect relates to how these dynamics shape, and are shaped by, culture and behaviour outside the boardroom. This broader aspect includes the topics of culture and systemic stakeholder engagement, but this article will focus on the first aspect described above.

The importance of boardroom dynamics

Since the Cadbury Commission produced the first UK corporate governance code in 1992, corporate codes around the world have outlined – with increasing sophistication – what boards are supposed to do, what outcomes they should focus on and what structures they should use to achieve this.

However, an emerging view is that while this focus is important and necessary, more is needed for boards

to achieve their responsibilities in practice. In addition to what tasks boards must do and what outcomes they must achieve, we also need to consider how they function, the group processes that underpin them and the behaviours that board members may display individually and as a team.

There are a few reasons why boardroom dynamics has gained recognition in recent years. There have been (and unfortunately continue to be) multiple governance failures even though board compliance boxes are ticked on paper. Enron and Volkswagen are classic cases of externally lauded but internally flawed boardrooms, which highlight that while code compliance is necessary it is not sufficient on its own. The ultimate impact of these high-profile failures is that people start to question, not whether the more structural elements of compliance are correct, but rather whether they are enough. Also, if they are not sufficient, what other factors might play a key role in appropriate governance?

Highlights

- board governance frameworks need to consider how the board functions, the group processes that underpin them and the behaviours that board members may display individually and as a team
- one of the most important goals is to establish a 'culture of inquiry', where a board fully enlists different ideas and viewpoints, unique vantage points and areas of expertise, and informed questions to cultivate strong collective wisdom
- boards can develop an environment of psychological safety by being curious about what other board members think and why they hold a particular perspective



A second driver of boardroom dynamics recognition is how behavioural aspects have been increasingly included in the latest versions of governance codes. Taking the UK's corporate governance code as an example, in 2010 the code only included a requirement to evaluate the 'balance of skills, experience, independence and knowledge on the board'. In the 2018 version, not only is diversity an additional consideration, but 'how effectively members work together to achieve objectives' is also included (in Principle L). Similarly, Principle J, which relates to board composition, mentions the need to account for 'cognitive and personal strengths' when considering appointments and succession.

Similarly, the updated version of the Guidance on Board Effectiveness (the Guidance), published by the UK's Financial Reporting Council in 2018, provides more rigorous and practical advice on culture (37 mentions), behaviours (26 mentions) and even dynamics (2 mentions). The Guidance also points out that the role of the nomination committee is to select directors with a diversity of personal attributes, and that the committee 'will want to ensure the board is comprised of individuals who display a range of softer skills, such as... sources of intellect, critical assessment and judgement, courage, openness, honesty, tact, ability to listen, ability to forge relationships, ability to develop trust [and] strength of character'. This is one example of how codes ensure that boards are now more cognisant of the behavioural elements of their practice.

Various human factors are gaining wider recognition in the workplace, including talent management, company culture, stakeholder voice, employee engagement, resilience and well-being, and they are bubbling to the board. There has also been a recent shift in our understanding of how best to lead in the modern workplace from traditional authority-based, command-and-control hierarchical methods to more authentic, democratic, relational and systems-based leadership. Leadership is less about a particular person and more about leadership behaviours that can be exhibited by, and be the responsibility of, everyone in the team.

There has also recently been an increased focus on corporate ethics and reputation. Again, there is a growing appreciation that ethics does not come from simply ticking boxes – it is inherently psychological. The emerging interest in human factors, the shifts in approaches to leadership and the refocus on ethics more generally are laying the groundwork for a 'psychological perspective' to become one of the ways to approach governance.

Towards a broader concept of corporate governance

All of these developments have led us to a point where we can turn to look at a broader model of corporate governance. The '11Cs Governance Model' created by Jeremy Cross, a Chartered Psychologist and consultant specialising in boardroom dynamics, considers both the structural and behavioural factors, as well as the individual and board group level

factors, involved in building an effective governance framework.

The 11Cs are organised into four categories, the fourth of which relates to boardroom dynamics. This category includes cohesion, challenge and culture. Cohesion is a dynamic process reflected in a team's tendency to stick together and remain united in pursuing its goals and objectives despite difficulties and setbacks. Cohesion has several benefits – enhanced decision-making, team motivation and commitment – and is often viewed as a key asset in boards. However cohesion is a double-edged sword. Too high a level of cohesiveness may lead to groupthink, which occurs when the desire for group consensus overrides people's common sense desire to present alternatives, critique a position or express an unpopular opinion. Groupthink reduces independent and critical thinking. It is therefore important that there is a balance of cohesion and challenge within the board.

The third C in the boardroom dynamics category is culture. In recent years, culture has become increasingly recognised as a key aspect of good governance. Studies have shown that a healthy corporate culture increases productivity, improves branding and reputation and generates strong loyalty amongst customers, all of which directly contribute to the overall strength and profitability of the corporation, and thus positive long-term shareholder value.

Board culture can influence, and be influenced by, the wider stakeholder

environment, but at its core it is created by the unconscious and invisible values held by individual directors and the board that are manifested in boardroom behaviours. In essence, how your board members communicate and work with each other as a team to make decisions all define your board's culture.

While there are many elements of a strong and healthy board culture, one of the most important goals is to establish a 'culture of inquiry', where a board fully enlists different ideas and viewpoints, unique vantage points and areas of expertise, and informed questions to cultivate strong collective wisdom. By doing so, boards engage and energise their members, establish trust and candour between board members, use meeting time efficiently, own and support their decisions, and ultimately come to a more thoughtful resolution of issues or disagreements.

Practical ways of improving boardroom dynamics

1. Awareness of group dynamics

'Listen to the silence, it has a lot to say.' This quote, from the 13th-century Persian poet Rumi, highlights the importance of mindful listening and observation in governance. Addressing group dynamics on the board requires:

- deliberate cultivation of an all-encompassing awareness of biases and assumptions, including our own
- embracing acceptance of diverse views

- fostering attention to not only the spoken words but also unspoken cues and subtleties, and
- discerning incongruities as these often give clues to the unsaid.

2. Talent management

A board should ensure that its members represent an appropriate balance between experience and knowledge of the organisation, and specialist expertise or a fresh perspective. Directors should also be considered on their emotional quotient, behavioural competencies and resilience, as these additional qualities will influence the relationships around the boardroom table and their contribution to discussions and decision-making.

A board should ensure it has a governance structure allowing it to incorporate behavioural aspects into the nomination process. A comprehensive induction process is required to ensure new directors can contribute quickly and appropriately. This process should not only be focused on learning facts about the organisation, but it should also induct the director into the boardroom culture, set ethical expectations for director behaviours, and provide opportunities for new directors to get to know both their fellow board members and members of the management team.

Reboarding is a process of re-energising and refreshing the board without changing any of the existing players. Reboarding is useful for directors who have been on a board for a very long time, or for an

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All board members should have a seat at the table and a genuine voice. Inclusion, independence and psychological safety are essential elements of this culture.
”

organisation that has changed its business or operational paradigm significantly during the tenure of the existing board. It can help a tenured board better understand how the business operates in its new domain and the new risks (such as cyber risk) the company faces.

Whether onboarding a new director or reboarding tenured ones, it is important to look at the particular passions, expertise and backgrounds of board members. The programme should be individually tailored to ensure each member has access to the right information and makes the right connections with appropriate members of management.

Robust succession planning is an important way to maintain healthy dynamics and to ensure things stay on track when tenure changes. Boards should look to develop leadership talent from within by monitoring the performance of members of committees, and succession should be a clearly understood, well-defined and open process.

3. Board team processes

Board directors are appointed because of the experience and insights they can offer, which they have generally developed in positions of authority in their own businesses or other major organisations. If directors don't understand why others have reached different conclusions, then healthy tension can pivot toward unhealthy conflict.

It is therefore essential that a board can facilitate processes that generate a team mind so that the directors can trust each other to share information, but also enable them to express high levels of cognitive conflict to enable appropriate challenge. Having a policy framework that sets out an agreed-upon and clear decision-making protocol would be helpful. The policy framework helps the board to shape both the board and organisational behaviours.

For example, a board-specific code of conduct setting out the board's ethical expectations for director behaviour and some unwritten rules of board meetings can encourage better decision-making at board meetings, and better relationships between board members, the board and management, thus improving the board's performance as a whole.

4. Effective board meetings

Good internal processes and procedures ensure that adequate information is communicated promptly and clearly to the board, resulting in informed decision-making. Enhancements to board meeting processes, agendas, board papers and the committee structure can make

the difference between mediocre and high-performing boards. For example, directors should be encouraged to have input on the agenda – in particular whether they think that the right issues are on the meeting agenda and in the correct order – before the agenda is finalised. Important issues should be put first on the agenda and sufficient time should be allowed for healthy debate and discussion on the important agenda items. Start on time and end on time to show respect for the directors' time and contributions.

5. Diversity and inclusion

Groups with greater diversity of thought have more significant cognitive potential to generate alternative solutions, to communicate unique insights between group members and, importantly, to reduce the risk of unchallenged decision-making. To realise this potential, the board must also have a culture that supports individuals prepared to share their thoughts and carefully consider what others say. All board members should have a seat at the table and a genuine voice. Inclusion, independence and psychological safety are essential elements of this culture.

Psychological safety is the shared belief that a group is safe from interpersonal risk-taking. It is about being able to be and show oneself without fear of experiencing negative consequences to self-image, status or career. Psychologically safe group members feel both accepted and respected. Boards can develop an environment of psychological safety by being curious about what other board members think and why

they hold a particular perspective.

This practice encourages empathy and supports an inclusive culture. It reduces the risk that specific board members may dominate the boardroom discussion and in that way block the opportunity to benefit from the full range of views present.

When boards achieve a high degree of psychological safety, they have fertile ground for independence of mind, expression and openness to constructive challenge, all hallmarks of the best board decision-making processes.

6. Board evaluation

Boards should know their strengths and weaknesses to govern efficiently and effectively. A board evaluation is when an evaluator from the outside examines the board, its effectiveness, the quality of its decision-making and strategy, and its relationship with executive management. It involves looking at the performance of each director and the various committees, at how risks are managed, and at the internal controls and financial reporting processes. An effective board evaluation process can provide a forum for directors to review and reinforce appropriate boardroom behaviours and ensure that any issues are identified and addressed. To be most effective, a board evaluation should be objective, and the board should embrace its findings and recommendations.

7. Managing conflicts

Challenge and debate are key to a board's effective management oversight, stimulating new ideas and leading to robust decision-making.

When appropriately managed, tension and conflict are integral to boardroom dynamics. Healthy tension can present as discomfort when discussing difficult topics, during open information exchanges and when directors are engaged in robust debate. Conflict arises when that tension becomes aggressive and escalates to unresolvable levels.

Identifying red flags that signify a conflict may be brewing in the boardroom is important. There are strategies that the chair or the governance professional can consider to manage tension and

minimise the likelihood of tensions escalating into conflicts, including explicitly acknowledging and addressing concerns during the board meetings, holding face-to-face conversations between the chair and the conflicted parties ahead of board meetings in informal settings outside the boardroom, and reminding board members of the higher purpose of what they are working toward (the mission, vision and values statement).

Conclusion

Boards can have the structures, the boxes ticked, and the protocols and

policies on paper. Still, if they are not led properly, if they don't behave as a high-performing team, and if they don't have proper oversight over the management, they won't be as effective as they could otherwise be. Therefore better board dynamics leads to a more effective board and better governance.

Patricia Hui FCG HKFCG(PE)

Lawyer and governance professional

Earlier this year, Ms Hui presented a series of seminars – How to Serve the Board Better – as part of the Institute's CSP Training Series.

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Into the psychology of the unknown

CGj interviews Dr Robert Wright, Associate Professor, Department of Management and Marketing, The Hong Kong Polytechnic University, author of a recent report that provides insights from psychology on how to approach complex challenges.



Thanks for giving us this interview. Your latest research report – CEO Report – interviews senior executives about their problem-solving strategies. Can we start with why you chose as the subtitle of the report: ‘the psychology of the unknown’?

‘The human condition is that we are very comfortable with things that are familiar. I taught MBA students – typically middle managers with on average 15 years of work experience – for quite a few years. I asked them what type of problem they like to solve and almost unanimously they replied “the problems that we can solve”.

That is a big giveaway – they were reluctant to engage with problems that they felt were beyond their ability to solve. “We prefer to solve problems that we’re good at,” they would say. Many of the challenges we face in our lives, however, require us to step out into the unknown and when faced with such challenges we need to be prepared to step out of our comfort zone.

The CEO Report is based on interviews with 50 senior executives from a wide range of sectors. We asked them to describe situations where they found themselves stuck when trying to solve a problem and what they did, or failed to do, in order to progress. The problems they described were various, but our focus was on what they did, or failed to do, when they found themselves stuck. Based on their responses, the report highlights seven habits of mind that can help when trying to solve complex challenges.’

Before we get into that, could you explain the Repertory Grid Technique (RGT) you used in your interviews for the report?

‘To cut a long story short, George Kelly, a clinical psychologist, developed this interview technique in the late 1920s/early 1930s. He recognised that we think in contrasts. We compare and contrast things that are similar or different – that is how we make sense of the world. So he came up with an ingenious way of eliciting how people think about an issue by asking them to consider three elements of the topic under discussion and to identify ways in which two of the elements might be seen as alike and distinct from the third.

So in our case we would ask our interviewees for three situations where they got stuck when trying to solve a

problem. We then posed the question – in what way are any two of these similar, but different from the third?’

Do you think psychology has useful insights for directors and senior managers? I ask because there is often a resistance among board members and senior executives to get involved in discussions about psychology.

‘Executives often say they don’t have time for psychology, particularly now as businesses are still trying to catch up on lost time, lost profits and lost customers after the pandemic. But maybe we need to frame it differently. For example, I don’t know if you’ve heard of the “invisible gorilla test”. The subjects of this experiment were asked to watch a video of people passing basketballs and to count the number of passes made. Meanwhile, someone in a gorilla suit walks in and out of the scene. About half of the subjects were so focused on the task of counting the passes that they failed to see the gorilla. The term for this is “inattentional blindness” and it has important implications for executives.’

Could we turn to the seven habits of mind you mentioned earlier that your report highlights for building good problem-solving skills?

‘I use the acronym “focused” for these seven habits of mind.

The first letter F is for fresh perspective. This is about seeing things differently. When good problem solvers find themselves stuck, they may need to reframe the problem. I think there needs to be more emphasis in executive development on the power of reframing. We often feel that

Highlights

- many of the challenges we face in our lives require us to step out of our comfort zone
- finding creative solutions to problems not encountered before often requires us to let go of past approaches and assumptions
- when good problem solvers find themselves stuck, they may need to reframe the problem – problem setting is just as (if not more) important as problem solving

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 our lives... require us to step out
 into the unknown**
 ”

once things have been defined they are cast in stone, but things change and we need to adapt and keep on reinventing ourselves. If we stick to the old definition of what it takes to succeed, we will never succeed in the “tomorrowland”.

The second letter O is for taking full ownership of the problem. This is about taking the approach that this is my problem so what am I going to do about it?

The third letter is C for connected thinking. When confronted with the unknown, great problem solvers begin by starting to connect the dots. This often means connecting ideas from in and outside the domain you are in. Sometimes the best ideas come from outside so it pays to look for ideas from other sectors and other walks of life.

The fourth letter is U for urgency with end in mind. We found many of the interviewees were able to progress because they had a timeline and an agenda to push for a solution. That way they were more focused on getting out of the unknown. Another thing they did under the umbrella of having a sense of urgency was that they were able to let go of past approaches and assumptions when they were obviously not helping. I think that is a powerful revelation on how to progress, and not just for executives but for all of us. As Lao Tzu said: “To seek knowledge, collect something every day. To seek the Way, let go of something every day.”

The fifth letter is S for leveraging off teamwork – team spirit. Good problem solving is about teaming up to benefit from collective intelligence. When great problem solvers get stuck, they ask themselves – who’s got the most expertise here? If you have deference for expertise, not just within teams but between teams, you enter a different ballgame and that allows you to progress.

The sixth letter is E for really getting “in the zone” – being engaged with the problem. Having a close engagement with the problem means testing hypotheses. Good problem solvers are like scientists, they are always experimenting with new ideas. This helps them to find where the pain points are – where the first domino is going to fall.

The final letter is D is really about “reflective/reflexive practice” – or exercising deliberate practice. This means taking a step back and asking what we are doing now and what we should not be doing. Are we even measuring the right things? What are the critical factors for success? What does success look like?’

It sounds like problem solving is a more creative process than we perhaps imagine – do you think this has implications for how far artificial intelligence (AI) can be used to solve problems?

‘AI is the future and we don’t know today just how much more it can do. I’m sure it can do much more than it’s currently doing, but we must not lose sight of the fact that we as humans have to remain independent. How can I frame this? If we let a calculator help us all the time, we will soon have to depend on the calculator for something as simple as five plus five. What a travesty that would be if we allowed that to happen. So yes of course we should embrace AI, but at the same time we must go back to fundamentals and ensure that we as humans don’t lose sight of who we are and our capacity to flourish. I think that is a bigger calling.’

You mentioned the importance of looking for creative solutions that might come from outside the domain you are in – do you think that is another incentive for organisations to broaden the diversity of their workforce? A thought leadership paper published by The Chartered Governance Institute in 2021, for example, highlighted the benefits of bringing ‘diversity of thought’ to boardrooms.

‘Yes. I think diversity goes beyond the gender issue and I like where you are going with the reference to “diversity of thought”. Executive development courses, for example, recognise that if executives are going to solve a problem presented to them in a case study, they are going to need to come at it from all angles. So they will often form learning teams composed of people from all over

the world. They know that, to really understand the complexity of the situation, all great teams need to have a diverse geography of thought.'

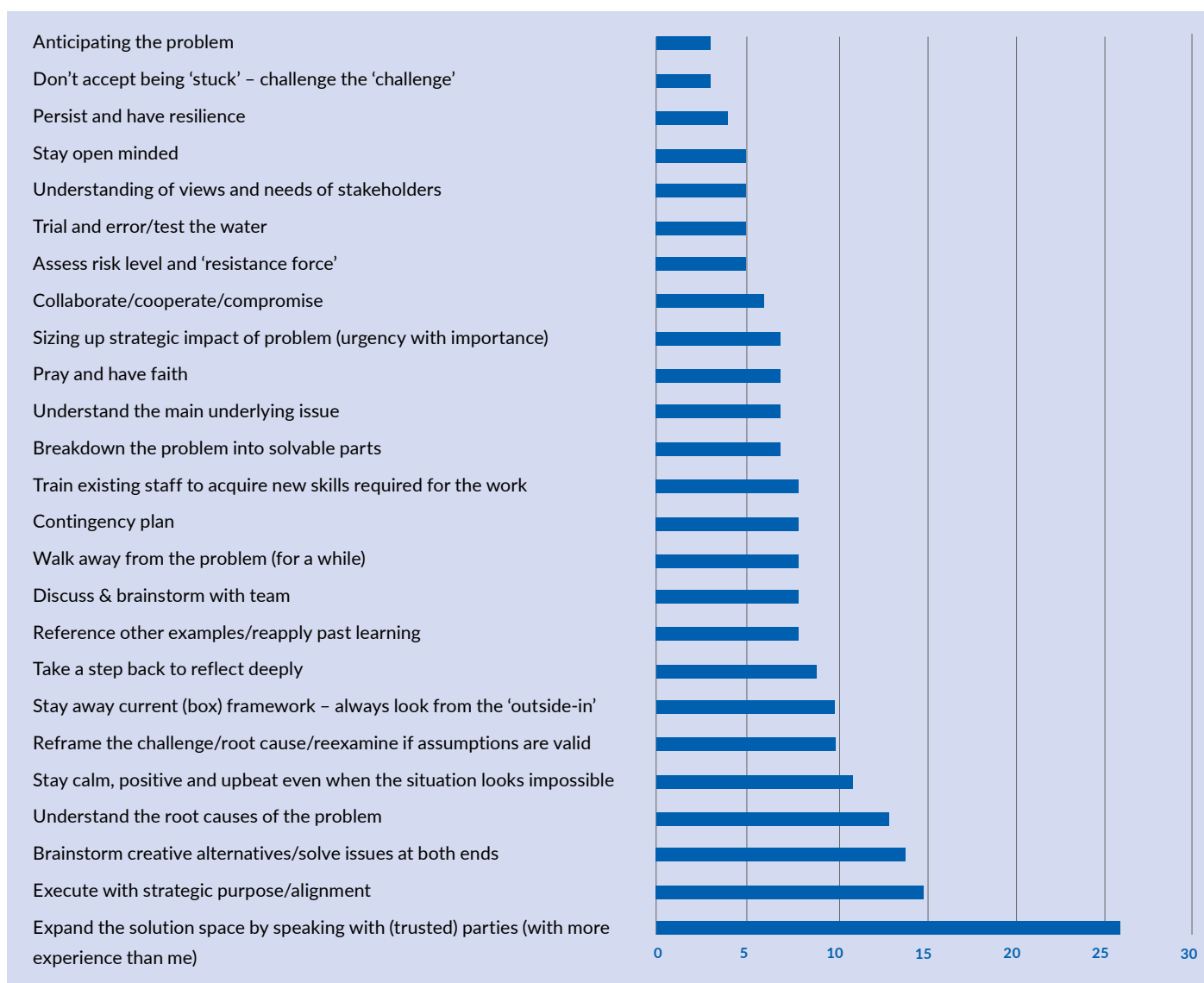
Finally, what would you say are the key takeaways from your CEO Report?

'What I hope executives will take away from this report is that problem setting is just as (if not more) important as problem solving. Moreover, executives need to learn to *respond* rather than to react when they

find themselves stuck. When people find themselves in quicksand, what do they do? They struggle to get out, but their movements only sink them deeper. I hope, rather than react to challenges, they can respond with the seven habits of mind highlighted in the report.'

Dr Wright was interviewed by CGj Editor Kieran Colvert. For further information about the report discussed in this article - CEO Report: The Psychology of the Unknown - please contact the author at: robert.wright@polyu.edu.hk.

What do executives do to open up alternatives when they get stuck?



IFRS Sustainability Disclosure Standards

A compelling and urgent case for adoption

CGj reviews a recent Institute seminar that highlighted for companies in Hong Kong the advantages of adopting the new IFRS Sustainability Disclosure Standards launched in June this year.



This year marks a watershed moment in the battle to align global standards in sustainability disclosure. The new IFRS Sustainability Disclosure Standards – S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate-related Disclosures – were launched in June this year by the International Sustainability Standards Board (ISSB).

The launch of these standards is good news for investors – they are designed to provide a framework for consistent, comparable and high-quality sustainability reporting globally – but they are also good news for companies. After years of adapting to a fragmented landscape of competing standards in this area, companies now have a single, globally recognised framework that will provide the template for sustainability-related disclosures for many years to come.

The standards are voluntary, however, and the extent to which, and the speed with which, they are adopted globally is likely to be partly determined by how far jurisdictions adopt them into their local regulatory regimes. In Hong Kong, regulators have made it clear that they back the standards, although the speed of the local transition to full adoption is still under debate.

In this context, the Institute held a high-profile seminar in September this year in which regulators, practitioners and other stakeholders made a compelling and urgent case for adoption of the ISSB standards by companies in Hong Kong.

Setting the scene

As moderator of the seminar, Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Past International President, Honorary Adviser to Council and Institute Past President, and Executive Director and Company Secretary, CK Hutchison Holdings Ltd, set the scene for the discussions. ‘The ISSB standards represent a significant step towards a more sustainable and accountable business world by establishing a common language and consistent reporting framework. They facilitate the aggregation and analysis of data at a global scale,’ she said.

She added that the ESG regime in Hong Kong is already transitioning towards the ISSB framework. It has already adopted aspects of the existing Task Force on Climate-related Financial Disclosures (TCFD) requirements on which the ISSB standards are based. Moreover, the consultation released by Hong Kong Exchanges and Clearing Ltd (HKEX) in April this year – Enhancement

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Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Past International President, Honorary Adviser to Council and Institute Past President, and Executive Director and Company Secretary, CK Hutchison Holdings Ltd

of Climate-related Disclosures under the ESG Framework – proposes to enhance climate-related disclosures for listed companies based on IFRS S2.

Highlights

- after years of adapting to a fragmented landscape of competing sustainability standards, companies now have a single, globally recognised framework that will provide the template for sustainability-related disclosures for many years to come
- adopting the ISSB standards will ensure that companies are providing investors with the information they are looking for – in particular, information relating to sustainability-related risks and opportunities in the short and medium term
- to make the standards appropriate for a wide variety of different companies, the ISSB standards have built-in ‘proportionality’ and ‘reliefs’ designed to reduce the cost and effort required to ensure compliance

“
Don't let perfection be an obstacle to getting started. We should all accelerate our thinking on our strategies, our transition plans and our potential opportunities in the face of climate change.

”

Teresa Ko JP BBS FCG HKFCG, Senior Partner, Hong Kong and China Chairman, Freshfields Bruckhaus Deringer, and Co-Vice Chair, IFRS Foundation

More importantly, she added that this is not only about compliance – this should be seen as an opportunity for companies to drive positive change, promote responsible business practices and contribute to a more sustainable future for all. She added that governance professionals also have an opportunity to play a key role in facilitating the transition to more sustainable strategies and practices in the organisations they work for.

‘Strong governance can build resilience against climate-related risks and create opportunities for companies. This is where governance professionals come in. As the board’s governance advisers, we help the board to understand corporate accountability and help to establish governance structures for the

oversight of the company’s ESG performance,’ she said.

A compelling case for early adoption of the ISSB standards

Ms Shih was followed to the podium by Teresa Ko JP BBS FCG HKFCG, Senior Partner, Hong Kong and China Chairman, Freshfields Bruckhaus Deringer, and Co-Vice Chair, IFRS Foundation, who outlined five reasons that companies in Hong Kong should transition their sustainability disclosure practices to the new ISSB standards.

1. Meeting the needs of investors

Adopting the ISSB standards, Ms Ko pointed out, is the fastest way to ensure that investors get the information they need. While sustainability reports have been getting bigger, thicker and glossier, they don’t always contain the information that investors are looking for – in particular, information relating to sustainability-related risks and opportunities in the short and medium term. And, in this regard, Ms Ko emphasised that reporting on opportunities is as important as reporting on risks. Climate change has created a wealth of opportunities, she pointed out, so companies should not focus only on the risks.

2. A global baseline of sustainability disclosure

The ISSB standards offer companies the opportunity to choose a single, globally accepted framework for their sustainability disclosures. The crowded field of sustainability standard setters prior to the creation of the ISSB was adding cost, complexity and risk to both companies and investors. Ms Ko pointed out that

the leading sustainability standard setters have now been consolidated within the IFRS Foundation, which set up the ISSB in 2021.

3. Connectivity with financial statements

The ISSB standards are built upon the IFRS accounting standards and integrated reporting principles. Using the standards will therefore mean that companies’ sustainability-related financial information and general financial information will ‘speak to each other’, Ms Ko pointed out. This gives investors, she added, the assurance that they’re getting sustainability information based on the same assumptions, with the same scope and applying the same materiality tests, as financial reporting.

‘This is designed to ensure that there is a coherent and holistic package of financial and sustainability-related information that is delivered to investors,’ Ms Ko said.

4. Proportionality and transition reliefs

The ISSB standards are intended to be used by companies big and small, and they therefore have built-in ‘proportionality’ and ‘reliefs’ designed to reduce the cost and effort required to ensure compliance. The reliefs, in particular, offer a transition period before companies need to be in full compliance with some of the more onerous requirements. Ms Ko explained, for example, that companies can opt not to disclose their Scope 3 greenhouse gas (GHG) emissions (indirect emissions outside Scope 2 emissions that occur in the value

chain of the issuer, including both upstream and downstream emissions) for the first annual reporting period after the standards take effect (1 January 2024). Companies who opt to take advantage of this relief, as long as they satisfy all the other requirements under the standards, can still assert themselves to be compliant with the ISSB standards.

5. The standards are informed by rigorous due process

The ISSB standards were developed via a global public consultation process. Ms Ko revealed that, since the exposure drafts of the standards were released in March 2022, the ISSB has received 1,400 sets of comments, and has held 300 meetings, roundtables and other outreach activities involving more than 30,000 stakeholders. Moreover, the International Organization of Securities Commissions (IOSCO), whose membership comprises more than 95% of the world's securities markets in more than 130 jurisdictions, has independently assessed the standards and publicly endorsed them to be fit for use for financial markets.

Why wait?

Ms Ko stressed the urgency of transitioning to the new ISSB standards. 'Global institutional investors, lenders and many other stakeholders are looking for material information required by these standards. Don't let perfection be an obstacle to getting started. We should all accelerate our thinking on our strategies, our transition plans and our potential opportunities in the face of climate change. We need to articulate how we will make

progress on each of our sustainability journeys,' she said.

For listed companies, she also stressed that S1 and S2 are both integral parts of the new standards. 'You cannot just use S2 without S1, the two work as a pair. You cannot claim to be compliant with the ISSB sustainability standards if you are applying only S2, or only a portion of S1 or S2,' she said.

The next phase of Hong Kong's ESG journey

Ms Ko was followed to the podium by Kelly Lee, Senior Vice President, Policy and Secretariat Services, Listing Division, HKEX, who focused her presentation on HKEX's climate-related consultation proposals.

The consultation proposes to rename the current Appendix 27 of Hong Kong's Listing Rules from the ESG Reporting Guide to the ESG Reporting Code, and to create a new Part D to the Code, introducing new climate-related disclosure requirements based on the requirements set out in IFRS S2.

'Our April proposals aim to serve as a springboard or stepping stone to facilitate our listed companies in their transition towards full ISSB adoption in the future,' she said.

The revised ESG Reporting Code would require, among other things, listed companies to give more granular details relating to their governance frameworks for managing climate-related risks and opportunities. Ms Lee revealed that HKEX received enquiries about the proposal to require listed companies to disclose how the board

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**Kelly Lee, Senior Vice President,
Policy and Secretariat Services,
Listing Division, Hong Kong
Exchanges and Clearing Ltd**

ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related risks and opportunities.

She pointed out that HKEX is not mandating companies to appoint individuals with specific expertise. The necessary knowledge and competencies might be acquired, for example, via external consultants and/or training. The focus is more on ensuring that the board assesses whether those responsible for these issues within the organisation are equipped to manage climate risks and opportunities, she explained.

While the consultation proposals are based on IFRS S2, HKEX has taken into account the current readiness and capabilities of local companies, and formulated its proposals accordingly. For example, while IFRS S2 allows a one-year exemption for

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the [ISSB] standards will provide a critical baseline of qualitative and quantitative information that will help us differentiate between companies that are performing well on material ESG issues, price associated risks and opportunities
 ”

Gabriel Wilson-Otto, Head of Sustainable Investing Strategy, Fidelity International

disclosure of Scope 3 GHG emissions, HKEX is proposing to allow issuers to make ‘interim disclosures’ during a two-year interim period following the effective date of the revised ESG Reporting Code.

The interim disclosures should include:

1. information, to the extent reasonably available, that may enable investors to understand the issuer’s relevant upstream or downstream activities along the value chain, and
2. its work plan, progress and timetable for making the required disclosure.

Ms Lee said HKEX recognises that Scope 3 GHG emissions reporting is not an easy task. Even with the two-year interim period in place, she pointed out that issuers will need to start early with their preparations for full compliance with the Scope 3 reporting requirement.

She added that listed companies need to recognise the urgency of preparing

for Hong Kong’s new ESG regime. ‘I would urge you to take immediate action,’ she said. She confirmed that HKEX will publish further guidance designed to help companies transition to the new regime. ‘We are all in this together and HKEX is committed to helping listed issuers and our markets on this journey,’ she said.

The institutional investor perspective
 The ISSB standards take an investor-focused approach to sustainability disclosures. Gabriel Wilson-Otto, Head of Sustainable Investing Strategy, Fidelity International, and a panellist at the seminar, was able to give the institutional investor perspective on the issues under discussion.

In tandem with the increasing attention focused on climate and other environmental and social issues, interest in sustainable finance and sustainable investing has also grown rapidly over the last couple of decades, Mr Wilson-Otto pointed out.

He pointed to several trends that have contributed to the rise in sustainable investing, including an increased focus on directing capital towards

companies that contribute to positive environmental or social profiles and increasing recognition that integration of ESG considerations into a fundamental investment processes can help price risks and opportunities more appropriately.

The fact that so many of the long-term risks that companies are worried about are ESG-related, highlights the fact that this is ‘moving into the mainstream’ and becoming part of traditional strategic planning, he said.

‘Over US\$30 trillion worth of assets globally are now marketed as sustainable, up from around US\$12 trillion a decade ago. A key challenge is that to date, there is no single global definition of “sustainable”. This has created significant challenges because in the absence of a consistent definition, it can be challenging for investors to evaluate the authenticity of investments products marketed as sustainable,’ he said.

This is why the launch of the ISSB standards is so significant for institutional investors, he added. ‘The standards will provide a critical baseline of qualitative and quantitative information that will help us differentiate between companies that are performing well on material ESG issues, price associated risks and opportunities, and contribute to increased transparency for investment products,’ he said. [CGI](#)

The seminar reviewed in this article - Latest Global Sustainability & Climate Disclosure Standards and HKEX Rules - was held on 14 September 2023.



CGj will go paperless starting from January 2024

Better Governance. Better Future.





The Institute regularly publishes guidance notes keeping practitioners up to date on all the latest developments in governance, risk and compliance. This area of its work has accelerated since it formed seven Interest Groups under its Technical Consultation Panel in 2016. This article highlights the two latest guidance notes to be published as part of the Interest Groups guidance note series.

Cross-border insider dealing

In June 2022, the Securities and Futures Commission (SFC) consulted the market on proposals to broaden the insider dealing provisions of the Securities and Futures Ordinance (SFO). On 8 August 2023, the consultation conclusions confirmed that the proposed SFO amendments will go ahead to empower the SFC to address instances of cross-border insider dealing. The latest guidance note published in September this year by the Institute's Securities Law and Regulation Interest Group – SFC's Initiatives to Address Cross-Border Insider Dealing – explains the background and the implications of these developments.

Highlights

- forthcoming amendments to the Securities and Futures Ordinance will empower the SFC to address instances of cross-border insider dealing
- resale price maintenance (RPM) agreements are a relatively new focus for the enforcement and educational work of the Hong Kong Competition Commission
- determining the legality of RPM arrangements may not be a clear-cut exercise and relevant parties should seek legal advice

What are the proposed amendments to the SFO?

The guidance note starts by setting out the background to the SFC's proposed reforms. The SFO currently covers insider dealing in:

- Hong Kong-listed securities and their derivatives, and
- securities dual-listed in Hong Kong and another jurisdiction, along with their derivatives.

The law does not explicitly encompass instances of insider dealing occurring outside Hong Kong but involving Hong Kong-listed securities or their derivatives. The forthcoming amendments to the SFO will expand the insider dealing regime to encompass:

- insider dealing occurring in Hong Kong involving overseas-listed securities or their derivatives, and
- insider dealing occurring outside Hong Kong involving any Hong Kong-listed securities or their derivatives.

The Institute's consultation submission

The Institute's consultation submission on this issue suggested that there is a need for more clarity on the scope of the proposed SFO amendments. For example, would insider dealing be determined by reference to Hong Kong law or the law of the relevant overseas jurisdiction and what standards of proof would be applied when determining criminal liability?

'From the governance perspective, we recommend more guidance and investor education if a change is made to the SFO's reach beyond Hong Kong,' the submission states.

The SFC addressed requests for clarification by the Institute and other respondents in its consultation conclusions. For example, it made it clear that the revised provisions will specify that the misconduct must also be unlawful in the relevant overseas jurisdiction, and the present definition of 'derivatives' and the applicability of the insider dealing framework to over-the-counter transactions in listed debt securities will remain unchanged. The expanded insider dealing framework will encompass such transactions involving both Hong Kong-listed and overseas-listed debt securities unless one of the statutory defences applies.

'In essence, it's the territorial scope that is being changed,' the guidance note points out. It adds, however, that no transition period will be provided upon the implementation of the revised insider dealing provisions. Moreover, governance professionals working for licensed firms should

be mindful that the requirement to report breaches under the Code of Conduct for Persons Licensed by or Registered with the SFC will apply to the updated insider dealing provisions, including insider dealing of overseas-listed securities.

'They are required to submit a report upon becoming aware of any suspected breaches. In relation to concerns over cross-border data transfer restrictions, the SFC responded that firms should use their best endeavours to obtain any data that is located overseas (for example, where there is suspected insider dealing in overseas-listed securities) to submit in their report to the SFC,' the guidance notes explains.

Professional investor exemptions

The guidance note also discusses some of the consultation proposals that have been put on hold. This includes the proposal to narrow the professional investor (PI) exemptions in the SFO. Despite the failure to proceed with this proposal, the SFC warns that anyone seeking to invoke a PI exemption under the SFO must be able to demonstrate a clear intention to distribute the investment product exclusively to PIs.

The SFC considers that the clear display of an appropriate message or warning on all advertising materials would significantly contribute to establishing this intent. A recent case before the Court of Final Appeal, however, concurred with the appellants' argument that the SFO does not require that it be made apparent on the advertisement itself that it is made in respect of PIs. It

only requires a person invoking the exemption to demonstrate that the relevant investment is in fact intended solely for PIs.

Nevertheless, the Securities Law and Regulation Interest Group guidance note recommends issuers of advertisements to carefully consider how best to demonstrate and evidence a genuine intention to distribute an investment product only to PIs, especially in light of the SFC's stance on this issue.

The SFC is contemplating providing additional guidance to the market on this subject.

Competition compliance

The latest guidance note published by the Institute's Competition Law Interest Group in August this year addresses a relatively new focus for the enforcement and educational work of the Hong Kong Competition Commission (Commission) – resale price maintenance (RPM).

RPM occurs when suppliers or distributors impose restrictions on the resale prices of products. This might involve suppliers directly setting a fixed or minimum price for resale, or indirectly fixing the distributors' margin or the maximum level of discount the distributor can grant from a set price level. In some cases, a distributor may pressure its supplier to implement RPM in order to limit price competition at the distributor level.

The latest guidance note issued by the Competition Law Interest Group – Guidance Note on Resale Price Maintenance – points out that, by

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 anyone seeking to invoke a
 professional investor exemption
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 distribute the investment product
 exclusively to professional investors
 ”



limiting the ability of distributors to compete with each other on price, RPM arrangements may result in harm to competition and ultimately consumers. Such arrangements may therefore contravene the Competition Ordinance.

The Commission has stepped up its fight against RPM with an enforcement proceeding launched in September 2022 and a city-wide advertising campaign to broaden awareness of the compliance risks involved. The guidance note highlights what a new educational RPM brochure, launched by the Commission in June 2023, tells us about the Commission’s objectives and likely enforcement approach in this area of competition compliance.

Is the Commission taking a new approach to RPM?

Determining whether RPM agreements breach the Competition Ordinance is not as simple as the above definition might imply. It remains generally lawful for suppliers to recommend resale prices and to set maximum resale prices, for example. The brochure is careful not to suggest that all cases of RPM will contravene

the Competition Ordinance, but it emphasises the potential harm to competition that may arise from fixed or minimum resale prices.

The guidance note finds that the Commission’s principles for analysing RPM in the RPM brochure generally remain the same as those identified in the Commission’s Guideline on the First Conduct Rule published in 2015. The Commission remains committed to analysing whether the RPM arrangement has the ‘object’ or ‘effect’ of harming competition and whether the ‘economic efficiency’ exclusions apply.

The brochure mentions two examples of possible economic efficiencies, namely where:

1. RPM is set for a short period of time to introduce a new product, and
2. RPM is used to prevent discount resellers from free-riding the benefit of investments made by other resellers.

Nevertheless, the brochure includes a reminder that all four limbs of

the statutory economic efficiency exclusion must be satisfied if economic efficiencies are to be claimed. These are as follows:

1. the agreement contributes to improving production or distribution, or promoting technical or economic progress
2. consumers receive a fair share of the efficiencies
3. the agreement does not impose on the undertakings concerned restrictions that are not indispensable to the attainment of the relevant efficiencies, and
4. the agreement does not allow the undertakings the possibility of eliminating competition in respect of a substantial part of the goods or services in question.

The guidance note also warns that, as the Commission’s position is that RPM can be a form of ‘serious anti-competitive conduct’, it can take enforcement action against unlawful RPM in the same manner as cartel cases. That is, small and medium businesses may not benefit

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 ”

from the statutory ‘agreements of lesser significance’ exclusion, and enforcement proceedings in the Tribunal can be lodged without a prior Warning Notice.


If in doubt, seek legal advice

The Commission’s RPM brochure reaffirms its commitment to investigate all kinds of anti-competitive behaviour. ‘While cartel enforcement will likely continue to be an enforcement priority of the Commission, this latest RPM campaign by the Commission may result in more RPM complaints, which could lead to more investigations and enforcement cases on RPM in the future,’ the guidance note warns.

In this context, the brochure will no doubt be useful to suppliers and distributors wishing to avoid engaging in anti-competitive RPM. Particularly useful, the guidance note points out, will be the ‘practical tips’ section. While these tips are not comprehensive, they should help parties identify higher-risk scenarios.

The guidance note emphasises, however, that the RPM brochure falls short of providing legal certainty on the issue of RPM. Determining the

legality of RPM arrangements may not be a clear-cut exercise and may require complex economic analysis of factors beyond those mentioned in the RPM brochure. It therefore recommends that Hong Kong businesses contemplating getting involved in

vertical price restraints, whether fixed or minimum resale prices, or recommended or maximum resale prices, should seek legal advice. 

The guidance notes reviewed in this article are available in the Thought Leadership section of the Institute’s website: www.hkcgj.org.hk. Readers can find a review of the latest guidance notes produced by Institute’s Technology Interest Group in the September 2023 edition of CGj. The guidance notes on the use of virtual meeting technologies published by the Institute’s Company Law Interest Group were reviewed in the May edition of this journal.

Credits

The Institute would like to thank all those involved in the publication of the guidance notes reviewed in this article. Hannah Cassidy, Partner, Head of Financial Services Regulatory, Asia, Herbert Smith Freehills, was author of the Securities Law and Regulation Interest Group guidance note. The members of this Interest Group are: Daniel Wan FCG HKFCG (Chairman), Agnes Wong, Bill Wang FCG HKFCG, CK Low FCG HKFCG, CK Poon FCG HKFCG(PE), Dr David Ng FCG HKFCG and Tommy Tong FCG HKFCG.

Natalie Yeung, Partner, Slaughter and May, was the author of the Competition Law Interest Group guidance note. She was assisted by Alexander Lee, Counsel, and Adam Janmohamed, Registered Foreign Lawyer, Slaughter and May. The members of this Interest Group are David Simmonds FCG HKFCG (Chairman), Adelaide Luke, Alastair Mordaunt, Brian Kennelly KC, Mike Thomas and Natalie Yeung.

April Chan FCG HKFCG, Institute Past President, is Chairman of the Institute’s Technical Consultation Panel with oversight of the Institute’s Interest Groups. Mohan Datwani FCG HKFCG(PE), Institute Deputy Chief Executive, serves as Secretary to the Institute’s Interest Groups.

If you have any comments and/or suggestions relating to the Institute’s thought leadership, please contact: mohan.datwani@hkcgj.org.hk.

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Capital attraction

SFC and HKMA streamline suitability obligations for sophisticated professional investors



Richard Mazzochi, Partner, Urszula McCormack, Partner, Cross Border Finance and Technology, Cindy Shek, Partner, and Nikita Ajwani, Associate, King & Wood Mallesons, summarise a new streamlined approach for compliance with suitability obligations when dealing with sophisticated professional investors, and explain why this initiative matters.

On 28 July 2023, the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) issued a joint circular to intermediaries, setting out a streamlined approach for compliance with suitability obligations when dealing with sophisticated professional investors (Sophisticated PIs) who possess higher levels of net worth and knowledge or experience (the Circular).

This article summarises the key things to know about:

- why this streamlining initiative matters, and
- how the new measures work.

Why this matters – quick context

Suitability obligations have long been a feature of Hong Kong's financial services regulation and have played a significant role in conduct and enforcement. Before the 2007/08 financial crisis, suitability was not required for all types of 'professional investors', as defined under Cap 571 and related rules, but this was later significantly refined to require suitability assessments for individual professional investors, plus accreditation obligations for corporate professional investors before suitability could be waived.

One of the most critical impacts of suitability is that assessments must

occur whenever a recommendation or solicitation is made, which carries the consequence of a more complex pre-trade experience. This can significantly support investor protection, subject to a nuanced and risk-based approach to cater for different knowledge, experience and net worth.

To support the industry, the HKMA and the SFC updated the FAQs in December 2020 to clarify the expected standards on how the suitability assessment should be conducted, and how product information should be explained and disclosed to clients of different degrees of financial sophistication. Intermediaries were then able to tailor point-of-sale procedures to the personal circumstances of Sophisticated PIs.

Highlights

- the HKMA and the SFC have recently provided intermediaries with further guidance on applying a proportionate and risk-based streamlined approach when dealing with Sophisticated Professional Investors (PIs)
- the Streamlined Approach can be applied where the Sophisticated PI has met three additional qualifying tests, namely financial situation, knowledge or experience (sophistication) and investment objectives
- investment transactions that are considered eligible under the new approach must fall within the specified Product Category and Streamlining Threshold

The HKMA and the SFC have now provided intermediaries with further guidance on applying a proportionate and risk-based streamlined approach when dealing with Sophisticated PIs (Streamlined Approach). Detailed guidance is set out in Annex 1 to the Circular (Annex 1), with updated FAQs in Annex 2 to the Circular (Annex 2).

The Streamlined Approach supports Hong Kong's continuing efforts to attract local and international capital – in this case, for the ultra-high net worth market segment.

Summary – what is now possible?

An intermediary may rely on information about a client as obtained during onboarding or know-your-client (KYC) reviews and ascertain if the client qualifies as a Sophisticated PI. Where an intermediary is

reasonably satisfied that the Sophisticated PI exhibits the degree of sophistication and has an appropriate loss absorption ability, it may apply a Streamlined Approach to allow the Sophisticated PI to set aside an appropriate amount for investment in a portfolio of investment products with various risk return profiles (including high-risk investment products).

Under the Streamlined Approach, the intermediary is not required at a transaction level to match the Sophisticated PI's risk tolerance level, investment objectives and investment horizon, or to assess the Sophisticated PI's knowledge, experience and concentration risk.

This can have a significant impact on user experience, as it may allow Sophisticated PIs (except for conservative clients) to access a wider range of investment products and/or a higher proportion of high-risk

investment products that may not have been previously available.

Figure 1 illustrates this simply. In short, only a small (but important) subset of professional investors are eligible.

Further detail

1. Qualifying criteria – who is eligible to be a Sophisticated PI?

A Sophisticated PI refers to an individual professional investor who satisfies at least each of the following criteria (see Table 1).

2. Eligible Investment Transactions – which transactions can be executed under the Streamlined Approach?

Intermediaries must only execute investment transactions for a Sophisticated PI under the Streamlined Approach where the transactions fall within the Product Categories and the Streamlining Threshold (collectively, Eligible Investment Transactions).

The following summary breaks down the requirements:

Product Categories. This involves three key steps:

- Intermediaries must devise (or adjust as appropriate) Product Categories to categorise investment products based on the terms and features, characteristics, nature and extent of risks of investment product.
- The Sophisticated PI should then specify the Product Categories within which investment transactions could be executed under a Streamlined Approach.
- Intermediaries must then document the choice of the Sophisticated PI and provide a Product Category Information Statement (Product Statement) to the Sophisticated PI to

Figure 1

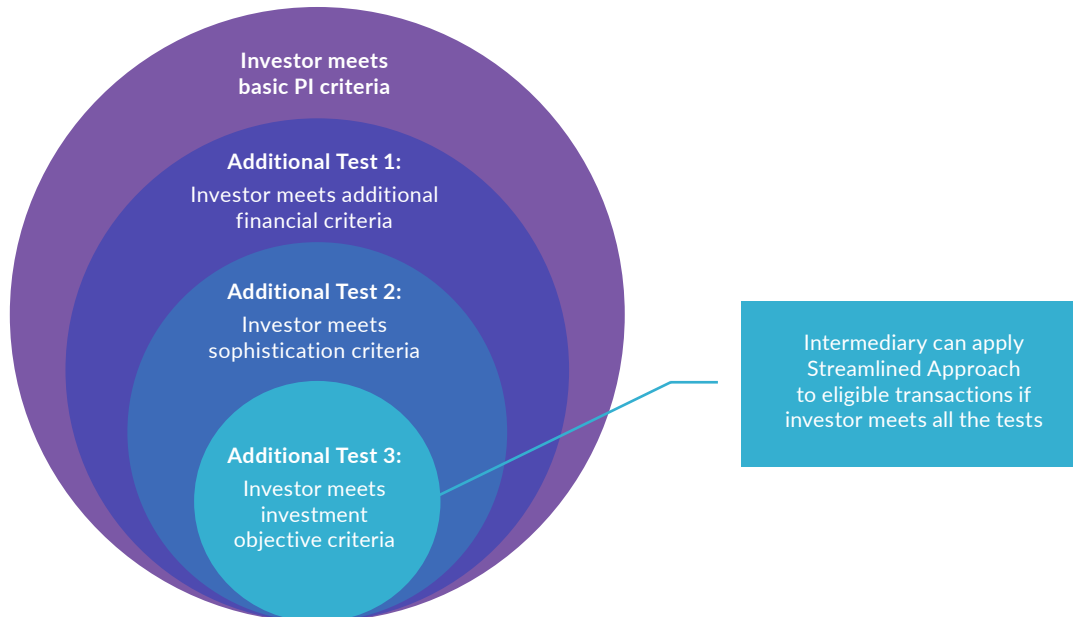


Table 1

| Additional Test 1: Financial situation | Additional Test 2: Sophistication | Additional Test 3: Investment objectives |
|---|---|---|
| <p>A Sophisticated PI should have a portfolio of at least HK\$40 million or its equivalent in any other currency, or net assets, excluding primary residence, of at least HK\$80 million or its equivalent in any other currency.</p> <p>When ascertaining these values, intermediaries may take into account a portfolio on the Sophisticated PI's own account, joint account or corporation account, which has as its principal business the holding of investments and is wholly owned by the Sophisticated PI.</p> <p>(See paragraph 3 of Annex 1 for more detail.)</p> | <p>Intermediaries should be reasonably satisfied that a Sophisticated PI has the degree of sophistication required to understand the risks arising from being treated as a Sophisticated PI (including the Streamlined Approach) by ascertaining whether the Sophisticated PI has at least relevant degrees, professional qualifications, work experience and/or experience in executing similar transactions.</p> <p>(See paragraph 4 of Annex 1 for more detail.)</p> | <p>Intermediaries should not apply the Streamlined Approach when dealing with conservative clients (eg, whose investment objective is capital preservation and/or seeking regular income).</p> <p>Accordingly, intermediaries should not treat conservative clients as Sophisticated PIs.</p> |

Note: Intermediaries should be satisfied that a client has met the qualifying criteria of a Sophisticated PI before treating the client as such. As noted above, where an intermediary has made reasonable efforts to obtain information from a client during the KYC process, the intermediary may rely on the information disclosed by the client to ascertain whether the client could qualify as a Sophisticated PI. The intermediary should beware of any inconsistencies between the information provided and that held with the intermediary and, in such cases, clarify with the client.

explain the terms and features, characteristics, nature and extent of risks of investment products within such Product Category, including any warning statements in relation to the distribution of complex products.

(See paragraph 7 of Annex 1 for more details.)

Streamlining Threshold. The Sophisticated PI must specify a maximum threshold of investment, as an absolute amount or a percentage relative to the Sophisticated

PI's assets under management (AUM) with the intermediary, that is acceptable to be executed under a Streamlined Approach (Streamlining Threshold). The Sophisticated PI may then specify a Streamlining Threshold appropriate to their circumstances and the intermediary is required to maintain proper records of setting any such a threshold, including the Sophisticated PI's rationale that provides support for setting such a threshold. Intermediaries are required to establish and maintain effective systems and controls

to ensure compliance with the Streamlining Threshold, including to discuss the Streamlining Threshold with the Sophisticated PI at least annually.

(See paragraph 8 of Annex 1 for more details.)

3. Streamlined Approach – which intermediary procedures can be streamlined?

A number of procedures can be streamlined when dealing with Sophisticated PIs in Eligible Investment Transactions.

Figure 2

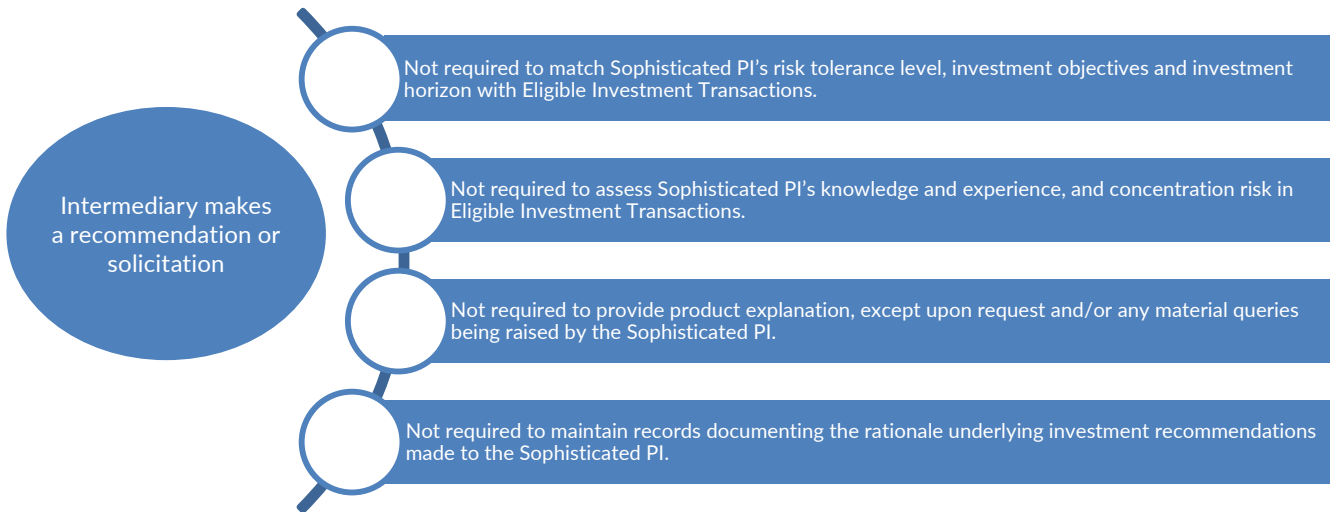
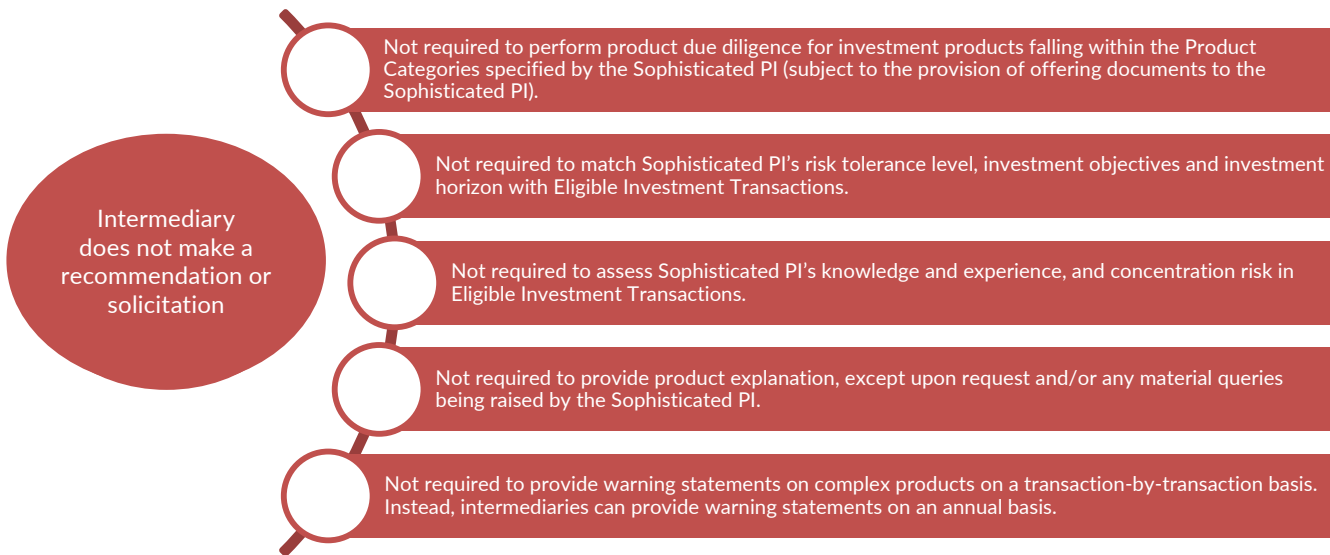


Figure 3



For transactions with a recommendation or solicitation executed under a Streamlined Approach, intermediaries are not required to do the following, as shown in Figure 2.

For transactions in a complex product without recommendation or solicitation executed under a Streamlined

Approach, intermediaries are not required to do the following, as shown in Figure 3.

To be clear, Sophisticated PIs must still receive up-to-date product offering documents (which can be by electronic means) and other requirements must still be met.

4. Application of the Streamlined Approach – how should intermediaries implement the Streamlined Approach?

Written Sophisticated PI assessment.

An intermediary should apply the Streamlined Approach when dealing with a Sophisticated PI only if the intermediary is reasonably

“
the Streamlined Approach supports Hong Kong’s continuing efforts to attract local and international capital – in this case, for the ultra-high net worth market segment
 ”

satisfied that the Sophisticated PI has the degree of sophistication to understand and take on the risks arising from a Streamlined Approach by meeting the qualifying criteria (ie, financial situation, knowledge or experience and investment objectives). Intermediaries should keep proper records of its assessments.

Client acknowledgement. Prior to applying the Streamlined Approach, when dealing with a Sophisticated PI in Eligible Investment Transactions, the intermediaries should:

- enter into a written agreement with each Sophisticated PI for acknowledging and giving consent to be treated as a Sophisticated PI
- specify in writing the assessment criteria under which the client qualified as a Sophisticated PI
- specify in writing the Product Categories and the Streamlining Threshold within which investment transactions could be executed under a Streamlined Approach, and
- fully explain to the Sophisticated PI the consequences of being treated as a Sophisticated PI and

the Sophisticated PI’s right to withdraw from being treated as such at any time, including those set out in the Circular.

Annual review. Intermediaries must carry out a review annually to ensure that the Sophisticated PI continues to fulfil the requisite requirements (as summarised in section 1 above) and continues to agree that the intermediary execute investment transactions falling within the Product Categories and Streamlining Threshold. In carrying out the annual review, intermediaries should remind the client in writing of:

- the consequences of being treated as a Sophisticated PI
- the Product Categories and related information as contained in the Product Statement
- the Streamlining Threshold and an alert to the Sophisticated PI where there was any instance of breach, and
- the right of the Sophisticated PI to withdraw from being treated as a Sophisticated PI, to add or remove a Product Category and/or to amend the Streamlining Threshold at any time.

Key action points

The Circular will be particularly relevant to wealth management and private banking businesses. However, we are also examining its relevance to other emerging asset segments, including virtual assets.

We recommend asking the following key questions:

- Would any of my existing and target new clients satisfy the criteria of Sophisticated PIs and is there an opportunity to leverage the Streamlined Approach?
- If so, what are the Product Categories that can be offered more widely under the Streamlined Approach?
- Which policies, procedures, systems and documents would need to change?
- Are any operational changes needed and is the overall value proposition of the Streamlined Approach sufficiently strong to justify adopting it?

Richard Mazzochi, Partner, Ursula McCormack, Partner, Cross Border Finance and Technology, Cindy Shek, Partner, and Nikita Ajwani, Associate.
King & Wood Mallesons

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More information can be found under the ‘Rules and standards’ page of the SFC website: <https://www.sfc.hk/en/>.



“

I hope to cultivate the next generation of company secretaries and fundamentally change the external perception of the role

”

Matthew Young FCG HKFCG(PE),
Head of the Corporate Secretarial
Department, Hong Kong Jockey Club

Matthew Young FCG HKFCG(PE)

What is your current role and what was your career path to this role?

'I am currently the Head of the Corporate Secretarial Department of the Hong Kong Jockey Club. I studied law for my undergraduate degree and after initially working as a barrister pupil, I realised that the contentious nature of that profession was not suitable for me. Subsequently, I was introduced to David Fu FCG HKFCG(PE), the then Company Secretary of the Swire Group. Mentorship and guidance from a senior person is important for young people and Mr Fu gave me a lot of advice, which led me to develop my career in this field. I worked in various divisions as Assistant Company Secretary with the Swire Group, such as properties, aviation and marine. I was also seconded to the UK Headquarters for two years. After working at Swire for 11 years, I joined the Hong Kong Jockey Club to lead its Corporate Secretarial Department.'

When did you first hear the terms 'company secretary' and 'governance'? What was your impression of these terms?

'My father obtained the Chartered Secretary qualification in the 1980s because it was useful for his career as his role involved many administrative and board approval functions. When I was young, my father told me not to regard company secretaries as having a junior role. This is a high-level position and the company secretary is one of the most important officers of the company after the directors and the CEO. Company secretaries serve as one of the main sources of information and advice for directors.'

What qualities do you think are needed to be a successful governance professional?

'The most fundamental qualities are having a good understanding of the industry and strong writing skills. For example, when I first joined the Hong Kong Jockey Club, I had no knowledge of horses, jockeys or wagering business, so I had to quickly gain an understanding, and ensure I had the necessary knowledge and awareness, of the industry. I have a habit of reading news to keep myself informed of current affairs. Company secretaries need to understand the overall operations of the company, so having an interest in learning new things and having a curious mindset is very helpful. The more you listen and know, the easier your work will become.'



What was your chosen route to complete the Institute's qualifying programme and what advice would you give to people considering qualifying as a Chartered Secretary and Chartered Governance Professional?

'Due to time constraints, I chose the exam route instead of pursuing further studies. My advice is to develop strong writing skills – this is crucial for a company secretary because you will handle numerous documents and the drafting of important notices, announcements and reports. Companies entrust important documents to company secretaries. Therefore, having good language skills is highly beneficial for your career. My advice is simple – read and listen broadly in both Chinese and English.'

As a member of the younger generation, how do you think 'governance' will evolve in the future and would you recommend a career in governance to others?

'In recent years, companies have shown an increasing focus on environmental, social and governance standards, which in turn has increased the demand for capable company secretaries. This profession will need talent in the long term. I am a co-convener of the Institute's NextGen Group and I also participate as a mentor in the mentorship programme. I hope to cultivate the next generation of company secretaries and fundamentally change the external perception of the role.'

杨位恒先生 FCG HKFCG(PE)



“

我希望培养下一代的公司秘书，并从根本上改变外界对公司秘书的印象

”

杨位恒先生 FCG HKFCG(PE)，香港赛马会公司秘书处执行经理

请问您目前的职位是什么？能告诉我们您的职业经历吗？

‘我目前是香港赛马会的公司秘书处执行经理。我本科学的是法律，成为实习大律师后，发觉大律师要与人针锋相对，工作性质不适合我。后来，有人介绍我认识太古集团的时任公司秘书傅溢鸿先生 FCG HKFCG(PE)。对年轻人来说，资深人士的指引是非常重要的；傅先生给我很多建议，启发我在公司秘书行业发展。我在太古集团担任了多个不同领域的公司秘书助理，涉及地产、航空和航运等领域，还去英国总部工作了两年。在太古集团工作11年后，我加入了赛马会，主管公司秘书处。’

您第一次听到‘公司秘书’或‘公司治理’是什么时候？您对这些术语有什么印象？

‘我爸爸在上世纪80年代考取了特许秘书的资格，因为他的职责涉及很多行政和征求委员会核准的工作，特许秘书资格对他帮助很大。年轻的时候，爸爸告诉我，不要以为特许秘书只是初级职员，这是一个非常高级的职位，是董事和行政总裁之后最重要的高级人员之一，董事会所需要的大部份资料和建议，都是通过公司秘书那里获取。’

您认为成功的治理专业人士需要具备哪些素质？

‘最基本的是对行业的理解和良好的写作能力。例如，刚加入香港赛马会时，我完全不了解马匹、骑手、投

注业务等方面的知识，必须快速地学习，掌握所需知识，了解这个行业。我有看新闻的习惯，紧贴时事。公司秘书需要了解整个公司的运作，所以对了解新事物的兴趣和好奇心非常有帮助。听得越多，知道的越多，会让你工作时更加得心应手。’

您选择什么路径完成公会的资格认证计划？对于考虑成为特许秘书和特许治理专业人士的人，您有什么建议？

‘由于时间关系，我选择了考试，没有继续进修。作为公司秘书，拥有良好的写作能力非常重要，因为你需要处理很多文件，草拟重要通告、公布和报告，企业也会将很多重要文件交由值得信赖的公司秘书处理。所以语言能力对事业非常有帮助。我的建议很简单：多读多听，中英文皆然。’

作为年轻一代的一员，您认为‘治理’将来会如何发展？您会推荐其他人从事治理方面的职业吗？

‘近年来，企业对环境、社会和治理（ESG）水平越来越关注，需要更多能力强的公司秘书。这个行业是长期需要人才的。我是公会NextGen Group的共同召集人，也加入了导师计划担任导师，希望培养下一代的公司秘书，并从根本上改变外界对公司秘书的印象。’

CGj

Professional practitioners need to be proficient in a wide range of practice areas. CGj, the journal of The Hong Kong Chartered Governance Institute, is the only journal in Hong Kong dedicated to covering governance and company secretarial areas of practice, keeping readers informed of the latest developments, while also providing an engaging and entertaining read. Topics covered regularly in the journal include:

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Professional Development

Seminars: September 2023

6 September

New inspection regime: how to prepare for phase 3

Chair: Wendy Ho FCG HKFCG(PE), Institute Council member, Professional Development Committee Chairman and Professional Services Panel member, Mainland China Technical Consultation Panel member and AML/CFT Work Group member, and Executive Director, Corporate Services, Tricor Services Ltd

Speakers: Grace Siow ACG HKACG, Director of Corporate Services, and Sharon Chan ACG HKACG, Director of Corporate Services, Tricor Services Ltd

19 September

Tax governance enhancement: due compliance, less tax (cross-border transactions)



Chair: Eric Chan FCG HKFCG(PE), Chief Consultant, Reachtop Consulting Ltd

Speaker: Henry Kwong, Senior Tax Advisor, ONC Lawyers

25 September

Compliance check of Hong Kong private companies: purposes, practical tips and remedial actions



Chair: Alberta Sie FCG HKFCG(PE), Institute Professional Services Panel member and AML/CFT Work Group member, and Director and Company Secretary, Reanda EFA Secretarial Ltd

Speaker: Frances Chan FCG HKFCG, Institute Professional Services Panel member, and Founder and Director, K. Leaders Business Consultants Ltd

ECPD seminars/Videos on Demand

ECPD training is organised by the Institute to facilitate its members and other governance professionals to acquire governance knowledge, corporate secretarial skills, and related thought leadership and best practices.

In addition to in-person seminars, ECPD training is delivered via live webinars or pre-recorded videos for maximum accessibility and flexibility.

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

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

Membership

New Associates

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

| | | | |
|-----------------------|--------------------|----------------|-----------------------|
| Au Chun Ho | Ha Susanne | Lee Yan Yin | Sham Tsz Tung |
| Au Kai Yin | Huang Xuedan | Leung Shuk Fan | Si Meng |
| Cai Yunzhi | Ip Wai Yin | Leung Vinci | Sun Bo |
| Chan Cho Hung | Kong Yat Wa | Leung Yik Fung | Tam Hiu Kwan |
| Chan Lai Yin | Kwan Wai Sum | Li Huifang | Tung Chun Yu |
| Chan Man Ying | Kwong Lee Ngai | Li Yat Hoi | Wan Sin Yu |
| Chan Mei Ting | Lam Chin Hei | Liu Gang | Wong Kwan Yiu, David |
| Chan Siu Fan | Lam Sin Ue | Liu Yaxin | Yau Wan In |
| Chan Yan Lam | Lam Sing Hon | Lui Oi Ki | Yim Ka Wing |
| Cheung Ho Kiu, Janice | Lau Ka Yu | Lui Ying Lee | Yim Ruphina Wing Tung |
| Chiu Ho Lun, Alan | Lau Tin Ho | Lung Wing Sze | Yin Yuan |
| Choi Hang Fai | Lau Yat Lun, Horry | Mak Kit Yee | Yip Cheuk Yim, Jane |
| Chu Chi Chun | Law Hoi Ki | Poon Wai Lam | Yip Pui Yuk |
| Chui Cheuk Yin | Lee Wai Man | Qu Jiahua | Yu Wing Kei |
| Chung Yan Ki | Lee Yan Lam | Mark Schroeder | Yu Zhoujie |

New graduates

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

| | | | |
|------------------------|-------------------|------------------|---------------|
| Chan Cheung | Fong Mung Fan | Leung Sui Yan | Wan Kok Chu |
| Chan Hiu Chui, Cherie | Fung Ka Hong | Li Qingyuan | Wang Mengyue |
| Chan Man Lok | Ho Chun Ho | Lin Zhuozhuo | Wong Chi Him |
| Chan Sze Nok, Charlet | Ho Wing Yin | Liu Ka Yi | Wong Ashley |
| Chan Tak Yiu | Hung Wai Man | Louie Leung Kwan | Yau Yuen Ting |
| Chan Wai Mee | Iu See Lap, David | Luk Sum Yee | Yeung Ki Ki |
| Chang Sin Sum | Kwan Wing Tung | Ma Xiaolei | Yeung Po Yan |
| Cheuk Sze Wai | Kwok Sin Ting | Ng Man Yee | Yu Wing Hang |
| Cheung Chun Yan, Grace | Lam Ching Kwan | Ngan Ching Man | Yu Xian |
| Cheung Ka Yee | Lam Yiu Wang | Sze Wing Fung | Zhang Shu |
| Choi Wai Chun, Vanessa | Leung Man Kit | Tang Kak Lan Sze | |
| Cui Wenyu | Leung Shuk Kam | Tao Siu Ping | |

Membership (continued)

Forthcoming membership activities

| Date | Time | Event |
|------------------|---------------|-------------------------------|
| 15 December 2023 | 7.30pm-9.30pm | Christmas neon light workshop |

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

Membership activities: September 2023

23 September
Mentorship training
 – nurture your
 resilience through
 mentorship



HKCGI Annual Convocation 2023

The Institute's Annual Convocation was held on 9 October 2023 with welcoming remarks from Guest of Honour Samantha Suen FCG HKFCG, Institute Past President and HKCGI Prize 2022 Awardee, and Institute President Ernest Lee FCG HKFCG(PE).

This year, the Institute invited members who have held membership for 50 years or more to join the ceremony, as a way to express the Institute's gratitude for their long-term support and contributions. In the year 2022/2023, 50 Fellows, 351 Associates and 103 graduates were admitted to the Institute. New Fellows, Associates and graduates, together with awardees of the Institute's Chartered Governance Qualifying Programme (CGQP) module prizes and merit certificates, as well as the HKCGI

Foundation scholarships and subject prizes, received their certificates and awards at the convocation.

Certificates were presented by Institute President Ernest Lee FCG HKFCG(PE); Guest of Honour Samantha Suen FCG HKFCG; Past International President and Institute Past President Edith Shih FCG(CS, CGP) HKFCG(CS, CGP) (PE); Treasurer Daniel Chow FCG HKFCG(PE); Institute Past President and Council member Natalia Seng FCG HKFCG; Institute Past President Gillian Meller FCG HKFCG(PE); and Council member and Qualifications Committee Chairman CK Low FCG HKFCG. The Institute also invited Rain Lam ACG HKACG to share her experience and aspirations of the profession from the perspective of the younger generation.



Advocacy

Good MPF Employer Award 2022-2023

We are thrilled to announce that the Institute has been awarded the Good MPF Employer 5 Years+ and the MPF Support Award for 2022-2023 from the Mandatory Provident Fund Schemes Authority. We have now been honoured with this recognition for seven years in a row for our efforts in improving the retirement benefits of our employees, as well as for advocating sound governance policies and practices.



CHARTERED GOVERNANCE
Hong Kong



**The Hong Kong Chartered Governance Institute
Annual General Meeting 2023**

**Thursday
14 December 2023
6:30 pm**



For details of the Institute's Annual General Meeting 2023 and other related papers, please visit the Institute's website: www.hkcgj.org.hk



Privacy-Friendly Awards 2023

We are pleased to announce that the Institute has received a Privacy-Friendly Silver Certificate for 2023 from the Office of the Privacy Commissioner for Personal Data, in recognition of our efforts to protect the privacy of the personal data of our students, graduates, members and the Secretariat.



Celebrating the Mid-Autumn Festival

As a caring employer and to celebrate the Mid-Autumn Festival, the Institute ordered moon cakes from iBakery, a social enterprise under the Tung Wah Group of Hospitals, for the Secretariat staff in Hong Kong. iBakery trains and hires people with disabilities, and provides Hong Kong with healthy and delicious food. Similar arrangements were made for the staff members of the Institute's Beijing Representative Office.



CAPCO's Executive Vice Chair visits the Institute

On 25 September 2023, Liu Lei, Executive Vice Chair of the China Association for Public Companies (CAPCO), and his delegation visited the Institute's office in Hong Kong and met with Ernest Lee FCG HKFCG(PE), Institute President; Natalia Seng FCG HKFCG, Past President and Chair of the Mainland China Affairs Committee (MCAC); Dr Maurice Ngai FCG HKFCG(PE), Past President and MCAC member; Ivan Tam FCG HKFCG, Past President and MCAC member; Daniel Chow FCG HKFCG(PE), Treasurer and Council member; Tom Chau FCG HKFCG, Council member; Ellie Pang FCG HKFCG(PE), Institute Chief Executive; and Melani Au ACG HKACG, Head of Membership.



Advocacy (continued)

The Career Paths of a Governance Professional 2023

On 7 October 2023, the Institute held The Career Paths of a Governance Professional 2023 (Career Day), which was attended by over 70 local undergraduates and academics, as well as Institute members, students and student ambassadors. Career Day provided an overview of the roles of and career opportunities for Chartered Secretaries and Chartered Governance Professionals.

The event began with welcoming remarks from Ernest Lee FCG HKFCG(PE), Institute President and Technical Partner, Deloitte China, who then highlighted the importance of the role of governance professionals in today's challenging business environment, as well as the extensive career prospects available.

The first session – Introduction of the Chartered Secretary and Chartered Governance Professional qualifications – included two interview sharing sessions. Discussions with senior members of the Institute were facilitated by Joey Chung FCG HKFCG, Executive Director, Human Resources Division, BOC International Holdings Ltd, while Daniel Chow FCG HKFCG(PE), Institute Treasurer, Qualifications Committee member and Senior Managing Director, FTI Consulting (Hong Kong) Ltd, and Michelle Ho FCG HKFCG(PE), Managing Director, Computershare, provided advice to participants on starting their career paths as governance professionals, and the skill sets and ability that employers are looking for.

The interview sharing with young members was facilitated by Flora Ho ACG HKACG, Assistant Manager,



Company Secretarial, Ant Group. Donald Lai ACG HKACG, Qualifications Committee member, and Senior Legal Counsel, CCB International (Holdings) Ltd, and Christopher Lui ACG HKACG, Membership Committee member, and Senior Manager – Corporate Services, Tricor Services Ltd, shared their stories of starting their careers as governance professionals. Institute Chief Executive Ellie Pang FCG HKFCG(PE) delivered the executive remarks to conclude this inspiring session.

The second session – Practical workshop and networking – included a CV review workshop conducted by Kamil Butt, Head of Legal/Corporate Governance, and Angel To, Corporate Governance & Legal Consultant, Randstad Hong Kong Ltd, and a workshop on professional image and workplace etiquette, which was presented by May Chan, Founder and Master Trainer, Spark Image Consultancy. Attendees also actively participated in the group discussions led by the Institute’s members and took part in the game booths.

The Institute would like to thank the Companies Registry for being the platinum sponsor and Baker & McKenzie for being the silver sponsor for this event; Ashford Benjamin Ltd, Chancery House Ltd and Randstad Hong Kong Ltd for

their generous support; and all the supporting universities and higher education institutions. The Institute would also like to thank all helpers, including Institute members, students, student ambassadors and undergraduates, for their contributions to Career Day 2023, as well as Erica Yuen, Institute student, for her role as MC.

For details of Career Day, please visit the Career Paths of a Governance Professional page under the Student Promotion & Activities subpage of the News & Events section of the Institute’s website: www.hkcgj.org.hk.



Advocacy (continued)

Latest global sustainability and climate disclosure standards, and HKEX rules

On 14 September 2023, Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Past International President, Honorary Adviser to Council and Institute Past President, and Executive Director and Company Secretary, CK Hutchison Holdings Ltd; Teresa Ko JP BBS FCG HKFCG, Senior Partner, Hong Kong and China Chairman, Freshfields Bruckhaus Deringer, and Co-Vice Chair, IFRS Foundation; Kelly Lee, Senior Vice President, Policy and Secretariat Services, Listing Division, Hong Kong Exchanges and Clearing Ltd (HKEX); and Gabriel Wilson-Otto, Head of Sustainable Investing

Strategy, Fidelity International, shared a number of successful case studies of Hong Kong-listed issuers, and discussed collaborative approaches to effectively implementing international sustainability and climate standards, as well as how to adapt governance to meet HKEX's evolving ESG requirements.

The seminar, supported by HKEX, was held at HKEX Connect Hall and attracted more than 1,200 participants (both physical and online).

A cocktail celebration was held after the seminar in honour of those who successfully completed the Institute's ESG Reporting Certification

Course. It was also an opportunity for governance professionals, senior management, academics and other stakeholders to network and discuss sustainability issues.

The Institute expresses its heartfelt appreciation to all those who supported the seminar, including speakers, panellists and HKEX.

The Institute will keep providing first-rate training to better prepare those needing to understand the changing ESG criteria and to help ensure stronger reporting.

See this month's In Focus article for a review of this seminar.



Chartered Governance Qualifying Programme (CGQP)

November 2023 examination diet

Examination admission slips, together with the Instructions to Candidates, were released in early November 2023. All candidates are reminded to follow the instructions before taking the examinations.

Candidates who are unable to attend the scheduled CGQP November 2023 examinations may apply for an examination postponement by submitting a relevant medical certificate and/or supporting document(s). All applications must be submitted to the Institute on or before Friday 21 December 2023.

Key dates

| Key dates | Description |
|--------------------|--|
| 21 December 2023 | Closing date for examination postponement applications |
| Late February 2024 | Release of examination results |
| Late February 2024 | Release of examination papers, mark schemes and examiners' reports |
| Mid-March 2024 | 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.hkcgj.org.hk.

For enquiries, please contact the Qualifications and Assessments Section: (852) 2830 6010, or email: exam@hkcgj.org.hk.

Studentship activities: September 2023

6 September

Student Gathering (6th session) – sharing from outstanding students in the CGQP examinations



26 September

Governance Professionals Information Session (Cantonese session)



Notice

Recruitment of CGQP examiners/reviewers

The Institute is now seeking experts who are willing to contribute to and uphold the standards of the Institute's qualifying programme as examiners/reviewers for the CGQP examinations. Interested parties are invited to send your full resume to exam@hkcgi.org.hk. Please quote 'QA_2023' and indicate the module(s) that you are interested in on or before 31 December 2023.

Role of examiners/reviewers:

- prepare and review examination papers and mark schemes
- mark and review examination answer scripts
- submit examiners/reviewers report
- attend group review meetings and panel meetings, and

- provide advice and updates to the syllabus content, study materials and recommended reading list.

Requirements for examiners/reviewers:

- sound working knowledge and experience of the module subject matter
- experience in setting a post-graduate level of examination paper and in marking answer scripts
- relevant academic and/or professional qualifications in the module subject matter, and
- being a member of the Institute and CGI is an advantage.

For enquiries, please contact the Qualifications and Assessments Section: (852) 2830 6015, or email: exam@hkcgi.org.hk.

CGj goes paperless and eco-friendly from January 2024

At the Institute, we are committed to adopting sustainable practices and preserving the environment as one of our priorities. We must also modernise and upgrade our communications with our members, students and the wider community in this increasingly digitalised world.

In 2015, we launched the electronic version of CGj, our monthly journal, for all members, graduates and students. We are pleased to announce that as of 30 June 2023, 6,550 subscribers have already opted for the electronic version (e-CGj), instead of the print version. This is a significant milestone for the Institute and we appreciate your support in helping us become more environmentally friendly.

As part of our commitment to these values, from the beginning of January 2024, we will no longer provide physical copies of CGj to our members, graduates and students. Instead, the journal will be available on our new website and will be sent to our subscribers via email.

We sincerely value your unwavering support in helping to preserve the environment.

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

Featured job openings

| Company name | Position |
|--|---|
| Hong Kong Red Cross | Corporate Communications Manager |
| The Hong Kong Chartered Governance Institute | Assistant Manager (Ref: QA2023-10) |
| The Hong Kong Chartered Governance Institute | Senior Officer/Officer, Marketing and Communications (Ref: MKT 2023-04) |
| Tradelink Electronic Commerce Ltd | Company Secretarial Assistant Officer/ Assistant Company Secretary |

For details of job openings, please visit the Job Openings for Governance Professionals section of the Institute's website: www.hkcgi.org.hk.



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