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Institute of Chartered Secretaries
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Integrated reporting

Is Hong Kong ready?

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Compliance culture
Corporate rescue

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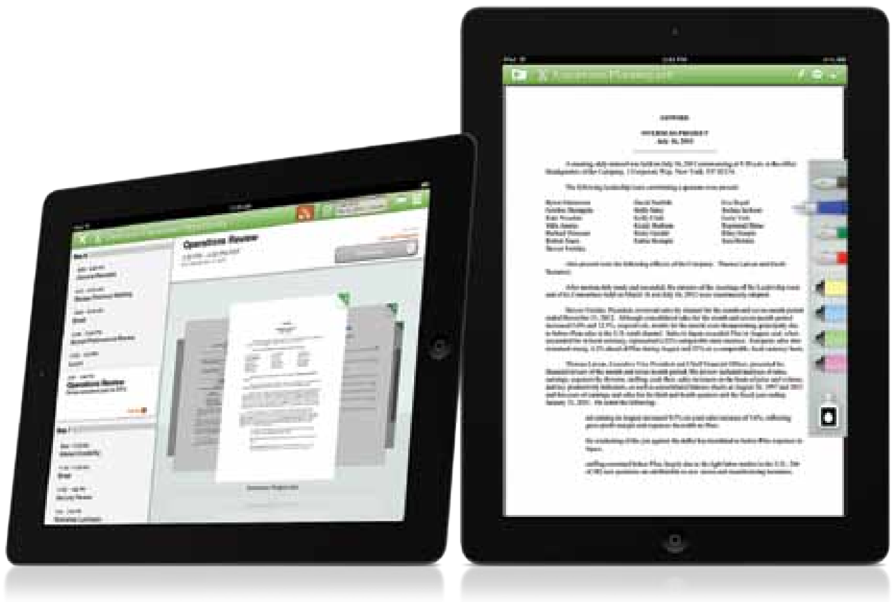

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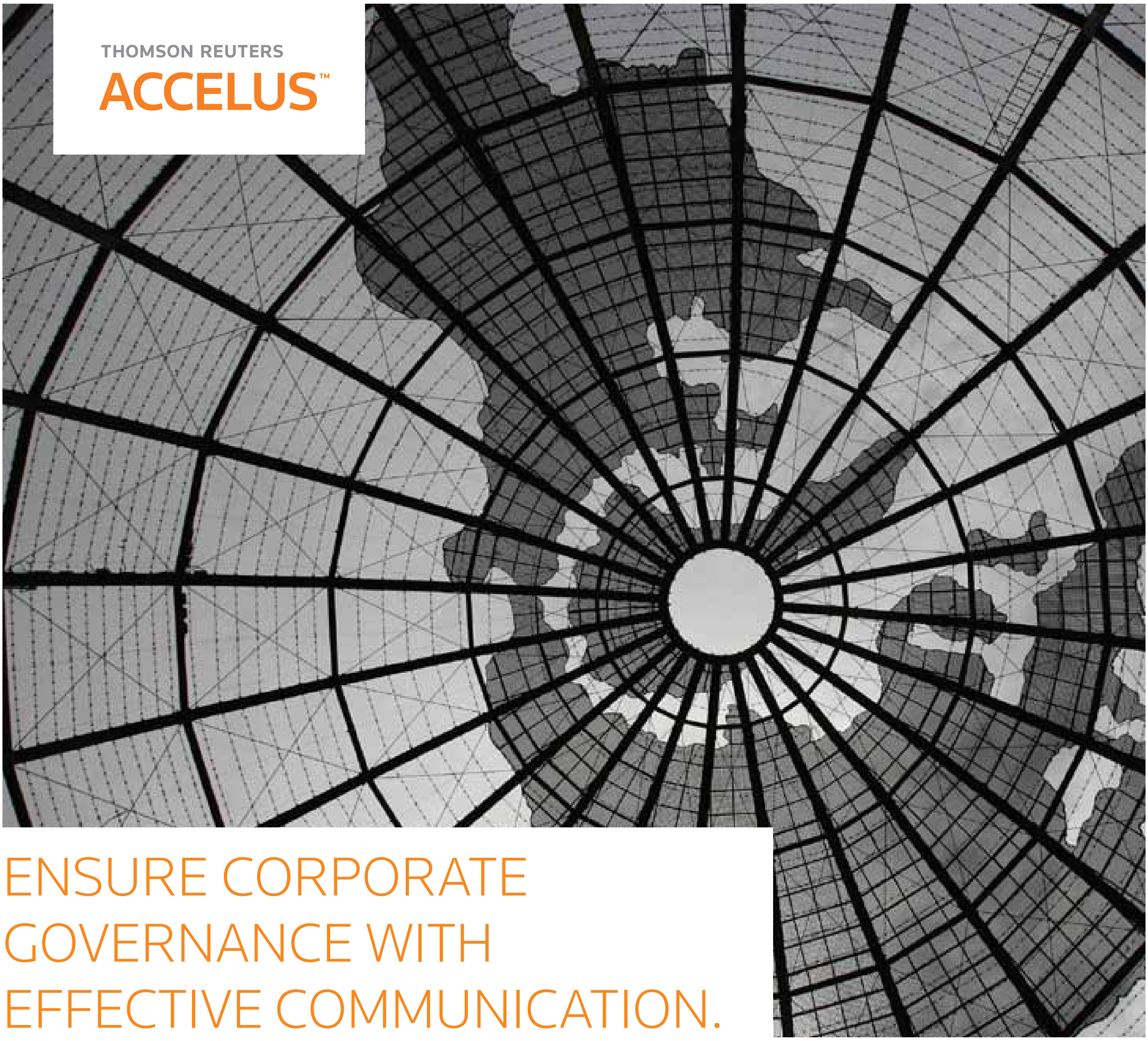

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The Hong Kong Institute of Chartered Secretaries (HKICS) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies in Hong Kong and throughout China,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

The HKICS was first established in 1949 as an association of Hong Kong members of the Institute of Chartered Secretaries and Administrators (ICSA) of London. It became a branch of ICSA in 1990 before gaining local status in 1994, and today has about 5,700 members and approximately 3,200 students.

Membership statistics update

As of 15 July 2013, the Institute's membership statistics were as follows:
Students: 3,197
Graduates: 470
Associates: 4,760
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Telling the story

Company secretaries, for obvious reasons, tend to approach their functions from a compliance angle and the task of preparing their company's periodic reports is no exception. There are of course a great many compliance issues that need to be considered before a corporate report can be distributed to stakeholders, but this month *CSj* asks us to step back from these issues to consider the ultimate purpose of the reporting process and further the dimensions of corporate reporting.

Globally there has been a convergence of thinking about corporate reporting which has highlighted the fact that reports often fail in their stated purpose, not because they omit details about the company's operations, but rather the opposite, they achieve spectacular detail without telling the essential story about how the company creates and sustains value.

Our first cover story this month (see pages 6-10) looks at the challenges involved in measuring and reporting on environmental, social and governance (ESG) factors. The related new G4 sustainability reporting guidelines from the Global Reporting Initiative (GRI) emphasise the need for companies to focus on materiality. Erin Lyon, Executive Director, CSR Asia, argues in our third cover story this month (see pages 18-21), that the core message of the G4 guidelines is that companies need to focus on what matters, and they need to link the facts and figures being reported to the company's core business strategy.

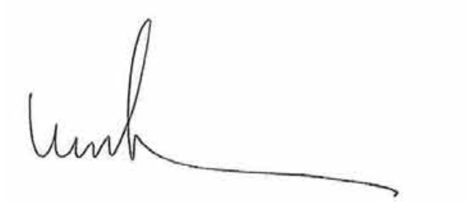
Similarly, the International Integrated Reporting Committee (IIRC) has focused attention on the connectivity and interdependencies between the range of factors that have a material effect on an organisation's ability to create value over time with the main target audience being the providers of financial capital. The IIRC launched a consultation draft of its *International Integrated Reporting Framework* earlier this year and expects to publish a framework by the end of the year. It has also recruited over 90 businesses worldwide, including a number of Hong Kong companies, to participate in a pilot programme designed to get feedback on the practical implementation of integrated reporting.

Among the Hong Kong businesses involved in this pilot programme is CLP Holdings Ltd, and this month we have an article on how companies can evolve towards integrated reporting from CLP's Company Secretary and our immediate past president April Chan. In our second cover story (see pages 12-16) April describes CLP's evolution from reporting only financial data to producing its first integrated report in 2011.

Step one in the process that leads to an integrated report is to recognise that stakeholders need much more than the financial statements to have a realistic chance of assessing the long-term health of a company. Companies therefore need to start measuring and reporting on a wide range of factors – the IIRC, for example, identifies six 'capitals' on which companies need to report (financial, manufactured, intellectual, human, social and relationship, and natural).

There are, as you might expect, arguments on both sides of the debate about integrated reporting in Hong Kong. While it may help organisations to foster cross-department cohesion and to better communicate the company's developments to investors, it also, inevitably, entails costs. As the Institute's submission to the IIRC's consultation on its draft *Framework* points out, adopting this reporting model will require additional manpower and time resources, particularly at the initial stage when talent is limited. Moreover, there are concerns about the absence of benchmarks and accepted standards for integrated reporting.

There are still a number of factors which will need to be in place for integrated reporting to gain widespread acceptance. These include the development of the necessary expertise within companies and of detailed practical guidelines. There is also the question of whether there will be sufficient demand for this type of reporting among users of corporate reports. As this debate develops, I think it will have served a useful purpose if it helps those involved in the preparation of corporate reports, including members of our profession, not to lose sight of the ultimate purpose of the corporate reporting exercise.



Edith Shih *FCIS FCS(PE)*

道出重点

基于明显理由，公司秘书一般从合规的角度处理工作，为公司准备定期报告时自然也没有例外。公司报告分发给利益相关人士之前，当然先要考虑许多合规事宜；可是今期月刊建议我们先不要顾虑这些事宜，反而应考虑制备报告的最终目的，并把报告公司事务的工作推向更广阔的层面。

全球各地对报告公司事务的工作都有同一看法，认为这些报告往往未能达到原本所陈述的目的，当中原因并非遗漏了公司业务运作的详情，而是刚刚相反：报告资料相当丰富，却没有说出最重要的故事，就是公司如何创造和保持价值。

今期第一个封面故事（见第6至10页）探讨衡量和报告环境、社会及治理事宜时所面对的挑战。全球报告倡议组织（GRI）最近发表的新G4可持续发展报告指引，强调公司须集中报告重要的事项。企业社会责任亚洲（CSR Asia）执行董事Erin Lyon在今期第三个封面故事（见第18至21页）中指出，G4指引的中心讯息，是公司须集中报告真正要紧的事，并须阐释所报告的事实和数据与公司核心业务策略的关系。

同样地，由于多项因素对机构长远创造价值的能力有重大影响，而报告的主要目标对象是提供财务资本的人士，国际综合报告委员会（IIRC）亦特别注意到这些因素之间的关连和相互关系。今年较早时，IIRC就其《国际综合报告大纲》草拟本进行谘询，相关大纲预料将于年底公布。该委员会亦邀请了全球各地90多家企业，包括多家香港公司，参与一项拟备综合报告的试验计划，以收集有关实际执行方面的意见。

中电控股有限公司是参与这项试验计划的香港公司之一。今期刊登的其中一篇文章，由中电的公司秘书，亦即公会上届会长陈姚慧儿撰写，论述公司如何逐渐向综合报告的方向发展。在第二个封面故事（见第12至16页）中，她缕述中电如何从单单报告财务数据，逐渐发展至在2011年制作第一本综合报告。

迈向综合报告的过程的第一步，是认识到除了财务报表外，利益相关人士需要更多资料，才可切实地评估公司的长远健康状况。因此，公司应开始衡量和报告多方面的因素，如IIRC便识别了六项公司须报告的「资本」（即财务资本、制成品资本、知识资本、人才资本、社会与关系资本，以及自然资本）。

正如大家所料，香港支持和反对综合报告的人士各有自己的理据。综合报告有助促进机构内各部门产生凝聚力，较全面地向投资者介绍公司的发展；另一方面，综合报告无可避免地牵涉更高成本。正如公会就IIRC大纲草拟本谘询提交的意见所指出，采纳这个报告模式须多花人力和时间，特别是在初期，具有这方面知识和专长的人士不多的时候。此外，目前缺乏综合报告的公认标准，也是令人关注的事实。

综合报告要得到广泛接受，还需要好些条件，包括在公司内发展所需专长，以及制定详尽的实务指引。此外还有一个问题，就是公司报告的使用者对这类报告的需求有多大。不过，在有关应否备制综合报告的争论中，假如能让拟备公司报告的人士（包括公司秘书）正视报告公司事务工作的最终目的，那这场争议已起到很好的作用。

施熙德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13,40%
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Integrated reporting: is Hong Kong ready?

Corporate reports that give stakeholders access to year-old financial statements and little else are clearly not sufficient. The notion, however, that companies currently serving up this stale fare can instantaneously upgrade to providing stakeholders with 'integrated' reports is highly contested. *CSj* asks whether Hong Kong is ready for integrated reporting.

As recently as 2010, sustainability reporting was the exclusive domain of a handful of large, high-profile companies in Hong Kong. ESG (environmental, social and governance) reporting had not yet found its way onto board agendas here and integrated reporting was largely unknown outside of South Africa. Only two and a half years later, however, the corporate reporting landscape in Hong Kong has changed significantly.

There has been a convergence of many different initiatives, both within and outside Hong Kong, which have combined to raise sustainability issues from minority concern to mainstream interest. Firstly, late last year, Hong Kong Exchanges and Clearing launched a new set of ESG guidelines as a recommended best practice. Then, earlier this year, came the consultation draft of the *International Integrated Reporting Framework* launched by the International Integrated Reporting Committee (IIRC). Lastly, the Global Reporting Initiative's (GRI) new G4 sustainability reporting guidelines were released in May this year.

These initiatives are by no means identical in purpose, but they have some central themes in common. The new corporate reporting model emerging from these and other initiatives emphasises the need for reports that:

- are more forward looking
- are wider in scope (in particular reporting on the so-called 'intangible' factors such as: reputation; employee engagement; the company's capacity for innovation; its environmental footprint; as well as the financial figures)
- take into account the connectivity between all these different factors, and
- are not afraid to articulate in clear terms the company's business model – how the company proposes to create value over the short, medium and long term.

So are we on the verge of a new era in corporate reporting? Few would dispute the advantages of the reporting model outlined above, but there are differing views on the best route to achieve it. Critics of the integrated reporting project point out that very few companies are in a position to start using the integrated reporting model since it takes significant commitment of time and resources to build up the expertise required to measure and report on intangibles. And for whom? In Asia, the primary providers of capital are families, and the value of integrated

Highlights

- integrated reporting requires businesses to measure and report on six 'capitals': financial, manufactured, intellectual, human, social and relationship, and natural
- few companies in Hong Kong currently produce sustainability reports, fewer still have made the further step into integrated reporting
- an internationally-accepted standard for the assurance of non-financial factors is still a long way off

> "these days all shareholders would like companies to account for the triple bottom line"

reporting targeting providers of financial capital is questionable, altough investor stewardship is an area that the Securities and Futures Commission is considering. Few companies in Hong Kong currently produce sustainability reports, so how likely is it that they will be able to make the further step into integrated reporting?

What is integrated reporting?

Although any company report that consolidates a company's financial and non-financial metrics together could be considered 'integrated', the IIRC is working to set a standard for what should be included in a truly integrated report. They have identified six 'capitals', or sources of a company's fortunes (financial, manufactured, intellectual, human, social and relationship, and natural), which companies need to measure and report on.

The IIRC, along with regulators, investors, companies and other interested parties, is consulting on a framework for companies to address each capital area in their company report. In 2012, the IIRC invited companies from around the world to participate in a pilot programme to test this framework, including Hong Kong's CLP and HSBC (for more about CLP's experience with integrated reporting, see this month's second cover story on pages 12-16). Today, when people talk about integrated reporting, they are mostly referring to the IIRC's *International Integrated Reporting Framework.*

At the centre of integrated reporting are concerns about how companies plan for their future. Nervousness over boom-and-bust business is not the only reason investors are thinking about sustainability. A company's brand health (with all the social and environmental implications involved), together with the quality and robustness of their talent pool are all as important indicators of future success as past and projected profits.

On top of this, the social values of investors are changing. 'These days, all shareholders would like companies to account for the triple bottom line,' says April Chan, Company Secretary for CLP. For a capital-intensive business in the energy sector, keeping up with investor expectations is especially important. With expectations changing, CLP has looked to integrated reporting (they filed their first in 2011, ahead of the IIRC draft framework) to help them keep ahead of investor trends.

'When they produce their reports a lot of companies mostly describe what they have been doing in the past. Not many people include in-depth coverage of their future outlook,' says Chan. This approach no longer satisfies most stakeholders, she argues, and what is needed is a report that expresses the values and principles that guided past actions and will guarantee future success. This is the 'why' and 'how' of the business, she adds.

This is perhaps the main attraction of the integrated reporting model for companies – it gives them a chance to define their own stories for investors and stakeholders. Chan cautions, however, that while integrated reporting can improve communication with stakeholders, it would be a mistake to see it as just a new approach to communication, or worse, PR.

'No matter what term you use, whether integrated reporting or not, your objective is to encourage long-term investment and business sustainability. Only then can you put all that information together to ensure your investors can make an informed decision,' she says.

ESG: a stepping stone to integrated reporting?

At the moment few Hong Kong companies have such an approach. The growing discussion of ESG reporting helps illustrate the challenge integrated reporting would pose to most companies here.

Sean Gilbert has had a front-row seat watching the rise of sustainability in Hong Kong and China for the past 13 years – first as the Director of the China Focal Point for the GRI, and then in his current role as Director of Climate Change and Sustainability in China with accounting firm KPMG. He believes it's part of a broader social development as much as a reaction to investor and regulatory expectations.

'The stereotype about Hong Kong has been that it runs on the idea that "whatever is good for business is good for Hong Kong" ...My sense now, though, is that there's a lot more dialogue starting up around environmental and social questions and how they relate to economic growth,' he says.

In part thanks to the Exchange's November 2012 guidelines on ESG reporting, many Hong Kong companies will be releasing their first sustainability reports this year. The guidelines remain voluntary until 2015 when the Exchange may upgrade them to 'comply or explain' status. Still, most companies have at least started considering how they will implement the guidelines.

As they do, says Gilbert, they are prone to making a critical error – that to produce a sustainability report, they need just to record what actions they are already taking. 'They see themselves as doing a lot of things, but that they just aren't well understood by other stakeholders and that what they need is a framework to package it up. I think that approach is fundamentally undermining what's really going on.'

Most companies have added CSR activities and sustainability measurements one at a time, generally in response to a specific situation or requirement. This *ad hoc* collection of data, practice, and standards, says Gilbert, isn't what investors or regulators have in mind when they talk about sustainability reporting. 'There are a lot of people out there saying these are business factors to manage and companies should have done their homework to understand what issues will affect them, and how, and what they need to do about them.'

Developing such an understanding is the first challenge for any company, Gilbert adds, but is also the one they underestimate the most. All companies have environmental and social footprints, but their impact varies so widely that each company must come to an individual understanding of what matters and why. This, he says, takes more than a few meetings between top officers. To comply with the Exchange's standards, you'll need to put together a well-reasoned argument with some factual base to it to explain what has been measured and how.

Reporting, whether in separate ESG reports, or in a fully integrated report, requires deep consideration of how sustainability applies to your current business and future strategy. 'Reporting should be the result of a management cycle – start by establishing good strategies and good systems and then the reporting will come much more easily,' says Gilbert.

Coming to grips with intangibles

Reporting on non-financial factors is a two-fold challenge; first you need to understand what is important and then you need to find ways to measure it. The integrated reporting framework can provide meaningful references in both areas.

Collecting and measuring the non-financials poses a challenge that must, in part, be worked through by trial and error. Cathay Pacific Airlines, one of the Hong Kong companies with the longest tradition of environmental and sustainability reporting, took years to develop their best processes.

Janice Lao, Environmental Manager for Cathay Pacific, recalls the challenges involved in collecting the most appropriate information. For example,

> "often numbers are not in themselves meaningful"

when the airline decided to include their resource consumption as part of their sustainability report, they initially collected data from every office – even tiny outposts worldwide. They quickly found that this detailed information was not only hard to get (some offices were not even equipped with water meters) but not particularly important when compared to the entire company's overall water usage.

'So now we just focus on regional offices at this point. The data is more robust and the cost-benefit of collecting the data from regional heads is much better for us. Still, one of our challenges is to get this information,' says Lao. For the many Hong Kong companies who are beginning to collect ESG data, numerous decisions such as these lie ahead.

Such challenges are simple when compared to reporting on yet more nebulous areas, such as CSR. 'We started measuring our community projects two years ago,' explains Lao. Measuring community impact is quite a bit harder than other non-financial factors, she adds. 'Of course, you could say that you've helped a certain number of children, or fed a certain number of people, but what exactly have you done? How do you measure the value to the community? Most companies are going to say: "we've done well", but it's hard to benchmark it. There's not a lot of information out there,' says Lao.

Cathay Pacific has turned to an outside organisation, the London Benchmarking Group, for help in choosing metrics to fairly and clearly express the impact of its community programmes. This standard has wide global recognition, which gives Cathay Pacific's reports the credibility their shareholders demand. It's a big help, but it's not nearly as straightforward as the standards for financial reporting.

Though the number of independent auditors offering non-financial assurance is growing, it is still up to companies to find and implement standards that are both appropriate and honest. The integrated reporting movement is helping push for the development of these standards, but for obvious reasons, a universal, internationally-accepted approach to match the standards surrounding financial disclosure is still a long way off.

Even when the data is available, it is often not enough to meet the needs of investors and other stakeholders. 'Often, numbers are not in themselves meaningful,' says Lao. A metric must be something people can relate to, otherwise they remain just abstractions. While it is up to each company to find the best way to express the non-financial aspects of their business, it is also part of the promise of integrated reporting to create a meaningful story from the particulars.

A new era?

At the moment few companies in Hong Kong are producing integrated reports and those that are being produced come on top of well-established sustainability programmes. As companies begin to develop their own sustainability programmes and put in place systems to measure ESG factors they may find themselves unable to express the scope and future trajectory of their company through traditional company reports and turn to integrated reporting. However, adopting this new reporting model, says Mohan Datwani, the Institute's Director of Technical and Research, should remain a voluntary choice left to them.

There are still issues to be resolved concerning integrated reporting – in particular, can companies afford it and will it help them reach their target audience. But no matter how quickly they adopt integrated reporting, Hong Kong companies can have confidence that, as their business continues to evolve, so do the systems that help them share their story with the world.

Sebastian Bitticks
Journalist

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Integrated reporting: tips on getting started

April Chan, Company Secretary, CLP Holdings Ltd, shares some of the experience her company has gained since switching to integrated reporting in 2011.

CLP's financial statement of 1902 consisted of one page of exclusively financial data. By 2012, CLP's annual report, based on the draft integrated reporting framework issued by the International Integrated Reporting Committee (IIRC), had grown to 230 pages and offered stakeholders information on a wide variety of factors, both financial and non-financial. While this journey has been a long one, there is still a lot of room for improvement, after all CLP only started issuing integrated reports in 2011. I would like to emphasise that my comments below are intended not as lessons in the right way to adopt integrated reporting but as an experience sharing exercise.

Six guiding principles

Every business is different and companies need to think about the best approach to reporting based on their own specific circumstances. Nevertheless the IIRC is currently working on a prototype framework (the *International Integrated Reporting Framework*) designed to establish a globally accepted framework which will ensure consistency and comparability to integrated reports worldwide.

In our 2012 annual report we applied the IIRC's prototype framework, reporting on the various 'capitals' on which our business depends: financial (our funding resources and capability); manufactured (our assets and investments); intellectual (our expertise); human (our people); social and relationship (our values, reputation and community involvement); and natural (our contribution to the environment). These are all, in one form or another, inputs to CLP's business model.

We have applied the IIRC's guidance in terms of applying the six guiding principles outlined in the prototype framework (set out in the following paragraphs), which the IIRC suggests should underpin the preparation of an integrated report. I have also outlined our approach to implementing these six guiding principles below.

1. Strategic focus and future orientation

The 'Chairman's Statement' and 'CEO's Strategic Review' sections of our annual report provide insight into our strategic objectives and explain how they relate to CLP's ability to create and sustain value over time. But in addition to 'strategic focus' the *Framework* also requires a 'future orientation' to your report. This requires a different approach to the selection and presentation of your report's content – for example, highlighting significant opportunities, risks and interdependencies flowing from the organisation's market position and business model that affect the organisation's ability to create value over time. That is, there needs to be a focus on the total picture of the organisation's unique value creation story.

2. Connectivity of information

An integrated report should show the combination, inter-relatedness and interdependencies between the components that are material to the organisation's ability to create value over time. One way in which we applied this principle was to link our annual report to all other information available to our stakeholders, including our online sustainability report and the wealth of information available on our website and in our other publications. These give our readers a connected view of our performance relating to the economic, social and environmental aspects of our activities. In the annual report we summarised CLP's sustainability goals, key aspects of delivery against these goals in 2012 and the manner in which this relates to the KPIs suggested by the Hong Kong Stock Exchange.

3. Stakeholder responsiveness

An integrated report should provide insight into the quality of the organisation's relationships with its key stakeholders and how, and to what extent, the organisation understands, takes into account and responds to their legitimate needs, interests and expectations. Responsiveness is demonstrated

Highlights

- the primary challenge for any company switching to integrated reporting is likely to be the difficulty of imposing the same level of discipline and quality control for non-financial information that you already have for your financial statements
- switching to integrated disclosure requires the cultivation of a 'can-do' mindset within your organisation
- obtaining senior management support may be a challenge particularly where reporting is still perceived as a costly and non-value-added compliance exercise

> an integrated report should show the combination, inter-relatedness and interdependencies between the components that are material to the organisation's ability to create value over time

through actual actions and outcomes as well as ongoing communication with stakeholders.

Making internal processes more transparent is valuable to most stakeholders. In our 2012 annual report, we made a point of explaining CLP's relationships with key stakeholders such as shareholders, lenders, employees, customers and the wider community in which we operate. The nature of our business requires effective engagement with governments, politicians and key decision makers.

4. Materiality and conciseness
An integrated report should provide concise information that is material to assessing the organisation's ability to create value in the short, medium and long term. Determining materiality involves identifying relevant matters, assessing the significance of those matters in order to determine their ability to influence decision making and prioritising the matters identified.

It is a challenge to describe a business of the size, geographic range, technological diversity and complexity of CLP in a succinct manner. Nevertheless, we presented a five-minute annual report to provide material information and data at a glance. In addition, we use our online sustainability report and the information on our website to help stakeholders make their own choice about the breadth of information which they wish to access in order to make informed decisions about their capital allocation and their wider dealings with CLP.

5. Reliability and completeness
The reliability of information in an annual report is affected by its completeness, neutrality and freedom from error. It is not always possible for all information in an integrated report to be complete, neutral and free from error in every respect. So the objective is to maximise these qualities to the extent practicable, for example by ensuring that any negative matters are as faithfully reported as positive ones.

Our governance processes, which are described in our corporate governance report, are essential to ensuring the honesty, accuracy and reliability of the information set out in our annual report and online sustainability report. We seek to apply the same level of discipline and quality control to the environmental and social information we disclose as we do to our financial statements on the basis that both types of information are important to our stakeholders.

6. Consistency and comparability
The information in an integrated report should be presented in a way that enables comparison with other organisations and on a basis that is consistent over time. Reporting policies should be followed consistently from one period to the next unless a change is needed to improve the quality of information reported. We measured CLP's performance on matters such as tariff, customer turnover, investment returns and many other elements against wider market references whenever this contributed to a better understanding of our performance.

The challenges
Adopting the integrated reporting model may seem quite daunting for businesses, but many of the questions this process requires you to ask are questions that

you will inevitably have to address at some point in your corporate reporting journey. You need to think broadly about the major characteristics and qualities of your business. How do they create value? Who are the key stakeholders in your business? What do they need to know about how your business delivers value to them?

You then need to:

- gain board and senior management support for broad-based disclosure
- develop a framework for reporting
- provide guidelines and obtain acceptance by business units
- strengthen information systems and controls to capture relevant and material information, and, above all,
- communicate to keep everybody on the right track.

This process will not be an easy one and we at CLP have faced many challenges in our migration to integrated reporting. I have outlined our approach to the main challenges we faced, in no particular order, below.

1. Disclosing non-financial information
The primary challenge for any company switching to integrated reporting is likely to be the difficulty of imposing the same level of discipline and quality control for non-financial information that you already have for your financial statements. Due to the wide range of non-financial disclosures, there are no widely accepted metrics which can be easily adopted and used for comparison with peers in the same industry. Moreover, non-financial disclosures are not specified in accounting standards and they are not disciplined by external audit. In addition to these constraints, non-financial disclosures are not currently driven by mandatory legal and regulatory requirements, so there may well be questions raised about why the company is devoting the not inconsiderable resources needed to make these disclosures.

2. Cultivating the right mindset
To successfully achieve integrated disclosure you need to have cooperation from your colleagues to collect the relevant data for disclosure and people in your organisation may be reluctant to adapt their current work practices to ensure this new data is captured. Switching to integrated disclosure therefore requires the cultivation of a 'can-do' mindset within your organisation.

This is all the more critical because there are many challenges to be faced in the collection and the interpretation of the metrics. For example, the choice of the reference date for this data can make a big difference to the resulting performance indicator. You need to avoid the charge of manipulation of your data and you need to ensure consistency in applying your metrics and data so that investors are able to compare performance indicators on a year-on-year basis and benchmark them against industry peers.

Cultivating the right mindset within your organisation is therefore critical to meet the challenges of this process and transform it from an information compilation exercise to one geared towards achieving an understanding of how all these different factors complement each other and contribute to the long-term sustainable growth of the business.

The CLP corporate reporting timeline

1902 – One page financial statement covering only financial data.

1951 – 14-page financial statement covering only financial data.

1967 – Annual report comprises 46 pages and includes a management commentary for the first time.

1997 – Launch of the *EHS Review* which reports on the environmental, health and safety aspects of the business and is designed primarily for interest groups.

2002 – The eight-page *EHS Review* is expanded into a 28-page *Social & Environmental Report* which is sent together with the annual report to shareholders.

2007 – The *Social & Environmental Report* becomes the *Sustainability Report* with an increased emphasis on sustainability issues.

2009 – Launch of the 211-page online *Sustainability Report* devoted to more up-to-date information about how the company tackles sustainability issues.

2011 – Launch of the first integrated report giving a full description of how the company addresses the economic, social and environmental aspects of the business. The comprehensive online version of the 262-page *Sustainability Report* remains as a useful tool to access more up-to-date information.

2012 – The integrated report makes reference to the IIRC's prototype framework for integrated reporting.

> you will need to be technologically prepared and enabled to disseminate information, including your integrated report, and respond to any enquiries or comments from stakeholders

3. Adapting operational procedures

As mentioned above, people tend to prefer to stick to their 'business as usual' routines, but to capture the relevant and material information for sustainability reporting, your organisation needs to adapt its operational systems. You cannot afford to take a rigid and fixed approach to existing operational systems, particularly in this example your information systems, if you want to be able to collect the right set of data and compile the information that needs to be disclosed. Building knowledge and experience across the reporting system will be essential to long-term success.

4. Ensuring adequate resources

To report accurately on the commercial, social and environmental aspects of your business, you will require more trained manpower and increased staff time devoted to collect, organise and verify the data. Obtaining senior management support may be a challenge particularly in organisations where reporting is still perceived as a costly and non-value-added compliance exercise.

5. Knowing the limits of disclosure

While a switch to integrated reporting is likely to expand the scope of information disclosed to your stakeholders, this does not mean that you need to disclose everything. There may be perfectly good reasons to withhold certain information from stakeholders. You may need, for example, to strike a balance between meeting the information needs of your stakeholders and protecting commercially sensitive information.

Another consideration is the potential legal issues involved when disclosing forward-looking information. As mentioned above, integrated reporting encourages reporters to have a greater focus on the future but this has raised many concerns, in particular about directors' liability. These might be addressed through the adoption of globally accepted and harmonised 'safe harbours', or the adoption of a broad 'business judgement rule'. Another potential remedy may be found in better D&O insurance cover.

6. Using technology

Advances in technology have meant that corporate reports can be much more widely and quickly disseminated than previously. Moreover, stakeholders expect almost instant responses to their enquiries through the new online media. As a result you will need to be technologically prepared and enabled to disseminate information, including your integrated report, and respond to any enquiries or comments from stakeholders.

Integrated thinking

In corporate reporting, it has always been CLP's approach to give a comprehensive view of the businesses of our company and communicate our value creation process concisely to investors for better decision-making. The IIRC's *International Integrated Reporting Framework* is consistent with this approach with a view to bringing together material information about our strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which we operate.

April Chan ***FCIS FCS(PE)***
Company Secretary
CLP Holdings Ltd

The IIRC's 'International Integrated Reporting Framework' was subject to a public consultation earlier this year and has been developed with input from over 90 businesses worldwide (including CLP Holdings Ltd). The IIRC hopes to publish the first version of the Framework by the end of this year. More information is available at the IIRC website (www.theiirc.org).

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What's new in the GRI G4?

The latest generation of sustainability reporting guidelines from the Global Reporting Initiative were launched in May this year. Erin Lyon, Executive Director, CSR Asia, takes a look at the major changes from the G3.1 guidelines they replace, and highlights what G4 will mean for both reporters and readers.

In the late 1990s, the Coalition for Environmentally Responsible Economies (CERES) and the Tellus Institute developed a framework for environmental reporting. To develop the framework CERES established a 'Global Reporting Initiative' project department. In 1998 a multi-stakeholder Steering Committee was established to develop GRI's guidance with a mandate to 'do more than the environment'. In 2000 the first version of the guidelines were launched and in 2001 GRI became an independent institution.

In 2002 the second generation of the guidelines, known as G2, was unveiled at the World Summit on Sustainable Development and later that same year GRI was recognised as a United Nations Environment Programme (UNEP) collaborating organisation and relocated to Amsterdam as an independent non-profit organisation. The G3 guidelines were launched in 2006 after collaboration with over 3,000 global experts. G3.1, launched in 2011, built on G3 with additional indicators and guidance. G4 is the latest in that development process and was designed to consolidate different sustainability norms and codes as well as to be easier to use and navigate.

The guidelines have the unenviable task of having to be fit for purpose for a wide variety of stakeholders, resulting in users that may be critical of, and yet dependent upon, GRI as the most widely accepted sustainability reporting framework.

What's new in G4 and why does it matter?

G4 is the next installment in the development of reporting guidelines. Towards the end of its tenure, G3.1 was criticised for not being aligned with developments like the Greenhouse Gas Protocol (the most widely-used international accounting tool to understand, quantify and manage greenhouse gas emissions) and the UN Guiding Principles on Business and Human Rights. As guidance for business on specific issues developed over time, the reporting framework needed to evolve accordingly. Expectations were high at the start of the G4 process, in particular there were hopes for a strong shift towards an integrated reporting approach. G4 now states that 'sustainability reporting is an intrinsic element of integrated reporting' and as such is advocating that the process of creating a sustainability report is essential in order to allow the development of an integrated report.

The main changes at a glance

Materiality is key

G4's core concept is reporting what matters. That's not new to GRI, it simply got lost in G3 with the over-emphasis on indicator disclosure. Companies need to have the confidence to report what matters, not just everything measured.

Application levels have gone

These have been replaced with three options. Companies must now disclose whether or not the report is 'in accordance with' GRI. 'In accordance with' can be at two levels – core and comprehensive. The third option, leaving the door open for those who simply report sustainability data, is that reporters can state: 'This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines'. Why does this matter? The GRI G3 application levels were the most misunderstood and misreported element of G3 and arguably undermined the principles of the guidelines. An A+ report was commonly mistaken for a reference to sustainability performance rather than disclosure level.

Assurance needs to be clearer

Reporters need to be clear exactly what information has been assured. The GRI Index has a new column requiring a clear statement on what data has been assured. Different parties can assure different parts of a report.

The Disclosure on Management Approach (DMA) has changed

General DMA requires companies to disclose three basic items for the material topics. For certain topics more detailed guidance on what should be considered for inclusion in the DMA is provided.

When should you use G4?

GRI will recognise reports using G3.1 for two further reporting cycles. Reports published after December 2015 should be in accordance with G4. New reporters are encouraged to start with G4.

Highlights

- G4's core concept is reporting what matters, not just everything measured
- G4 requires reports to be better aligned with company strategy
- reporters need to be clear exactly what information has been assured

> **for far too long companies have been able to produce meaningless sustainability data unrelated to strategy and without context**

What's the response?

The fanfare at the recent GRI conference compelled attendees to 'leave as ambassadors for G4'. Does G4 need diplomatic intervention or is it strong enough to speak for itself?

My initial reaction is that users will need time to embrace the new guidelines, but once they get close to them and realise the benefits that the guidelines can offer, a new found appreciation of GRI may occur if, and only if, the user is willing and able to invest the time in understanding the guidelines and their intent. However, that will require commitment and there is some recognised frustration with G4 – that 'in accordance with' will be read as 'good' or 'bad' reporting rather than 'comprehensive' or 'core' and that clear guidance on how companies should report sustainability context has not been included.

At a total of 360 pages, the new guidelines will inevitably be daunting for those unfamiliar with sustainability reporting, but it is comforting to know that so much detail is available. Comprehensive guidance is required, especially given that so many companies are new to sustainability. Despite all those it may deter, the result could ultimately be better quality reports – for far too long companies have been able to produce meaningless sustainability data unrelated to strategy and without context. Reporters now have to ensure data is directly linked to key strategic issues. A company needs to really understand material issues before reporting begins which may lead to a short-term decrease in new reports, but hopefully, an overall rise in the standard of reporting.

What does it mean for reporters

Users (by that I mean those responsible for putting together a report) must now be operating from positions of influence within their organisation. G4 requires a report that is focused on material issues, which means that a report is aligned with company strategy. Reporters who have simply been collecting and reporting data, no matter how comprehensive, but with no reference to how sustainability performance relates to strategy will struggle to report in accordance with G4. Use of G4 should mean that the report is no longer the focus of sustainability

ESG reporting in Hong Kong

Environmental, social and governance (ESG) reporting will become mandatory for public companies and larger private companies next year when the requirement for a more analytical and forward-looking 'business review' is implemented as part of the new Companies Ordinance. Such companies will be required to include a business review as part of their directors' report. The review will need to include a discussion of the company's environmental policies and performance as well as an account of the company's key relationships with its employees, customers and suppliers and others that have a significant impact on the company and on which the company's success depends.

Companies looking for guidance on ESG reporting have some home-made guidelines to refer to. In December 2012, Hong Kong Exchanges and Clearing (HKEx) added its *Environmental, Social and Governance Reporting Guide* to the listing rules. The guide is currently a recommended best practice, but may be elevated to 'comply-or-explain' status by 2015.

The Exchange hopes its ESG reporting guide will help issuers voluntarily adopt international practices for ESG reporting. The guide highlights the need for the use of key performance indicators to give investors comparable, comprehensive and quantitative data to assess the performance of companies on ESG issues.

More information is available on the HKEx website (www.hkex.com.hk).

> **“ultimately companies need the confidence to report on material issues, on what matters for the future of the business, and G4 may well give them the confidence to do that”**

activity, but a tool to articulate strategy and measure progress.

What does it mean for readers?

It should mean that reports actually outline what the relevant, material issues are and how the company manages those issues. It remains to be seen which companies have the confidence to do that and not revert to default practices of simply providing as much data as they can access. Reports should be comprehensive on material issues and provide comfort that assurance has been undertaken for the most significant and complex of concerns.

Realities to expect

Not everyone will embrace G4. Some companies will feel pressure to report, but won't have senior management buy-in to report against G4 and will continue to provide a broad set of indicator data only.

It is somewhat inevitable that country-specific trends or approaches will emerge – China and Japan being the obvious immediate two examples in the region. Historically Japanese companies have selected what works for them in GRI and reported that way. China will surely adapt GRI with Chinese characteristics. Indian companies will also have to manage how the guidelines interact with their new legislation on CSR.

Hopefully companies will explore what it means to report – really understand who they are reporting for and deliver accordingly. For example, where companies are providing data for investors, a report could take an entirely different structure from a company listed in Asia with limited tradeable shares.

Ultimately companies need the confidence to report on material issues, on what matters for the future of the business, and G4 may well give them the confidence to do that.

Erin Lyon
Executive Director, CSR Asia

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The new G4 guidelines can be downloaded from the GRI website: www.globalreporting.org. CSR Asia provides workshops on the new GRI G4 guidelines designed to help practitioners at various stages of their reporting journey gain practical skills for its implementation.

Copycat capitalists

China's economic success has led to some rather unusual disruptions to the usual battlelines over free-market versus state-sponsored capitalism. Western countries that have traditionally been staunch defenders of the free-market variety have been shifting towards statism, even as China continues its historical trend toward a more market-oriented brand of capitalism. Alexander Friedman, Global Chief Investment Officer for UBS Wealth Management, looks at the risks for both China and the West in this strange new *pas de deux.*

It is all too easy to envy China. At current growth rates, the Chinese economy will double in size in only nine years, raising an estimated 100 million people above the poverty line in the process.

Compare this to the major economies of the Western world. The eurozone's GDP remains mired below 2008 levels, and the US last enjoyed Chinese-style growth back in 1984, when gasoline was US$1.10 a gallon and the first Apple Macintosh was rolling off the production line in California.

Given the West's anemic performance in recent years, it is hardly surprising that envy of China's economic dynamism has manifested itself in official policy. Recent examples range from direct market interventions (such as America's effort to boost its automotive industry via the 'cash for clunkers' programme), to the British government's attempt to reflate the UK's housing market by guaranteeing mortgages under its 'help to buy' scheme.

Even hitherto independent central banks have not escaped the creep toward state-sponsored capitalism. The US Federal Reserve has been gently encouraged to buy 90% of annual net issuance of US Treasury bills, effectively funding the US fiscal deficit and ensuring, via the resulting negative real interest rates, that businesses and individuals wishing to save, rather than spend, will lose purchasing power by doing so.

Ironically, Western countries are shifting to statism at the very moment that China appears to be heading in the opposite direction – witness its recent moves to liberalise its financial system. In just 10 years, the share of state-directed bank lending in China has fallen from 92% of new credit creation to less than half.

But copycat capitalism is not without risk; indeed, it is unlikely to end without someone getting scratched. The West's efforts to emulate China are hindered by its inability to replicate the conditions of Chinese growth, such as labour mobilisation, and its unwillingness to pursue practices such as the one-child policy. Thus, the West's forays into state capitalism are more likely to result in the misallocation of capital, more in the vein of China's vastly oversupplied steel industry but without the stellar headline economic performance of the national economy.

Coming from the other direction, China's crawl toward a more market-oriented brand of capitalism also has potential pitfalls. We need look no further than its recent problems with so-called wealth-management products (WMPs) for evidence that reform intentions without adequate regulatory institutions can cause problems.

> "copycat capitalism is not without risk; indeed, it is unlikely to end without someone getting scratched"

WMPs were commonly marketed to individuals as alternatives to deposit accounts. But the funds contributed were then invested in riskier assets that included 'trust loans' to companies such as property developers. The number of trust loans rose by 40% in 2012, which triggered serious concern among China's authorities that WMPs could become the next financial WMDs [weapons of mass destruction], because banks had strong incentives to make uneconomic lending decisions.

The subsequent state-directed WMP regulation put a brake on credit creation and sent Chinese stock markets plunging. Ultimately, however, the measures should enable China's shadow banking system to continue to grow at a more manageable pace and in a more sustainable way.

There is a risk that the lack of growth in the West may make economic transformation in the direction of the Chinese model appear more urgent to its governments. But the Western economic model has brought about unprecedented standards of living. This achievement should not be dismissed because of one crisis, no matter how prolonged, and the economic model that produced today's living standards should not be cast aside without careful consideration.

By contrast, China's rapid growth should not obscure its need for economic change. According to the International Monetary Fund, at some point between 2020 and 2025, China will pass what economists call the 'Lewis turning point', at which a country's vast supply of low-cost workers is exhausted and factors such as labour mobilisation provide a diminishing contribution to growth. With smaller demographic and resource advantages in the coming years, the consequences of capital misallocation, unavoidable under a state-directed economic model, will come to the fore.

As China's recent experience with WMPs demonstrates, economic change can expose old problems and create new ones. Ironically, China's transformation from a state-directed to a market-driven economy may require the greatest amount of planning of all.

Alexander Friedman

Global Chief Investment Officer, UBS Wealth Management

Highlights

- the lack of growth in the West is creating interest in China's model of state-directed capitalism
- the West cannot replicate the conditions of Chinese growth and direct state interventions in the market are likely to result in the misallocation of capital
- similarly, in the absence of the West's market infrastructure, China's market reforms can sometimes backfire

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Please Act Now!

模仿资本主义

中国的经济成就，有点不寻常地扰乱了自由市场与国家资本主义之间向来的敌对状态。传统以来坚决捍卫自由市场的西方国家，逐渐向中央集权经济统制转化；而中国则继续随历史趋势发展，迈向较为市场导向的资本主义。UBS财富管理公司全球首席投资官Alexander Friedman探讨中国和西方国家在这场奇妙的新编双人舞中面对的风险。

苏黎世—中国太招人嫉妒了。按照目前的增长率，中国经济只消九年就能翻番，让大约1亿人脱离贫困状态。

再来看看西方世界主要经济体。欧元区国内生产总值仍在2008年水平之下苦苦挣扎，而美国最後一次经历中国式增长已要追溯到1984年汽油价格1.10美元/加仑、第一台苹果Macintosh电脑从加州生产线下线的时候。

近几年来，西方表现平平，因此对中国经济活力的羡慕体现于官方政策中，自然不足为奇。最新的例子包括直接市场干预（比如美国试图通过“旧车换现金”项目提振汽车工业）、英国政府以“助买”制度为按揭提供担保，试图从而提振英国房地产市场等。

就连此前一直保持独立的中央银行也无法脱离迈向国家资本主义的趋势。美国温和地鼓励联邦储备局购买占年净发行量90%的美国国债，使联储局实际上补贴了美国的财政赤字；由此产生的负实际利率，让意欲存钱而不是花钱的企业和个人因为储蓄而丧失购买力。

讽刺的是，在西方国家迈向中央集权经济统制的同时，中国却在向相反的方向前进——其最近金融体系自由化的动作就是明证。在短短十年间，中国的国家指导银行贷款占新增信用创造比从92%降到了一半以下。

但模仿的资本主义并不是没有风险的，最后总有人要受到损失。西方模仿中国的障碍在于它无法复制中国增长的条件（比如劳动力动员能力），也不愿贯彻某些措施（比如计划生育）。因此，西方突然转向国家资本主义更可能导致资本的错误配置，重蹈中国钢铁工业供给大量过剩的覆辙，却又不像中国那样有著耀眼的国民经济表现。

另一方面，中国向市场导向的资本主义逐渐迈进的过程，也有潜在陷阱。只消看看其最近爆出的所谓理财产品问题，就可以清楚地看到，空有改革意图而没有适当的监管制度配合，会产生大问题。

理财产品通常作为储蓄存款的替代品而向个人销售，但由此集中起来的资金，却投资于高风险资产，包括流向房地产开发商等公司的“信托贷款”。2012年，信托贷款数量增加了40%，引起了中国当局对于理财产品可能成为下一个金融“大规模杀伤性武器”的严重担忧，因为银行有很大的诱因做出不符合经济原则的贷款决策。

其後国家指导的理财产品监管给信用创造踩了一脚急刹车，也让中国股市暴跌。但是，这些措施最终可以让中国的影子银行系统以可驾驭的速度实现更加可持续的增长。

西方的经济发展有一个风险，就是增长不振的情况可能让西方国家的政府认为有迫切需要朝著中国经济模式的方向转化。但西方经济模式造就了前所未有的高生活水平，这成就不能因为一场危机而抹杀，不管这场危机维持多久；造就如今生活水平的经济模式，不应不假思索地弃如敝屣。

相反，中国的快速增长也不应掩盖经济转型的需要。据国际货币基金组织预测，2020–2025年间，中国将越过经济学上的“刘易斯拐点”，庞大的低成本劳动力供应耗尽，劳动力动员等因素对增长的贡献将走上下坡路。随着未来几年人口和资源优势的减退，国家导向经济模式不可避免地造成的资本配置不当的后果将显现出来。

中国最近的理财产品问题表明，经济变革会暴露旧问题、创造新问题。讽刺的是，中国从国家导向经济向市场经济的转型，或许正需要最大规模的计划。

亚历山大·弗里德曼
(Alexander Friedman)
UBS财富管理公司全球首席投资官。

摘要

- 西方增长不振的情况，让政府对中国的国家导向资本主义模式产生兴趣
- 西方无法复制中国增长的条件，国家直接干预市场很可能导致资本的错误配置
- 同样，在欠缺西方的市场基础架构的情况下，中国的市场改革有时可能适得其反

Establishing and maintaining a culture of compliance

Does your company regard compliance as an added value to your business or as a business cost? Bill Dee, Director, Compliance and Complaints Advisory Services Pty Ltd, Australia, and Angus Young, Assistant Professor, Hang Seng Management College, Hong Kong, give some tips on how to establish a culture of compliance in your company.

Everyone thinks they know what compliance means – it is assumed that compliance is just about companies meeting their legal obligations. Compliance professionals are very aware that compliance is more than having a tick list of 'things to do' to ensure compliance with relevant laws. This approach does not create good corporate citizens or governance.

Compliance should entail a commitment to ethical values and corporate social responsibilities throughout the organisation. Also compliance should not be thought of as business cost or simply a reduction of legal risk – it is an added value because it increases the public's trust of corporations – it demonstrates that they are 'doing the right thing'. To achieve this it has to come from the top, but also staff at all levels have to embrace compliance as part of corporate culture and the way companies do business. The first step therefore is to educate the board and the second is to train staff.

Why establish a culture of compliance?

There are a number of compelling reasons why business executives and corporations should be concerned with compliance. These include:

- it is the law and conforming to the law is very much part and parcel of good corporate governance
- courts take into account whether there is a culture of compliance when assessing penalties
- it reduces the risk of heavy fines, high legal fees and, most importantly, damage to reputation caused by engaging in conduct that society deems to be unacceptable, and
- it reduces the risk of incurring opportunity costs in dealings with regulators.

In a nutshell, a culture of compliance with legislation and regulation is not an optional extra, but an essential element of doing business.

How to establish a culture of compliance

There are two critical aspects of how to establish a culture of compliance: attitude and infrastructure. Both are required to establish and maintain such a culture.

1. Attitude

The first thing to bear in mind is that a compliance culture can't be bought 'off the shelf', it has to be nurtured. Commentators agree that culture is all about the shared values, beliefs and attitudes within an organisation. You need to consider how your corporation embraces and applies the concept of compliance to its total business strategy and implementation. The basic test of whether a corporation has an effective compliance culture is whether or not compliance is accepted as a business added value rather than a business cost.

For a culture of compliance to be successful it has to be top driven and have the right 'tone at the top'. The expression 'tone at the top' has become a compliance mantra and rallying call for industry and regulators in recognition of the significant influence that organisational leaders such as the board and senior management exert on employee attitudes and, as a consequence, on the entire range of organisational behaviours. A culture of compliance occurs when the

Highlights

- compliance should not be thought of as a business cost or simply a reduction of legal risk – it is an added value because it increases the public's trust of corporations
- a compliance culture can't be bought 'off the shelf', it has to be nurtured
- for a culture of compliance to be successful it has to be top driven and have the right 'tone at the top'

> "a culture of compliance with legislation and regulation is not an optional extra but an essential element of doing business"

whole organisation has a low tolerance to breaking the law.

Some top managers may profess fake support for compliance but, at the same time, send signals (by wilful omission or otherwise) that they are actually indifferent to it. Such wilful and deliberate blindness by top management can totally negate a 'professed' culture of compliance. The executive and senior management must visibly and actively 'own' compliance. They are specifically tasked with ensuring that compliance is adequately resourced, is given a place at management meetings and in reporting, and most importantly will foster transparency of compliance reporting.

2. Infrastructure

Tone at the top is undoubtedly critical for a healthy culture of corporate compliance. The chief executive officer, the board chairman and the directors must be clearly seen by both word and practical example to set a culture of compliance within the organisation. But these behaviours alone won't result in a compliant organisation. A good compliance culture links specific people, to specific documents, control points and risks, and ultimately to a specific goal. In a good culture of compliance, this will be a seamless web. In the words of the now Chief Justice of the High Court of Australia, then a Federal Court judge: 'Broadly speaking it may be said that the clearest indicator of a corporate culture of compliance is the existence within a corporation of effective compliance programmes.'

An unambiguous commitment at the top of the corporate heirarchy to effective compliance must be backed up by a comprehensive compliance management system including supporting internal practices and procedures.

The board/ top management must:

- have serious compliance breaches and especially regulator concerns escalated to them
- ensure reporting systems to the board are in place and that reporting is timely (reporting involves not only reporting of non-compliance but reporting back against strategies to improve or rectify compliance)
- understand compliance (education may be needed)
- appoint a senior manager with sufficient authority as a compliance manager/ officer
- ensure the compliance manager has access to all relevant board committees and the board if needed
- resource and empower compliance – that is, put board authority behind it
- receive and act upon incisive reporting (not just 'noting' it)
- ask probing questions, and
- have access to and use actual compliance expertise.

There should be adequate resources for the compliance function including:

- a compliance manager or officer
- access to expert advice
- a committee that covers compliance matters
- annual training, and
- policies and practices.

Regulatory risk assessment

Risk assessment is about assessing the likelihood and the consequences of breaches of applicable laws. This means that companies need to determine which regulatory risks are most likely to occur and then identify which ones would have the greatest impact. This involves undertaking an analysis of the nature of the company's operations, what type of market it operates in, what guidelines the regulators have published that are relevant to the firm and the results of any enforcement activity regulators have taken in the industry that the firm operates in. Once risks have been identified controls/ procedures/ practices need to be developed to manage those risks.

Operational compliance

Operational compliance covers the day-to-day processes and systems for compliance. These could include:

- procedural work instructions
- systems and exception reports
- approvals
- segregation of duties
- mandatory face-to-face annual training of high- and medium-risk staff, including scenario-based training and role playing
- annual completion of online training
- six-monthly completion of compliance questionnaires and certificates
- communications to staff on relevant issues on an ongoing basis
- channels for providing on-the-spot advice
- visible and accessible means of reporting suspected breaches to the compliance manager, and
- communication of the consequences of breaching competition legislation provisions to high-risk staff.

Monitoring systems

Regular and documented monitoring to ensure adherence to procedures is an important due diligence feature. Where compliance is essentially behavioural (such as compliance with competition legislation) the reporting systems of complaints handling and whistleblowing systems are the most appropriate forms of monitoring.

Other forms of monitoring could include:

- the compliance manager undertaking unannounced spot checks to ensure procedures are being followed
- ensuring mandatory attendance at training
- ensuring completion of compliance certification and questionnaires, and
- involving in-house auditors to undertake audits that procedures designed to control high-risk matters are being conformed to.

Education and training

Annual face-to-face training for at-risk staff should be implemented. The training should identify and deal with day-to-day, real-world risk situations and how to handle them – this can be done through hypothetical scenarios and role playing. New staff, particularly those who are classified as at risk, should be required to complete the online training and testing programme within a month and should attend face-to face training at quarterly catch-up sessions.

Because some training is conducted annually, a concern arises as to how to keep competition legislation compliance up to date, particularly for at-risk staff. In relation to this concern, an organisation may want to consider the following initiatives:

- an online training and testing programme which is accessible 24/7 as a reference tool
- circulation of the regulator's media releases relevant to the company's operations with a commentary about lessons for the company
- regular update messages such as:
    - the launch of the company's updated compliance policy, and
    - reminders of the 'do's and don'ts'
- in-house legal staff can make presentations and be available to give advice at conferences
- memos can be distributed to relevant staff regarding lessons learnt from the field
- compliance questionnaires and certificates can be circulated every six months
- lessons from the field can be discussed at team meetings, and
- quarterly compliance committee meetings can serve as a reminder for communications.

Bill Dee

Director, Compliance and Complaints Advisory Services Pty Ltd, Australia

Angus Young

Assistant Professor, Hang Seng Management College and Adjunct Professor, Southwest University of Political Science & Law, PRC

Angus Young presented a seminar 'Establishing a corporate culture of compliance' for the Institute's ECPD programme on 17 June 2013 (see page 36 for a review). He is also the author of a number of publications on corporate law, director's duties, insolvency, financial and securities law, competition law and legal education.

Hong Kong's corporate rescue marathon

Are we approaching the finishing line?

Credit crunches and sudden economic downturns can quickly undermine businesses in difficult times, but some businesses may be able to survive short-term financial difficulties if an effective corporate rescue process is available. This article will take you through the corporate rescue practices established over the years in Hong Kong and explains why the marathon to establish a statutory corporate rescue procedure has yet to cross the finishing line.

Before the onset of the Asian Financial Crisis in 1998, the average number of winding-up orders made by the High Court in Hong Kong for the decade before 1998 was about 400. In 2003/ 2004, company collapses stood at the peak of over 1,200 after the outbreak of the SARs epidemic. In 2008/ 2009, company failures fell to about 550 cases after the collapse of Lehman Brothers. Winding-up orders made in 2012 dropped to around 300 cases.

One key factor which contributed to the rising number of corporate collapses after the financial crisis was the lack of a corporate rescue regime in Hong Kong. The Companies Ordinance (Cap 32) and its subsidiary legislation provides comprehensive rules to deal with solvent and insolvent liquidations for both registered and unregistered companies. However, there is a lack of a modern legal framework designed to save troubled companies from the fate of liquidation and, at the same time, balance the interests of creditors.

Corporate rescue – the Hong Kong approach

Traditionally, any default of payments on loans or failure to serve interest on debts by companies has triggered lenders, in particular bank creditors, to protect their interests by imposing an immediate suspension or termination of all financial support. Since the debtor companies are already struggling on extremely tight cash flow positions, few businesses survive this termination of credit.

The high number of company failures resulting from these arrangements triggered concern among major bank creditors to find alternative solutions to prevent debt-ridden companies from sinking in this way – thereby preserving business value for a better return to creditors. Quite often, informal meetings among key creditors were called at short notice aiming to highlight key problems and bring in experienced restructuring and insolvency specialists for an urgent corporate health check and

to recommend viable solutions to the debtor company.

In the absence of fraud or criminal allegations, this positive move in many instances safeguarded viable businesses as well as jobs for employees through a successful corporate rescue. This practice was widely adopted in many corporate work-outs and eventually resulted in the publication of a corporate rescue guideline, namely the *Hong Kong Approach to Corporate Difficulties,* jointly issued by the Hong Kong Monetary Authority and the Hong Kong Association of Bankers in late 1999 which standardised the best practices at that time.

Essentially, the *Hong Kong Approach to Corporate Difficulties* promoted a supportive initiative led by bank creditors to maintain liquidity support to the borrower until well-informed decisions could be made to determine its prospects collectively by the bank creditors involved. Key to the success of this approach was the allowance of some breathing space on a consensus basis at the early stage, which prevented a financial crisis or a complete meltdown of the debtor company.

However, the *Hong Kong Approach to Corporate Difficulties* was only a voluntary

Highlights

- the current corporate rescue arrangements used in Hong Kong are voluntary and non-binding
- restructuring through a scheme of arrangement has become a practical tool for the corporate rescue of large-scale or listed companies but it is rarely used for an SME as it can be complex and costly
- the prolonged delay in establishing a statutory corporate rescue procedure in Hong Kong threatens to tarnish Hong Kong's reputation as an international financial centre

and non-binding process. Other creditors, having diverse rights and interests, sometimes felt that their concerns were not considered at the outset and sometimes they were not even notified of the initial meetings. At best, these creditors pushed for separate meetings with the company in distress, but at worst, they petitioned for a court winding-up procedure to protect their interests.

Employees, typically with a mixture of preferential and unsecured claims, often find it unattractive to prolong their suffering by allowing time to proceed with corporate restructuring. Employees can apply for *ex-gratia* payments from the Protection of Wages on Insolvency Fund, which quickly alleviates their immediate financial needs. These payments are triggered upon the filing of a winding-up petition, rather than the discretionary process assessed on merit for companies undergoing restructuring where no liquidation proceedings have commenced.

Appointment of provisional liquidators and schemes of arrangement

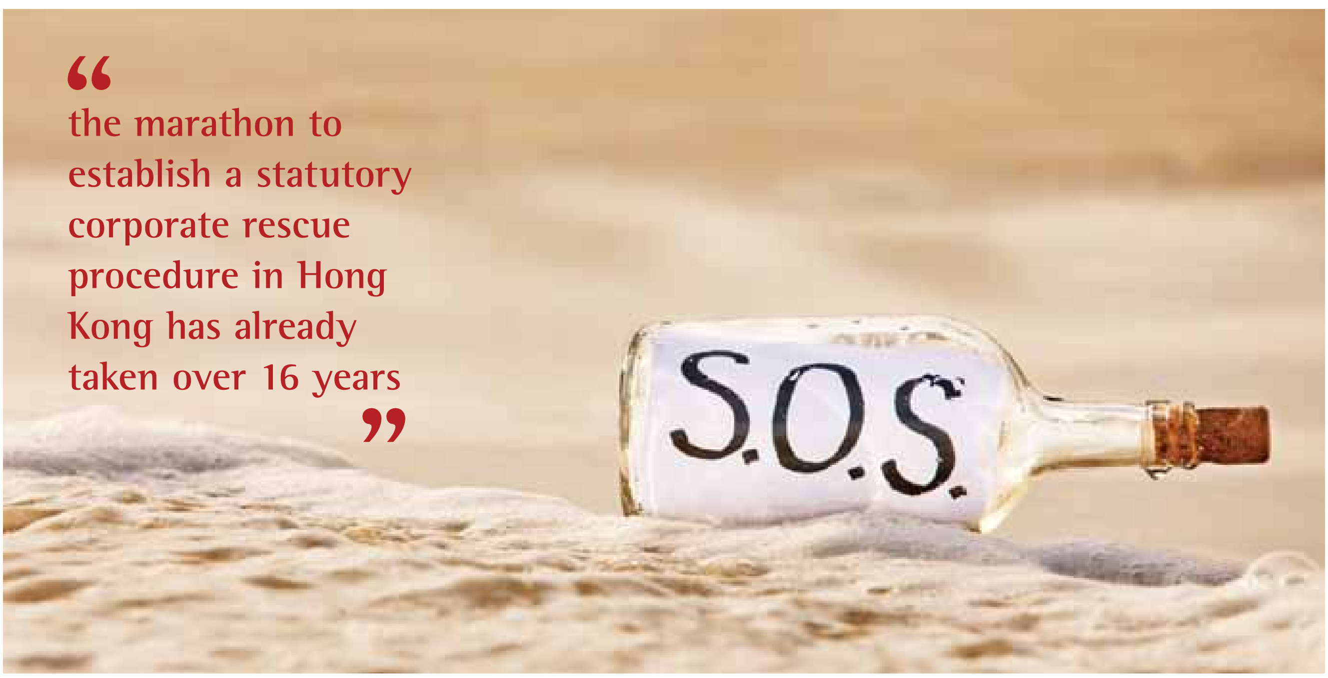
This 'tug of war' between creditors trying to protect their interests is certainly unhelpful where companies are fighting to stay afloat. Over the last decade or more, the appointment of provisional liquidators though a court application (Section 193 of the existing Companies Ordinance) by debtors or creditors was well regarded as a practical solution, pursuant to which a moratorium to stay legal proceedings was achieved automatically by operation of law unless with leave of the court (Section 186). This mechanism was complementary with the procedures set out in the *Hong Kong Approach to Corporate Difficulties* in most if not all restructuring attempts.

A typical Hong Kong corporate restructuring process therefore begins with the searching for a white knight investor and ends up with a rescue proposal through a scheme of arrangement (Section 166). Approval of a scheme of arrangement requires a majority in the number of creditors voting in favour of the proposal and they must represent at least three quarters of the value in question. A scheme of arrangement sanctioned by the court will bind other creditors holding opposite views to the scheme. Restructuring through a scheme of arrangement has become a practical tool for the corporate rescue of large-scale or listed companies but it is rarely used for an SME as it can be complex and costly. Contractual debt rescheduling or composition have also been used to rescue troubled businesses but the absence of a moratorium on debt demands remains a major obstacle.

Establishing a statutory corporate rescue procedure

'Provisional supervision' was first recommended as a corporate rescue procedure in the 1996 Law Reform Commission's *Corporate Rescue and*

"the marathon to establish a statutory corporate rescue procedure in Hong Kong has already taken over 16 years"



Insolvent Trading report. Provisional supervision provides for a moratorium on debt demands for companies in corporate rescue. In 2000 and 2001, bills were proposed to the Legislative Council but the proposed law on provisional supervision was not enacted mainly due to the diversity of views regarding the treatment of employee entitlements.

The bills proposed either a full payment of all employee claims before the commencement of a provisional supervision, or a trust account to be set up in advance with money sufficient to fully pay all employee debts. It is not difficult to understand why this proposal did not appeal to investors. For companies which are either labour-intensive or employ high-ranking professionals selling financial products or services, employment debts could be significant. Investors are generally reluctant to provide funding solely for payment to employees and would rather ease the cash flow needs of the troubled organisation to maintain operations during the restructuring.

A further public consultation on a statutory corporate rescue procedure was launched in late 2009 and concluded in July 2010. The focus was on rescuing viable businesses in short-term financial difficulties and the proposed moratorium on debt demands was increased to 45 days from 30 days with a possible further extension of up to 12 months with court approval.

To further enhance employee payments, a new staged payment proposal with a minimum protection equivalent to the Protection of Wages on Insolvency Fund limits for *ex-gratia* payments was suggested. Outstanding wages would be paid within 30 days of the commencement of provisional supervision. A second-stage payment of wages in lieu of notice and severance would be made within 45 days of the approval of the restructuring arrangement, or within 45 days of the extension of the moratorium. These staged payments reduce the outflow of cash by investors before creditors agree on a rescue proposal and, at the same time, preserve the same employee entitlements in the Protection of Wages on Insolvency Fund so that employees are no worse off than in a liquidation.

New legislation on insolvent trading

Quite often corporate rescue attempts commence only after companies find themselves in serious financial difficulties. In order to encourage directors to address problems at an earlier stage, legislation on 'insolvent trading' was proposed alongside the government's corporate rescue proposals. Under this proposed legislation directors could be personally liable for company losses where their company continues to trade when the directors know, or ought to know, that the company is insolvent.

Opponents of this proposed legislation have argued that this threat of personal liability will discourage directors from taking a proactive stand in restructuring attempts. In practice, directors in modern commercial companies should be both knowledgeable enough to read financial statements and aware of their obligation to pay close attention to the company's financial position in tough times.

Moreover, thanks to technological advances, directors have better access to timely information for making informed decisions. The circumstances which may persuade directors to seek help during corporate financial problems go beyond the numbers. Directors need to consider the company's future prospects, its profitability, its competitiveness, the industry climate, stakeholder expectations, corporate social responsibility, as well as their own remuneration packages and potential loss of personal reputation. All these factors could be as important as any concerns about personal liability.

Conclusion

The government's latest proposals to reform Hong Kong's corporate insolvency and winding-up regime (see the consultation document *Improvement of Corporate Insolvency Law Legislative Proposals* on the Financial Services and Treasury Bureau website: www.fstb.gov.hk) do not include proposals for a statutory corporate rescue procedure and insolvent trading provisions. The government hopes to issue a consultation on new detailed proposals in this area soon.

The marathon to establish a statutory corporate rescue procedure in Hong Kong has already taken over 16 years. This does not compare well with the situation in mainland China – the PRC Enterprise Bankruptcy Law became effective in June 2007. Time is always of the essence in corporate rescue attempts for listed companies and SMEs alike so perhaps this element should also be recognised in our law drafting process. We need to strike a balance between the interests of all creditors and stakeholders involved, but we also need to consider the reputation of our well-regarded market infrastructure in Hong Kong.

Terry Kan *ACIS ACS*
Partner, SHINEWING Specialist Advisory Services

A review of seminars: June 2013

6 June 2013

Tim Mak, Ernest Lee (Chair) and Winnie Chung

From Ernest Lee ACIS ACS, Partner, Professional Practice, Ernst & Young, and chair of the seminar delivered by Tim Mak, Partner, and Winnie Chung, Senior Associate, Financial Services Regulatory, Hong Kong, Herbert Smith Freehills, on ***'Statutory regime for disclosure of inside information – an update'.***

'This seminar was a timely update on the new statutory regime for disclosure of inside information as the new regime became effective on 1 January 2013. Mr Mak and Ms Chung shared their extensive knowledge of the subject matter and provided some useful practical insights that one would need to consider when complying with the disclosure requirements.'

17 June 2013

Davy Lee (Chair) and Angus Young

From Dr Davy Lee FCIS FCS(PE), Group Corporate Secretary, The Lippo Group and HKICS Past President, and chair of the seminar delivered by Angus Young, Assistant Professor, Hang Seng Management College and Adjunct Professor, Southwest University of Political Science & Law, on ***'Establishing a corporate culture of compliance'.***

'This seminar was invaluable for corporate governance professionals. The speakers discussed corporate governance practices in overseas jurisdictions and made insightful comparisons with the current situation in Hong Kong. It was an excellent seminar of great benefit to all attendees.'

See pages 28-31 for more on this topic.

20 June 2013

From left: Hong Tran, Susan Lo (Chair) and Duncan Abate

From Susan Lo FCIS FCS(PE) Executive Director, Head of Learning & Development Department, Tricor Services Ltd, and chair of the seminar delivered by Duncan Abate, Employment & Benefits Group, Head of Asian Employment & Benefits, and Hong Tran, Partner, Employment & Benefits, Mayer Brown JSM, on ***'Employment and retirement scheme issues in the context of corporate acquisitions, disposals and reorganisations'.***

'Duncan and Hong are truly experts in human resources (HR) issues. They made a concrete demonstration of the essential elements of handling HR matters when acquiring a business. With the topic fully covered from a practical as well as legal perspective, the seminar was most useful.'

24 June 2013

Eric Chan (Chair) and Mohan Datwani

From Eric Chan FCIS FCS(PE), Chief Consultant, Reachtop Consulting Ltd, and chair of the seminar delivered by Mohan Datwani, LLB LLM MBA (Distinction) (Iowa) Solicitor (Hong Kong, England and Wales) & Accredited Mediator (HKIAC), Director, Technical and Research, HKICS, on ***'Directors' induction – an overview'.***

'Mohan used a simple and interesting approach to deliver a great speech. The audience enjoyed being able to actively participate during the seminar and some members stayed behind to have further discussion with Mohan.'

27 June 2013

Susan Lo (Chair) and Colin Riegels

From Susan Lo FCIS FCS(PE), Executive Director, Head of Learning & Development Department, Tricor Services Ltd, and chair of the seminar delivered by Colin Riegels, Global Head of Banking & Finance, Harneys, on ***'A look into BVI toolkit: PTCs and VISTA trusts'.***

'Colin delivered a very informative and enjoyable session for beginners in the trust profession. Being an experienced and passionate speaker, Colin presented us with background information as well as real life examples, enhanced by his strong sense of humour. The audience learned much from this lively presentation about the trust concept and tips for creating a VISTA trust structure, through to the benefits of using a PTC.'

Membership application deadlines

Members and Graduates are encouraged to advance their membership status once they have obtained sufficient relevant working experience. Fellowship and Associateship applications will be approved by the Membership Committee on a regular basis. If you plan to apply, please note the following submission deadlines and the respective approval dates (subject to receipt of application and supporting documentation).

Submission deadlines	Approval dates
Saturday 7 September 2013	Tuesday 8 October 2013
Tuesday 5 November 2013	Late November 2013

For details, please contact the Membership section at 2881 6177.

HKUSPACE 香港大學專業進修學院 HKU School of Professional and Continuing Education

CHARTERED SECRETARIES 特許秘書

最新課程

行政人員文憑/證書《中國企業管理》
Executive Diploma / Executive Certificate in PRC Corporate Administration

行政人員文憑《中國企業管理》有四個單元，學員只要成功完成單元一至單元四，並在持續評估中的個案分析取得合格成績，將獲發行政人員文憑《中國企業管理》。學生如成功完成單元一 (中國公司行政) 及其他任何一個單元，並在持續評估中的個案分析取得合格成績，將獲發行政人員證書《中國企業管理》。具體如下：

單元一　中國公司行政 Corporate Administration in PRC
單元二　中國公司治理 Corporate Governance in PRC
單元三　中國稅務 Taxation in PRC
單元四　中國公司法律 Corporate Law in PRC

行政人員文憑 《中國公司治理》
Executive Diploma in PRC Corporate Governance

學生如成功完成核心單元一至三及任何一個非核心單元(即四或五)，並在持續評估中的個案分析取得合格成績，將獲發行政人員文憑《中國公司治理》。具體如下：

核心單元：(必須全部修讀)
單元一　中國董事會秘書實務 Corporate Secretaryship in PRC
單元二　中國公司治理 Corporate Governance in PRC
單元三　中國公司行政 Corporate Administration in PRC

非核心單元：(可選單元四或五)
單元四　中國稅務 Taxation in PRC
單元五　中國公司法律 Corporate Law in PRC

	中國公司治理	中國公司行政
講者簡介	任志宏先生 • 廣東省社會科學院開放經濟研究所副所長 • 為廣東省社會科學院研究生部主講經濟學、管理學等課程	劉娟博士 • 華南農業大學勞動與社會保障系副教授 • 11年教學經驗，主講社會保障、人力資源管理、公司法、勞動合同法等課程
上課時間及地點	每單元課程為期一個月 授課時間：4堂，每堂6小時，共24小時 上課時間：逢週六或日上課一堂，下午 (2:00-5:00) 及晚上 (6:00-9:00) 授課地點：港島區其中一所教學中心	
授課日期	2013年 (逢週六) 8月24日、8月31日、9月7日、9月14日	2013年 (逢週日) 8月25日、9月1日、9月8日、9月15日
每單元課程學費	港幣3,850元	港幣3,850元

學生如報讀個別單元，成功完成該學科單元，並在持續評估中的個案分析取得合格成績，出席率達75%或以上，可獲發修讀證明書。

課程查詢

電話：2867 8481 (黃小姐) / 2867 8473 (李小姐)　電郵：prcprogramme@hkuspace.hku.hk

每個單元課程出席率達75%或以上之香港特許秘書公會會員，可以獲得18個ECPD學分，但有關實際可帶往下年之ECPD學分詳情，請個別與公會聯絡。
電話：28816177　電郵：ecpd@hkics.org.hk

香港大學專業進修學院乃非牟利機構。

Newly appointed company secretaries

The Institute would like to congratulate the following members on their appointments as company secretaries of listed companies:

Company secretary	Listed company	Date of appointment
Wong Kwan Lai *ACIS ACS*	Orange Sky Golden Harvest Entertainment (Holdings) Ltd (Stock code: 1132)	17 June 2013
Lam Yee Fan *ACIS ACS*	Van Shung Chong Holdings Ltd (Stock code: 1001)	20 June 2013
Mok Ming Wai *FCIS FCS*	Yingde Gases Group Company Ltd (Stock code: 2168)	24 June 2013
Chan So Mei *ACIS ACS*	CVM Minerals Ltd (Stock code: 705)	27 June 2013
Lui Chun Pong *ACIS ACS*	Hsin Chong Construction Group Ltd (Stock code: 404)	1 July 2013
Chan Wing Sang, Wilson *FCIS FCS*	i-CABLE Communications Ltd (Stock code: 1097)	1 July 2013
Yuen Suk Ling, Callie *ACIS ACS*	Tanrich Financial Holdings Ltd (Stock code: 812)	1 July 2013
Ngai Wai Fung, Maurice *FCIS FCS(PE)*	China Pacific Insurance (Group) Co. Ltd (Stock code: 2601)	10 July 2013

New Fellow

The following new Fellow was elected in May 2013:

Chau Hing Ling, Anita ***FCIS FCS***

Miss Chau is currently the Associate Director of Vistra Hong Kong. She is responsible for managing a team of professionals in providing comprehensive secretarial services to clients from diversified business sectors under various jurisdictions. Miss Chau has over 12 years of post-qualification experience in the industry. She commenced her career as a member of Tengis Ltd (now Tricor Services Ltd) and also worked for a listed company and an international audit firm. Prior to joining Vistra, she was an Associate Director of TMF Hong Kong Ltd. Miss Chau holds a Master of Laws in Corporate & Financial Law from The University of Hong Kong.

Fellows-only benefits

Fellows are leaders of the profession. These highly qualified and respected role models are crucial in maintaining the growth of the Institute and the Chartered Secretary profession.

As per Council's direction, the promotional campaign to increase the number of Fellows continues. Act now and enjoy a special fee rate for the Fellowship election fee of HK$1,000 and the exclusive Fellowship benefits below:

- Invitation to attend two Institute annual events for free following your Fellowship election – annual dinner and convocation
- Eligibility to attend Fellows-only events
- Priority enrolment for Institute events with seat guarantee, and
- Speaker or Chairperson invitations at ECPD seminars (extra CPD points are awarded for these roles).

Application requirements:

- At least one year of Associateship
- At least eight years' relevant work experience, and
- Engagement in company secretary, assistant company secretary or senior executive positions for at least three of the past 10 years.

For enquiries, please contact Adrian Wong or Cherry Chan at the Membership section at 2881 6177, or member@hkics.org.hk.

Membership activities

Happy Friday for Chartered Secretaries

Chinese Ethics in Business

A Happy Friday was held on 21 June 2013 at the Club Lusitano with over 40 participants. Dr Davy Lee *FCIS FCS(PE)*, Group Corporate Secretary, The Lippo Group and HKICS Past President, shared his insights on the topic of 'Chinese Ethics in Business' (应用于商业之中式道德观念). Members enjoyed the sharing experience with Davy and other Fellow members in attendance, along with nice wine, drinks and snacks in a relaxed environment.

Ascent Partners and Lippo Group were the sponsors of this event. More photos are available at the gallery section on the Institute's website.

Dr Davy Lee giving his insights at the event

Susie Cheung FCIS FCS(PE), Council Member and Membership Committee Chairman sharing her views

(Second from the left) Natalia Seng FCIS FCS(PE), Membership Committee Member and (fourth from the left) Louisa Lau FCIS FCS(PE), General Manager and Company Secretary, HKICS, meeting members

At the event

At the event

Eye care for professionals

Another Happy Friday was held on 19 July 2013 on an important subject for members – eye care. This gave participants a chance to learn practical tips on eye care from two experts. Details with photos will be reported in the next issue of *CSj*.

HKICS dragon boat team 2013

The Institute would like to thank team members who devoted their valuable time to the three months of practice sessions in Sai Kung and participated at the following races:

- the 8th Stanley Dragon Boat Warm-up Races on 25 May 2013
- Hong Kong International Dragon Boat Races 2013 on 22 and 23 June 2013, and
- the 3rd Sai Kung Friendship Dragon Boat Championships on 7 July 2013.

With their great team spirit and effort, the team won the Super Cup championship at the Sai Kung race. Our appreciation also goes to our coaches: Yale Leung *ACIS ACS* and TK Hung.

At the Stanley Dragon Boat Race

Group photo with HKICPA, HKIA and HKIE teams at the Hong Kong International Dragon Boat Races 2013

Sai Kung Super Cup Champions

Team members enjoying an after-race lunch

Members' Luncheon

A Members' Luncheon will be held on 5 September 2013 with Anna Wu *GBS, JP*, Chairman, Mandatory Provident Fund Schemes Authority and Chairperson, the Competition Commission as the guest speaker.

For more information, please visit the Institute's website or contact the Membership section at 2881 6177, or member@hkics.org.hk.

Mandatory CPD

What should you know about the MCPD requirements?

All members who qualified between 1 January 2000 and 31 July 2013 are required to accumulate at least 15 mandatory continuing professional development (MCPD) or enhanced continuing professional development (ECPD) points every year. Members should complete the MCPD Form I - Declaration Form and submit it to the secretariat by fax (2881 5755), or by email (mcpd@hkics.org.hk) by the applicable deadline - see table opposite for details.

Qualification	MCPD or ECPD points required	Point accumulation deadline	Submission deadline
1 January 2005 - 31 July 2012	15	31 July 2013	15 August 2013
1 January 2000 - 31 December 2004	15	31 July 2014	15 August 2014
1 August 2012 - 31 July 2013	15	31 July 2014	15 August 2014

Members who work in the corporate secretarial (CS) sector and/or for trust and company service providers (TCSPs) have to obtain at least three points out of the 15 required points from the Institute's ECPD activities.

Members who do not work in the CS sector and/or for TCSPs have the discretion to select the format and areas of MCPD learning activities that best suits them. These members are NOT required to obtain ECPD points from HKICS (but are encouraged to do so), nevertheless they must obtain 15 MCPD points from suitable providers.

Exemption from mandatory CPD requirements

Exemption from MCPD requirements is available to retired members and honorary members. Members in distress or with special grounds (such as suffering from long-term illness or where it is impractical to attend or access CPD events) may also apply for exemption from MCPD to the Professional Development Committee and are subject to approval by the committee at its sole discretion.

MCPD programme in-house training policy update

With effect from 1 January 2013, course providers applying to contribute to in-house mandatory CPD training courses should send in their application form signed by a Fellow who is also a holder of the HKICS Practitioner's Endorsement (PE).

Enhanced CPD programme

The Institute cordially invites you to take part in our ECPD Programme, a professional training programme that best suits the needs of company secretaries of Hong Kong listed issuers who need to comply with the mandatory requirement of 15 CPD hours every year. The Institute launched its MCPD programme in August 2011 and, from January 2012, its requirement for Chartered Secretaries to accumulate at least 15 CPD points each year has been backed up by a similar requirement in Hong Kong's listing rules.

HKICS President Edith Shih appointed a Convenor of the Financial Reporting Review Panel

The government announced last month the appointment of 29 new members and the re-appointment of 14 members to the Financial Reporting Review Panel. Among the appointments are the current HKICS President, **Edith Shih**, and HKICS Technical and Research Director, **Mohan Datwani**. Edith Shih was also appointed as a Convenor of the panel, along with Robert Andrew Gazzi, Andrew Mak Yip-shing, Catherine Morley, Professor Wong Tak-jun and Dr Kelvin Wong Tin-yau.

The Financial Reporting Council (FRC) was created in December 2006 to promote high quality financial reporting and better investor protection in Hong Kong. Its primary responsibility is to investigate possible auditing irregularities and to enquire into possible non-compliance with accounting requirements in relation to Hong Kong listed entities. The Review Panel was set up under the FRC to facilitate this enquiry process. When the FRC decides to investigate any non-compliance with financial reporting requirements on the part of a listed entity, it may appoint a Review Committee consisting of a Review Panel Convenor as the Chairman and at least four other members of the Review Panel to conduct the enquiry.

The Review Committee may, with the powers vested in it under section 43 of the Financial Reporting Council Ordinance, require relevant persons to produce records and documents and provide information and explanation for the purpose of the enquiries.

The Review Committee will submit an enquiry report on the case to the FRC for consideration and, where appropriate, follow-up action.

The appointments took effect on 16 July 2013. More information is available on the Financial Reporting Council website: www.frc.org.hk.

Monthly secretariat gathering

As announced in last month's *CSj*, Samantha Suen *FCIS FCS* joined the Institute as Chief Executive on 2 July 2013. One of her first innovations was to launch a monthly gathering of secretariat staff to enhance communication and cohesion through sharing on work-related matters.

During the inaugural gathering on 22 July 2013, three colleagues shared highlights of interesting experiences encountered during their daily work. This was followed by an exciting team-building exercise and a celebration for three colleagues whose birthdays were in July.

All secretariat staff enjoyed the gathering as an informal platform to interact with colleagues in a relaxed environment with great food and speeches! They all look forward to the next gathering in August.

At the gathering

Staff sharing

Samantha Suen, Chief Executive HKICS, with the Secretariat staff

中国境外上市公司
企业规管高级研修班

日期：二零一三年九月十日至十四日
地点：香港金钟道95号统一中心10楼统一会议中心

本研修班是特别为内地在香港上市的企业而设计。受全球金融危机影响下，内地和香港相关法律法规不断调整，促使广大企业对扩大内地董事会秘书与各高管人员培训范围的要求提高。本研修班旨在透过一连四天的培训课程，向内地企业董事会秘书与各高级管理人员深入浅出地讲解在香港上市须注意的技术问题，并提高他们在这方面的知识及理解水平。研修班内容包括香港上市公司的监管、香港上市条例概况、上市公司的披露责任等公司治理的相关课题。

详情请浏览香港特许秘书公会网页 www.hkics.org.hk

如有垂询，请联络本会秘书处：

香港办事处
电话：(852) 2881 6177
电邮：ecpd@hkics.org.hk

北京代表处
电话：(86) 10 6641 9368
电邮：clnbro@vip.163.com

Examination results (May 2013)

The examination result slips for the May 2013 examination will be posted to candidates in mid-August 2013. No Examination results will be disclosed via phone or email.

HKU SPACE examination preparatory courses

Enrolment for HKU SPACE Examination Preparatory Courses (September 2013 intake) will begin from late August 2013. Please refer to the timetable and enrolment form at the Institute's website.

For enquiries, please contact HKU SPACE at 2867 8478.

IQS examination timetable (December 2013)

	Tuesday 3 December 2013	Wednesday 4 December 2013	Thursday 5 December 2013	Friday 6 December 2013
09:30 – 12:30	Hong Kong Financial Accounting	Hong Kong Corporate Law	Strategic and Operations Management	Corporate Financial Management
14:00 – 17:00	Hong Kong Taxation	Corporate Governance	Corporate Administration	Corporate Secretaryship

The enrolment period will be from 1 to 30 September 2013. The enrolment form will be available for download at the Institute's website from the third week of August.

In order to facilitate students with their preparation for the International Qualifying Scheme (IQS) examination, the Institute will publish a study pack for the subject of Hong Kong Corporate Law in August 2013. Purchase of the study pack (HK$450 per copy) is mandatory for students who enrol for the Hong Kong Corporate Law examination (with effect from December 2013 examination). A pre-order form was sent to students in early July 2013.

The enrolment fee for Hong Kong Corporate Law (Dec 2013 examination) will include the study pack fee. Students who have already pre-ordered the study pack in July and enrol for the HKCL at the December 2013 examination, only need to pay the examination fee.

For enquiries, please contact the Education and Examinations section at 2881 6177, or student@hkics.org.hk.

IQS information session

The Institute organised an IQS information session on 22 July 2013 to introduce the IQS examinations and the career prospects of the Chartered Secretary qualification to the general public. Ho Wing Yan, Queenie *ACIS ACS(PE)*, Director, BMI Listed Corporate Services Ltd, shared her career development and work experience in the corporate secretarial field.

Candy Wong presenting a souvenir to Ho Wing Yan, Queenie ACIS ACS(PE)

Student Ambassadors Programme (SAP) – Summer Internship Programme 2013

A total of 18 student ambassadors received summer internship offers from the following seven companies (in alphabetical order):

Employer	Summer intern	University and programme
1. Companies Registry	Chan Hoi Ting	Bachelor of Commerce in Law & Business, Hong Kong Shue Yan University
	Law Ka Kin	Bachelor of Business Administration (Honours) in Accounting and Finance, The Hong Kong Polytechnic University
	Tang Hoi Man, Fiona	Bachelor of Commerce in Law & Business, Hong Kong Shue Yan Unviersity
	Wong Yat Fung	Bachelor of Business Administration in Professional Accounting, The Hong Kong University of Science & Technology
2. EPA Secretarial Ltd	Lam Tsz Tung	Bachelor of Business Administration, Hang Seng Management College
	Tsang Chung Yan	Bachelor of Commerce in Law & Business, Hong Kong Shue Yan University
3. Hutchison Whampoa Ltd	Cheung Pok Man	Bachelor of Laws, The Chinese University of Hong Kong
	Liu Cheuk Kei, Chelsea	Bachelor of Business Administration in Accounting & Finance, The University of Hong Kong
	Liu Chun Yan, Jason	Bachelor of Business Administration (Law), The University of Hong Kong
4. Intertrust Resources Management Ltd	Chow Fuk Ching, Jimmy	Bachelor of Commerce in Law & Business, Hong Kong Shue Yan University
	Hung Ka Ming, Carmen	Bachelor of Commerce in Law & Business, Hong Kong Shue Yan University
5. Reachtop Consulting Ltd	So Hei Man	Bachelor of Commerce in Law & Business, Hong Kong Shue Yan University
6. TMF Hong Kong Ltd	Chan Mei Yan	Bachelor of Business Administration, Hong Kong Shue Yan University
	Cheung Kin Long	Bachelor of Business Administration, Hang Seng Management College
	Li Wing Hong	Bachelor of Business Administration in Corporate Management, Caritas Institute of Higher Education
	Ma Hin Yi, Ester	Bachelor of Commerce in Law and Business, Hong Kong Shue Yan University
7. Tricor Services Ltd	Kong Wing Man	Bachelor of Business Administration in Accounting & Finance, The University of Hong Kong
	Leong Sin Leng	Integrated Bachelor of Business Administration, The Chinese University of Hong Kong


Companies Registry


Hutchison Whampoa Ltd

Intertrust Resources Management Ltd


Reachtop Consulting Ltd


TMF Hong Kong Ltd

Upcoming activities

New Students Orientation

The Institute would like to invite students who have registered since March 2013 to attend a free New Students Orientation. This event aims to give new students up -to-date information on the Institute and also serves as a platform to meet with other students.

The enrolment form can be downloaded from the Institute's website. Please fill in the reply slip and return by fax at 2530 4278, or student@hkics.org.hk.

Date	Wednesday 18 September 2013
Time	19:00 - 20:30
Venue	Joint Professional Centre (JPC), Unit 1, G/F, The Center, 99 Queen's Road, Central
Enrolment deadline	Wednesday 11 September 2013

Executive Diploma in PRC Corporate Governance/ PRC Corporate Administration by HKU SPACE

In collaboration with HKU SPACE, the Institute has launched the Executive Diploma in PRC Corporate Administration and Executive Diploma in PRC Corporate Governance.

There will be two modules offered in August as follows:

1. Corporate Governance in the PRC
2. Corporate Administration in the PRC

For enquiries, please contact Ms Wong at 2867 8481, or Ms Lee at 2867 8473 of HKU SPACE.

Module	Corporate Governance in the PRC (中国公司治理)	Corporate Administration in the PRC (中国公司行政)
Dates	Saturday: 24 August, 31 August, 7 September and 14 September	Sunday: 25 August, 1 September, 8 September and 15 September
Time	14:00 – 17:00 (afternoon) and 18:00 – 21:00 (evening)	
Venue	HKU SPACE teaching centre on Hong Kong Island (details will be confirmed in due course)	
Course fee	HK$3,850	
Medium of instruction	Putonghua/ Chinese	
ECPD	18 Enhanced Continuing Professional Development (ECPD) points will be accredited to participants who attain at least 75% attendance for each module. Participants should contact the Institute for details of ECPD points to be carried forward to next year.	
Remarks	Members/ students need to provide their member/ student number for entry requirement verification and ECPD purposes. Applicants will receive notification emails for paying the tuition fees with completed enrolment forms (which can be downloaded from the Institute's website) to HKU SPACE.	

Student Ambassadors Programme (SAP) – recruitment of SAP mentors

The SAP has been an effective platform to promote the Chartered Secretary profession to local undergraduates. Participation of members as mentors is important for introducing the qualification and profession to mentees. Mentors can share their working experience, professional knowledge and give career guidance. The secretariat will organise social events for mentors and mentees.

Tea reception 2013

All mentors and student ambassadors will be invited to attend an inaugural tea reception. Certificates and souvenirs will be presented to student ambassadors and HKICS mentors at the event.

Members who are interested in becoming a SAP mentor, please contact the Education & Examinations section at 2881 6177 or student@hkics.org.hk.

Date	Saturday 7 September 2013
Time	15:00 – 17:00 (Registration starts at 14:45)
Venue	Lily Vale Café (百合谷餐厅), Baptist Oi Kwan Social Service, Ground Floor, 36 Oi Kwan Road, Wanchai, Hong Kong
Enrolment deadline	Friday 30 August 2013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