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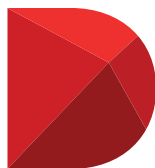
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Contents

Cover Stories

Responsible ownership: Hong Kong in the global context 08

With the Securities and Futures Commission recently publishing proposals designed to encourage proactive engagement between investors and publicly listed companies in Hong Kong, Lucy Newcombe, Global Corporate Communications Director at Computershare, looks at the current engagement situation between companies and shareholders, both in Hong Kong and elsewhere around the globe.

Shareholder engagement and the corporate secretary 16

CSj takes a look at new best practice recommendations for corporate secretaries on shareholder engagement.

In Focus

Carbon accounting and reporting in Hong Kong 22

Few companies in Hong Kong are monitoring and reporting on their greenhouse gas emissions. CSj takes a look at the growing stakeholder and regulatory pressure to ensure businesses catch up with international best practice in this area.

An Earth Year 26

Governments around the world will be gathering in December this year to sign a new global agreement on greenhouse gas emissions reduction. Johan Rockström, Professor of Global Sustainability, Stockholm University, looks at what needs to be agreed in order to avoid potentially devastating impacts of climate change.

Technical Update

Disclosure of inside information – an update 30

The Securities and Futures Commission gives further guidance to listed companies on compliance with Hong Kong's statutory regime for the disclosure of inside information, as set out in Part XIVA of the Securities and Futures Ordinance.

Domain name disputes: does arbitration work? 34

Internet domain name disputes are still a relatively new area for companies in Hong Kong. Zoe Chan FCIS FCS, Solicitor, gives some advice on the hazards of getting arbitration awards in this area enforced.

HKICS News

President's Message 04

Institute News 38

Student News 45

Ask the Expert 07





Investor relations revisited

Companies, for very good reasons, are paying a lot more attention to investor relations these days. This trend has been driven partly by a growing recognition that effective shareholder engagement can have substantial benefits. A loyal, long-term shareholder base translates into a lower cost of capital and less share price volatility, for example. On the other hand, the risks involved in neglecting this issue can be even more persuasive. At best you could be facing increased 'no' votes at your next AGM. At worst, you could find yourself dealing with a fast-moving and highly damaging campaign on social media to oppose an M&A proposal, or to oust the CEO or perhaps overthrow the entire board.

For anyone under the impression that this trend has limited relevance to company secretaries in Hong Kong, I recommend that you listen to the recent webinar hosted by the Corporate Secretaries International Association (CSIA) on 'Shareholder engagement: global perspectives and trends'. At the webinar (available at: www.computershare-na.com/events/csia2015/webinar.htm), April Chan, a former president of both our Institute and the CSIA and Company Secretary of CLP Holdings, warned against this type of hubris. She pointed out that, even where a company has dominant majority shareholders, a failure to engage

with minority shareholders can result in serious reputational damage. 'We have a licence to operate from the community and so the support of our retail investors is crucial,' she pointed out. 'I believe we need to bring our standards on shareholder engagement in line with those of the international community.'

The SFC's proposed *Principles of Responsible Ownership* attempt to do just that, and our first cover story this month puts the SFC's proposals into the global context. Lucy Newcombe, Global Corporate Communications Director at Computershare, compares the SFC proposals with similar stewardship principles and codes around the world.

Our second cover story looks at the relevance of this trend for members of our profession. Shareholder communications has long been part of the company secretary role. Even where a company has the resources to maintain an investor relations department, the company secretary often remains the first point of contact for a wide variety of stakeholders including, of course, shareholders. Small wonder then, that the potential of this role has been attracting increasing attention in the global debate about shareholder engagement.

Our Institute is proud to be working with both the Institute of Chartered Secretaries and Administrators (ICSA) and the CSIA to ensure that the voice of our profession is heard in this debate. At the CSIA webinar

mentioned above, our Institute was represented by both April Chan and our Chief Executive, Samantha Suen, who were in New York to attend the CSIA's Executive Committee meeting from 16 to 17 April.

What we bring to this debate, in keeping with the practical focus of our profession, is a set of tools that will help companies understand and adopt best international practices. In April this year, the CSIA launched its guidance on this topic – *Shareholder Engagement: Practical Steps for Corporate Secretaries*. This was preceded in March 2013 by the ICSA guidance *Enhancing Stewardship Dialogue* (available on the ICSA website: www.icsa.org.uk).

I think we will be hearing a lot more about shareholder engagement in the years ahead and our Institute will continue to play its part in promoting best practices in this important aspect of corporate governance.

A handwritten signature in black ink, appearing to read 'Maurice Ngai'.

Maurice Ngai FCIS FCS(PE)

再探投资者关系

近年，公司日渐重视投资者关系，这实属大势所趋。当中的原因之一是人们逐渐认识到，有效地让股东参与可以带来莫大裨益。例如长期忠实的股东基础可降低资本成本和减少股价波动。此外，更有说服力的理由可能是忽略股东关系可以牵涉风险。若不顾及股东关系，轻则在股东周年大会投“白”票的人越来越多，重则可能遭受股东在社交媒体发起迅猛且破坏力强的动员，以反对收购合并建议，或推倒首席执行官甚或整个董事会。

若认为这趋势与香港公司秘书的关系不大，我建议大家收听公司秘书国际联合会（CSIA）最近举办的一场网上研讨会，题为「股东参与：环球观点与趋势」（可于www.computershare-na.com/events/csia2015/webinar.htm收听）。在研讨会上，公会及CSIA前会长的中电控股有限公司公司秘书陈姚慧儿，提醒我们切勿抱持无视股东的心态。她指出，即使公司有支配性的大股东，假如未能让小股东参与，也可以严重影响声誉。她表示：「我们的经营许可来自社会，因此散户投资者的支持十分重要。我相信我们需要把股东的参与水平提高至与国际标准看齐。」

证监会所建议的「负责任的拥有权原则」正要做到这点。本期的首个封面故事，从全球角度探讨证监会的建议。Computershare环球企业传讯总监 Lucy Newcombe 在文中比较证监会的建议与世界各地类似的监管原则和守则。

第二个封面故事，探讨这趋势与特许秘书专业从业员的关系。与股东沟通，一直是公司秘书的角色之一，即使公司有资源设立投资者关系部，公司秘书也往往是各利益相关者——当然也包括了股东——的第一联络人。难怪世界各地有关股东参与的辩论中，特许秘书的潜在角色逐渐受到关注。

公会有幸与特许秘书及行政人员公会（ICSA）和CSIA合作，确保特许秘书专业人员的声音在这个范畴的辩论中得到表达。公会前会长陈姚慧儿和总裁孙佩仪于4月16至17日在纽约出席了CSIA执行委员会会议，在逗留期间，两人亦代表公会出席前述的网上研讨会。

我们一向重视特许秘书专业的实务性，而在有关股东参与的辩论中，我们的贡献就是提出一套工具，帮助公司了解和采纳最佳国际做法。今年4月，CSIA就此课题发出指引：《股东参与：公

司秘书实用指南》。在此之前，ICSA亦在2013年3月发出《加强管理者对话》指引（可于ICSA网站www.icsa.org.uk浏览）。

在未来的日子，我们将会听到更多有关股东参与的讨论。公会将继续发挥其作用，就这重要的公司管治范畴提倡最佳做法。



魏伟峰博士

16th Annual Corporate and Regulatory Update

THANK YOU

Over 1,600 Chartered Secretaries and governance professionals benefited from the 16th Annual Corporate and Regulatory Update of The Hong Kong Institute of Chartered Secretaries (HKICS) on 3 June 2015.

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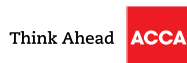


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Ask the Expert

If you would like to ask our experts a question, please contact CSj Editor
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The identity and contact details of questioners will be kept confidential.

Q: *Please advise whether the word 'audited' has to be added in the preliminary annual results announcement of a company listed on the Hong Kong Stock Exchange to reflect that such results have been audited by the company's independent auditors.*

A: There is no rule in the Main Board or the GEM Listing Rules, requiring a listed company to include in the preliminary announcement of its results for each financial year a statement as to whether or not the annual results have been audited by the external auditors. Instead, Rule 45 of Appendix 16 to the Main Board Listing Rules and Rule 18.49 of Chapter 18 of the GEM Listing Rules require a listed issuer to publish a preliminary announcement of the results for the financial year, which has been agreed with its auditors.

Moreover, Rule 45.1 of Appendix 16 to the Main Board Listing Rules and the Note to Rule 18.50(1) of Chapter 18 of the GEM Listing Rules also provide that 'the financial information included in the preliminary results announcement must have been agreed with the auditors'. Further, Rule 13.49(2) of the Main Board Listing Rules echoes that 'the preliminary announcement shall be based on the issuer's financial statements for the financial year, which shall have been agreed with the auditors', though the GEM Listing Rules do not have the counterpart.

If the above has been covered by the independent auditors in their factual findings in the preliminary results announcement, it is not mandatorily required by the Main Board or the GEM Listing Rules to include the work done by the independent auditors in the subject announcement. However, if the word 'audited' is not included in the preliminary results announcement to reflect that the results have been audited by the independent auditors, it is suggested to state therein: 'The preliminary results announcement is based on the company's financial statements for the year ended (say) 31 May 2015, which have been agreed with the company's independent auditors, ABC Ltd, Certified Public Accountants, Hong Kong.'

Alternatively, it is strongly suggested that the preliminary annual results announcement should include a caveat indicating that the figures in the preliminary results announcement were compared and agreed by the company's independent auditors to those amounts set out in the group's relevant audited financial statements, but that work did not constitute an audit, review or other assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong

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Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by the independent auditors in the announcement.

In fact, Rule 45A.1 of Appendix 16 to the Main Board Listing Rules and Note to Rule 18.50A of Chapter 18 of the GEM Listing Rules stipulate that: 'The Exchange does not expect there to be any material or substantial difference between the information contained in the listed issuer's preliminary announcement of results and that contained in its audited results'. These Rules require that 'where, in exceptional circumstances, it becomes necessary to revise the information contained in the listed issuer's preliminary announcement of results in the light of developments arising between the date of publication of the announcement and the completion of the audit, the listed issuer must immediately notify the Exchange and publish an announcement... to inform the public'.

From my past 20 years' experience as the in-house company secretary of a number of reputable companies listed on the Exchange and elsewhere, it appears that the Exchange has, so far, not considered the omission by any listed issuer in its preliminary results announcement of the description that the annual results of the company and its subsidiaries have been audited by its independent auditors as non-compliance with, or a breach of, any provision of the Main Board or the GEM Listing Rules. Neither has the Exchange required listed companies to issue any clarification announcement to that effect. The Exchange may remind the listed company by phone to include the above description in future annual results announcements after the announcement (with such omission) has been published. However, for the sake of clarity and prudence (lest the Exchange changes its approach), listed companies are urged to make such description, or take either of my suggestions above, in their annual results announcements. Certainly, the independent auditors may be consulted in this regard.

Seaman Kwok
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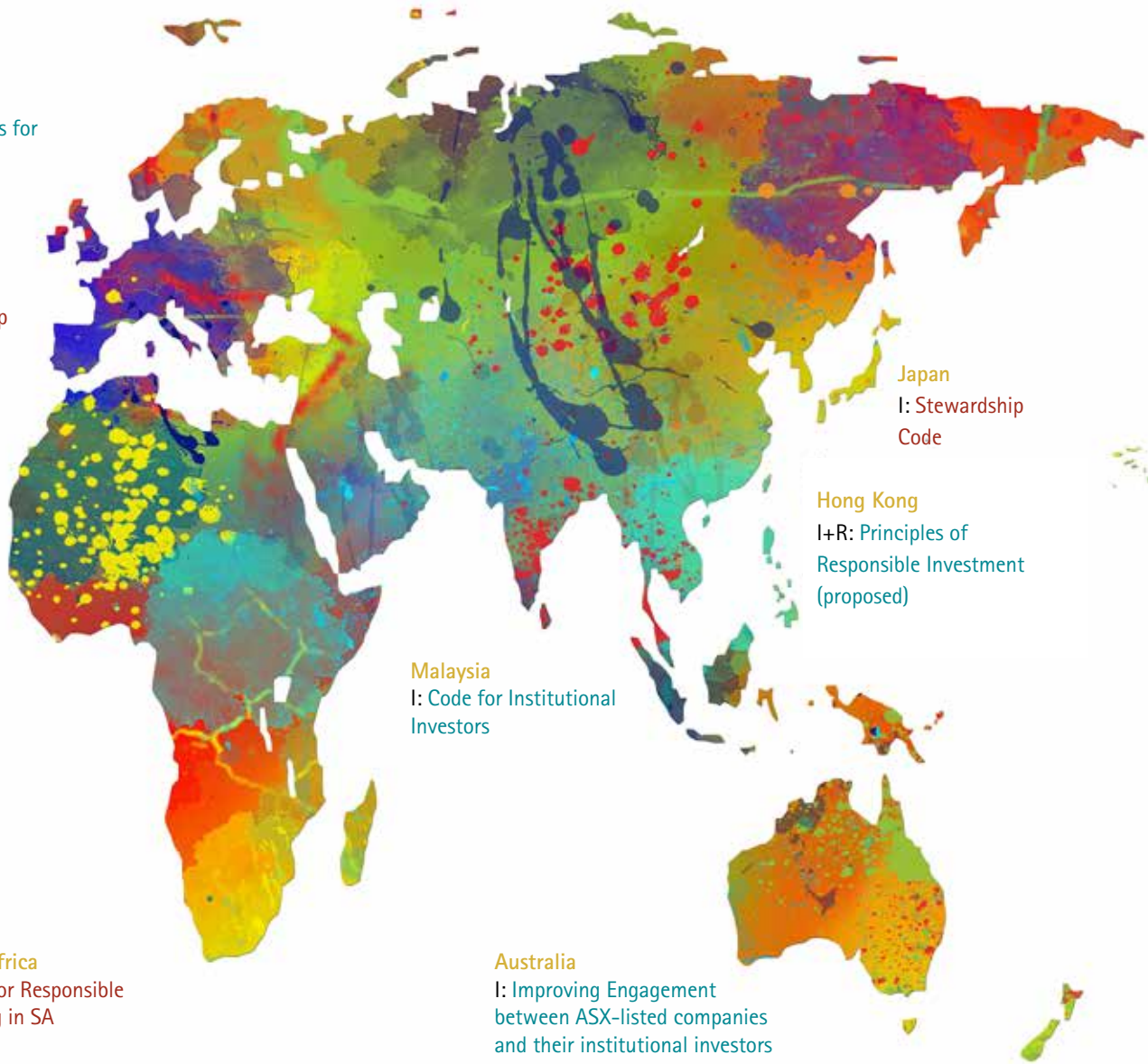
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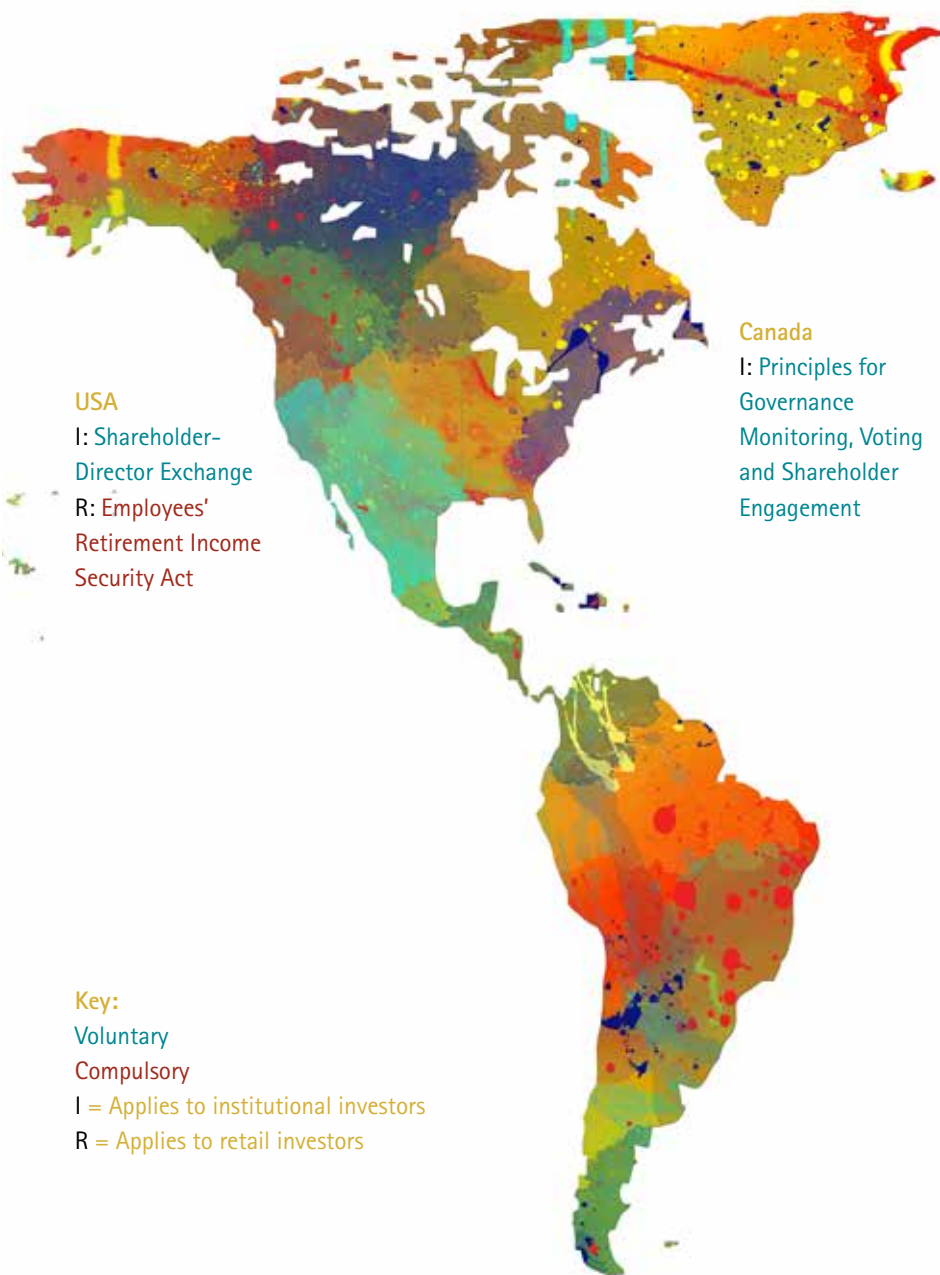
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Responsible ownership: Hong Kong in the global context

With the Securities and Futures Commission recently publishing proposals designed to encourage proactive engagement between investors and publicly listed companies in Hong Kong, Lucy Newcombe, Global Corporate Communications Director at Computershare, looks at the current engagement situation between companies and shareholders, both in Hong Kong and elsewhere around the globe.



Q: What type of companies garner lots of unsolicited engagement from their retail shareholders?

A: Football clubs!

With match-day passion surging through their veins, it's little wonder that shareholding fans are among those that most eagerly engage with the company they have invested in. Whether it's voting, asking questions at the AGM (as likely to be about half-time substitutions as the finances) or requesting information; retail shareholders in football clubs are absolutely dedicated to the success of their investment, both on and off the pitch.

Outside football, that level of engagement is very rare, but in recent years there has been a growing awareness of the benefits of shareholder engagement globally, as well as a growing commitment by regulators to promote better dialogue between investors and companies. In line with this trend, the Securities and Futures Commission (SFC) in Hong Kong published in March this year its draft investor stewardship principles (*Principles of Responsible Ownership* – available on the SFC website: www.sfc.hk).

Fundamentally, the SFC wants to encourage responsible investing, whether

by institutions holding many shares, often on behalf of funds or companies; or by retail shareholders with small or substantial shareholdings. The SFC consultation on the principles, which concludes this month, states that it believes the engagement of shareholders, irrespective of the size of their shareholdings, will have an impact on the governance of investee companies. Hong Kong's proposals are different to other stewardship codes and principles in place around the globe, which exclusively apply to institutional investors, as illustrated in the map.

Despite being nominally inclusive of retail investors, however, most of the SFC's proposed requirements are clearly targeted at, and are applicable

Highlights

- the SFC's proposed stewardship principles differ from similar principles adopted overseas in that they are not solely focused on institutional investors
- despite being inclusive of retail investors, it is unlikely that the SFC's principles will have much impact on retail investor engagement in Hong Kong
- other proposals to boost retail shareholder engagement include requiring intermediaries to seek shareholders' voting instructions, arranging for live interactive web casts of company meetings and inviting the media to observe and report on such meetings

to, institutional investors. The SFC's key proposed requirements for investors are:

1. to establish and report to their stakeholders their policies for discharging their ownership responsibilities
2. to monitor and engage with their investee companies
3. to establish clear policies on when to escalate their engagement activities
4. to have clear policies on voting
5. to be willing to act collectively with other investors when appropriate
6. to report to their stakeholders on how they have discharged their ownership responsibilities, and
7. when investing on behalf of clients, to have policies on managing conflicts of interests.

What currently happens elsewhere?

The UK

The UK has had a comprehensively documented approach to best practice investor behaviour longer than many other countries – and with its Stewardship Code, Information Rights for Beneficial Owners and the pending EU Shareholder Rights Directive (which will cover the whole of the European Union) it also has the most structure in place. However, the Stewardship Code only applies to institutional investors – and with both attendance and voting at UK AGMs declining over the past decade, retail investor participation is on the wane. There are likely to be many drivers for this, including the feeling that their vote is insignificant in the wider scheme of

things. However, many retail investors also don't have the capacity to vote because they hold their shares through nominees; who may well not provide a voting service at all or may charge for doing so – a price that some investors are not willing to bear.

The UK Shareholders Association (UKSA), the leading independent organisation representing the interests of private shareholders in the UK, is currently undertaking a drive on rights for beneficial owners. 'How such investors are treated depends on each nominee's terms of business, which may mean they are unable to do things such as attend an AGM or vote; and new conditions may be imposed leaving such investors trapped and at financial risk if the nominee fails,' the UKSA says.

Institutional investors in the UK are, however, well versed in the benefits of engaging – particularly those who are curating investments on behalf of others. Frank Curtiss, Head of Corporate Governance at Railpen Investments (RPMI) and immediate past Vice-President of the Institute of Chartered Secretaries and Administrators (ICSA) in the UK, and his team go to significant lengths to engage with the companies they're invested in on behalf of their 350,000 beneficiaries.

'We're firm supporters of the UK's Stewardship Code and were one of the first to sign up back in 2010. We saw it as an important way forward for investors and companies to engage with and understand each other,' Mr Curtiss says. 'We also have good links with companies outside of the UK. Good engagement doesn't stop at Dover – even without a Stewardship Code in place currently, Hong Kong is probably already a good example of that.'



Railpen are in their investments for the long term – they're working on behalf of beneficiaries who will need the proceeds decades hence. This means that they want to see sustained, strong, long-term performance from companies, not quick results this week or month. Their 10 investment beliefs (available on the RPMI website: www.rpmi.co.uk, see under 'Services/ Investments') include the view that it is right to 'manage environmental, social and governance issues as they can have an impact on the long-term performance of investments' and to that end, Frank's team have cultivated excellent relationships with the companies RPMI is invested in.

'The recent support from companies such as BP (and hopefully Royal Dutch Shell) in committing to report on climate change and how they are dealing with it comes as a result of engagement between investors and companies. There was a time a few



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If you engage over a long period of time, your chances of being understood are much higher. If you only do it around a big event such as the AGM, it's much more difficult to reach out to a broad base of investors and get your story understood.
”

Ansgar Luetke-Schelhowe, Director, Investor Relations, Unilever

years ago where companies would have flatly opposed this kind of proposal – and yet now, boards are deciding they will support this type of resolution. Both BP and Shell are taking concerns about climate change seriously, for instance. There was a 98% vote in favour of the resolution on this at BP's recent AGM. It's an example of the positive benefit that can come to both investor and company as a result of effective engagement and in the long term, we believe these benefits are worthwhile for our beneficiaries,' says Mr Curtiss.

The Netherlands

Well prior to the notion of stewardship codes, companies in the Netherlands were alive to the power of the investor. Way back in the 1980s, companies such as Aegon, Ahold, Unilever and Heineken had already realised that engaging with their investors both locally and overseas was the right strategy to take.

'We aim to have a loyal base of long-term investors, to have a fair value of Unilever shares and as little share price volatility as possible,' Ansgar Luetke-Schelhowe, Director, Investor Relations at Unilever, comments. 'It's important that markets understand Unilever, our strategy, our management, our performance. If investors understand the company and are happy with the performance they tend to be more loyal and as a consequence we get less share price volatility. If you engage over a long period of time, your chances of being understood are much higher. If you only do it around a big event such as the AGM it's much more difficult to reach out to a broad base of investors and get your story understood.'

Mr Luetke-Schelhowe also stresses that it should be a two-way conversation and he has the following advice for investors looking to engage with companies. 'Being clear on your expectations around

engagement makes it easier for us to deliver what you're looking for. Investors want different types of relationship – some have a big holding but they don't want much corporate access to investor relations or management. Others think it's useful to have a bit more access – telling us what you want makes it more likely you'll get what you need.'

Since 2003, the Netherlands' corporate governance code has included a section on 'Responsibility of Shareholders' which outlines a list of items for institutional investors and also has a paragraph which refers to shareholders in general. This brought the premise of engagement direct to the door of investors as well as companies for the first time.

Germany

While Germany doesn't have documented requirements for investors to behave responsibly, neither does it seem to



Deutsche Bank's 2014 AGM

© Deutsche Bank

suffer from a lack of retail shareholder engagement in the way that many other countries seem to. This is dramatically illustrated by the photo above, taken at Deutsche Bank's 2014 AGM. Thousands of retail investors faithfully show up each year and engage the company with hundreds of questions, which can take all day to answer effectively. Institutional investors usually prefer to engage with companies all year round. Shareholders are genuinely interested in the machinations of a listed entity and are happy to play their part in its governance.

Japan

The aim of Japan's Stewardship Code (finalised in February 2014) is to promote sustainable growth of companies through investment and dialogue. Going forward, institutional investors are expected to incorporate the purpose of the Code into their activities and take proactive measures to further enhance dialogue with their investee companies.

The UK's RPMI was one of the first to sign up to the code. 'Japan is a market I'm greatly interested in,' says Frank Curtiss. 'At the time we signed, we were the only pension fund to sign up to both the UK and Japanese codes and were one of the first two overseas pension funds to sign up to the Japanese Code, which is very similar to the UK Code. There's nothing in it, however, about collective consultation and it's a comply or explain model imposed by the Japanese government. We use a local engagement service in Tokyo to talk to companies there – increasingly though, companies are coming to London and visiting us. I see 30-40 Japanese companies a year.'

An observer in the Japanese market commented on the effect of the Code as follows. 'Since full implementation of the Stewardship Code was made [only] last August, it is still premature to judge the outcome. As of end of February this year, 184 institutional investors and related parties had signed up to the

Stewardship Code, including most of the major Japanese institutional investors. I hear many investors are seriously trying to enhance their engagement activities with listed companies. I expect that constructive dialogue between listed companies and institutional investors will contribute to enhance mid- to long-term corporate value of listed companies, and also bring fruitful results for the institutional investors.'

Global issues

Many markets are forging ahead with variations on the UK's stewardship guidelines, putting pressure on institutional investors to engage; in turn there is growing pushback from the institutions who want to be able to receive confirmation that their vote has been received by an issuer and recorded into the final vote tally. The EU Shareholder Rights Directive is looking to mandate this across all EU markets. In April 2015, a pilot was run between the Netherlands and UK for a small number of issuers. The US and

Spain have also been involved in trials. A discussion paper on vote confirmation can be found online at: cpu.vg/i2s72.

Another approach to encouraging responsible stewardship can be seen in the French market where shareholders who have been registered for more than two years are automatically granted double voting rights unless two-thirds of a company's investors opt out. Italy recently introduced a law allowing shareholders in the Italian market to also access double voting rights after a period of ownership, as long as there has been affirmative shareholder agreement to introduce the benefit.

The double voting rights approach remains controversial, however. It was harnessed to significant effect by entrepreneur Vincent Bolloré at Vivendi's annual meeting in April when he used double-voting rights to tighten his grip on the group. The French government recently increased its stake in Renault to 20% in order to prevent the car-maker from using the 'two-thirds' clause to opt out of a double-voting scheme. The International Corporate Governance Network and several large institutional investors are known to be against this type of scheme as they don't believe it works for a broad spectrum of investor types, all of whom have different timescales and priorities in terms of

growth and who they believe deserve equal treatment.

Closer to home – can Hong Kong's retail dragon be woken?

With average voting levels at AGMs declining year on year in Hong Kong and elsewhere around the world, it's hard to see retail investors being suddenly reinvigorated via a stewardship code into diligently reviewing a company's practices and responsibly engaging with management.

Computershare asked 261 retail investors visiting its Wanchai office during one week in early April whether they planned

Principles of Responsible Regulation

David Webb, Founder of Webb-site.com, recently published his submission to the SFC's *Consultation Paper on the Principles of Responsible Ownership* on his website. He points out that minority shareholders in Hong Kong wishing to engage with investee companies face significant obstacles. More effective than a set of responsible ownership principles, Mr Webb argues, would be the removal of those obstacles. His submission calls on the SFC, government and Hong Kong Exchanges and Clearing to adopt the six 'Principles of Responsible Regulation' set out below.

1. Independent directors should be elected by independent shareholders; any shareholder or the board can nominate candidates, but controlling shareholders must abstain from voting.

2. Investors' rights to information should be addressed by requiring three quarterly sets of full but unaudited financial statements within 45 days of the quarter-end and one annual audited set within 90 days of the year-end; and by requiring full disclosure of the identities of counterparties to notifiable transactions, option grants and placements of shares or convertible securities.

3. Investors' ownership rights should be protected from dilution by reducing the general mandate's maximum size to 5% per year at a maximum discount of 5%.

4. Voting should be facilitated by requiring all regulated intermediaries who hold shares

for clients to seek their voting instructions for each shareholder meeting.

5. Investors' access to justice and legal remedies should be facilitated by the introduction of class action rights and the legalisation of champerty and maintenance and contingent legal fees.

6. A safe harbour in the Takeover Code should be created for mutually independent shareholders to act together to change a board when such intervention is needed.

More information is available at: <http://webb-site.com>, see 'Principles of Responsible Regulation' (26 May 2015).

“
 The SFC could solve the engagement issue at a stroke by requiring intermediaries to seek retail shareholders’ voting instructions. It’s a bit rich asking retail shareholders to get more active when they have so little power.
 ”

David Webb, Founder of Webb-site.com



to vote during this year’s AGM season, either in person or online. Of course, those attending the office must have a propensity to be active in relation to their shares – however, 70.5% of the investors surveyed said they would not vote in this year’s AGM season.

David Webb, Founder of Webb-site.com (<http://webb-site.com>) and Hong Kong’s best-known activist investor, devotes much of his time to advocating solutions for better corporate and economic governance in Hong Kong. In 2009, six years after he started a campaign to require one-share-one-vote poll voting at AGMs instead of a show of hands, the Listing Rules were amended to make this mandatory. Webb is dismissive of the SFC’s proposed principles.

‘It’s ironic that the SFC is asking retail investors to become more active in the companies they’re invested in when the regulator has refused to require

intermediaries – brokers and banks – to seek voting instructions from the retail shareholders for whom they act as custodians. If intermediaries are not required to seek voting instructions then retail investors are largely shut out of the system. This means that the turnout rate at AGMs is low and that pretty bad proposals get passed easily because management has friendly or family shareholders hidden in the public float. The SFC could solve the engagement issue at a stroke by requiring intermediaries to seek retail shareholders’ voting instructions. It’s a bit rich asking retail shareholders to get more active when they have so little power,’ Mr Webb says.

He adds however that, in the absence of requirements being imposed on intermediaries, there is more that companies can do to help retail shareholders get engaged. ‘Live web casts where questions can be asked online and which are then archived so investors can

review them would be a good start. Making sure that media are invited to observe and report on the meetings instead of being shut out would also make things more transparent for the retail investor.’

So, while the SFC’s proposals seem to be a step in the right direction for institutional investors, much as they have been for other countries that have already introduced similar stewardship principles, the same cannot be said for the effect that the proposals will have on the ability or inclination of retail shareholders to participate more effectively in the governance process.

Lucy Newcombe

Director, Global Corporate Communications, Computershare

The SFC’s ‘Principles of Responsible Ownership’ – available on the SFC website: www.sfc.hk – were reviewed in the April edition of CSj.



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Shareholder engagement and the corporate secretary

CSj takes a look at new best practice recommendations for corporate secretaries on shareholder engagement.



Since the launch of the UK's Stewardship Code in 2010, shareholder engagement has been climbing the corporate and regulatory agenda around the world. The focus has been on encouraging companies to be responsive to investors' concerns and to facilitate the engagement process, and on encouraging investors to take their share ownership responsibilities seriously.

These developments have been watched closely by members of the corporate secretarial profession. Corporate secretaries have a recognised role in facilitating dialogue between companies and their shareholders and there is great potential for utilising the corporate secretary role to improve the quality of that dialogue.

'We think what is missing in the [shareholder engagement] debate is the significant role that the corporate secretary plays in the process. Corporate secretaries serve as an essential liaison between investors and corporate boards,' commented Katherine Combs, President of Corporate Secretaries International Association (CSIA), and former Chair of the Society of Corporate Secretaries and Governance Professionals in the US, at a CSIA webinar held in April this year.

The webinar launched a new CSIA publication – *Shareholder Engagement: Practical Steps for Corporate Secretaries* – which is now available via the webinar link in the news section of the HKICS website: www.hkics.org.hk. This, the third publication from the CSIA (it previously published *20 Practical Steps to Good Governance* in 2010 and *Governance Principles for Corporate Secretaries* in 2013), provides an international best practice benchmark for the role of the corporate secretary in shareholder engagement.

Maintain an ongoing dialogue

One of the main messages to emerge from the new CSIA guidance is the need for an ongoing dialogue with investors – shareholder engagement should not be a once-a-year issue in the build-up to the AGM. 'Communications (of some form) with investors should be regular and routine. Companies should not wait until a crisis or a serious issue develops before engaging in a dialogue with investors,' the guidance states.

The guidance, as with previous CSIA publications, has a practical focus. Regarding communication channels with investors, the CSIA recommends that corporate secretaries should obtain a list

Highlights

- shareholder engagement should not be a once-a-year issue in the build-up to the AGM – communications with investors should be regular and routine
- the corporate secretary needs to maintain a two-way information flow – informing investors about developments in the company and informing the board and management about developments relating to investors
- companies should establish a shareholder engagement policy – this is a requirement of Hong Kong's Corporate Governance Code (Code Provision E.1.4)

“ corporate secretaries serve as an essential liaison between investors and corporate boards ”

Katherine Combs, President of the Corporate Secretaries International Association and former Chair of the Society of Corporate Secretaries and Governance Professionals in the US

of their company's largest shareholders and the name and address of the persons designated by each institutional investor to handle proxy voting and engagement on issues of corporate governance.

The corporate secretary is often the first point of contact for shareholders, but different companies may have different arrangements in place. Whoever is delegated to this role, the CSIA makes it clear that the company has an obligation to disclose the identity of persons charged with the responsibility of communicating with investors.

The CSIA also points out that companies should be aware of the new technology available to facilitate dialogue. 'Corporate secretaries should, if practicable, utilise available technology to enable shareholders to communicate with senior management and the board, and to participate virtually in the annual meeting of shareholders,' the guidance states.

Maintain a two-way information flow

Another key message to emerge from

A 10-point guide to the company secretary's role in shareholder engagement

This guide is extracted from the presentation by Philip Armstrong, Senior Advisor, Corporate Governance, International Finance Corporation, at the International Corporate Governance Network (ICGN) Regional Conference in Madrid this year.

1. Identify your shareholders

Company secretaries are usually responsible for ensuring that the company's share register is well maintained and up to date but, more significantly, they would take a close interest in who is in fact registered as a shareholder and as far as possible seek to identify who are the primary or major beneficial shareholders that sit behind the registered shareholder.

2. Understand your shareholders' views

The company secretary would then seek to understand the investing philosophy and/or strategies of the major or key shareholders and any particular issues that they may be well known for in regard to the governance practices in other companies in which they are invested. This might provide important intelligence on how they might vote in the company's shareholder meetings and how they might respond to some of the existing governance practices in place in the company.

This is information that the company secretary would no doubt share with the board chairman and the

CEO in shaping any tactical responses to shareholders who could have an important influence over the company's governance and operations in discussion with the board and management as appropriate.

3. Develop a trusted relationship with your shareholders

The next step would be to develop a trusted relationship with the major or important shareholders where a natural contact point is established between the company secretary and the shareholder in question. This would allow the company secretary to play both a *pre-emptive* and *reactive* role:

- *pre-emptive* where the company secretary becomes aware of issues important to the shareholder that are not within the company's existing governance framework and may require explanation, and
- *reactive* where the shareholder has picked up an issue that may require further explanation on the part of the company and has contacted the company secretary to elaborate.

This doesn't happen overnight, clearly, but is a valuable investment of time if done well and with all the caution that one should follow in terms of the nature of information discussed. Regulatory constraints should of course be properly observed, particularly with regard to market-sensitive information.

4. Maintain a dialogue with shareholders

The company secretary may be aware of events or circumstances where the sharing of information with a shareholder might be helpful in their better understanding of the business, such as new products or a new factory opening or a customer/supplier briefing or perhaps introducing them to new board members as part of the induction of new board members.

5. Remain vigilant to emerging issues of importance to your shareholders

The company secretary needs to be aware of important or prevailing issues among institutional investors that may be relevant to the company and its governance, especially if it is being led or supported/endorsed by one of the key shareholders in the company. Remember that a shareholder need not have a large or major shareholding in the company to generate considerable influence over its governance.

6. Inform your chairman and the board

The company secretary needs to ensure that this information is being suitably summarised and presented to the chairman and the board with some indication of how or why it is important, and what the board may want to be considering in terms of the company's existing governance arrangements, structures and

disclosures. If sufficiently important, this may take the form of information that the company secretary would proactively share between board meetings and not just at the next meeting, operating under the adage of 'being forewarned is to be forearmed'.

7. Work closely with your company's investor relations team

The company secretary needs to ensure that much of these efforts are carefully synchronised with the company's investor relations department if one exists, though this is not always the case other than in the more sophisticated markets or with very large companies. Where appropriate, the company secretary would be contributing to the strategies and tactics for dealing with various shareholders and this is especially important nowadays given that shareholders have increasingly diverse (and sometimes conflicting) objectives.

8. Monitor the views of industry associations

In some markets, where investors may work under industry umbrella organisations like the Association of British Insurers in the UK or investor coalitions such as Eumedian in The Netherlands, the company secretary should understand the key issues that these organisations may be representing on behalf of their clients and how this informs the way the

board is advised to respond by the company secretary.

9. Don't neglect your retail shareholders

While many markets are increasingly dominated by institutional investors, it is important not to forget the retail shareholder. The company secretary is very often the first port of call for these shareholders who may have questions that range from the routine to something that may signal a possible challenge to the board that will take place publicly in a shareholders' meeting such as the annual general meeting and quickly be picked up by institutional investors.

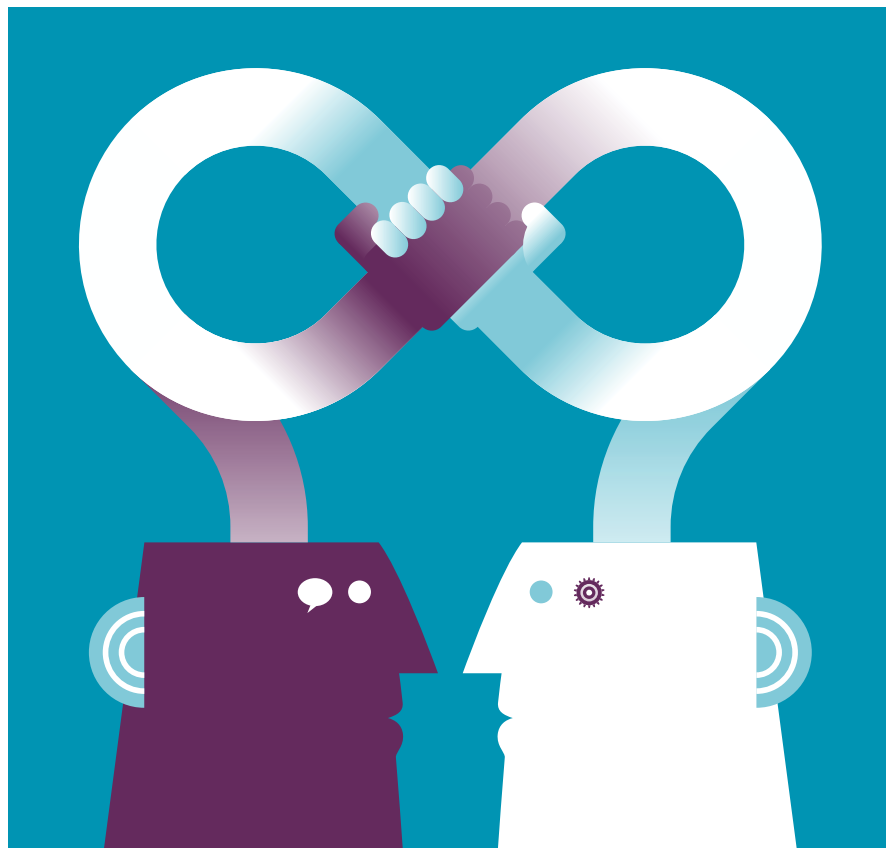
10. Use your knowledge gained to inform your communication strategies

My final point is that all of these interactions help inform the information requirements of the market and what should be on the website and other forms of communication put out by the company, and how the chairman and the board along with the CEO should be thinking about the preparations for the annual general meeting.

Philip Armstrong, Senior Advisor, Corporate Governance, International Finance Corporation (IFC), is an internationally acknowledged expert on corporate governance. More information is available online at: www.ifc.org/corporategovernance.

“
Communications (of some form) with investors should be regular and routine. Companies should not wait until a crisis or a serious issue develops before engaging in a dialogue with investors.
 ”

Corporate Secretaries International Association



the new CSIA guidance is the important role the corporate secretary plays in maintaining information flows, both internal and external.

Informing investors

Corporate secretaries need to communicate regularly with all investors, including retail investors, proactively informing them of significant developments. The channels used for these communications will differ from company to company, but an obvious starting point would be the corporate website. Updates can also be included in the envelope with each dividend cheque. Other companies organise 'investor days' or visits to company facilities and arrange for face-to-face communications with senior management and/or directors.

Companies should also establish channels to receive feedback from investors. The AGM has traditionally been one of the primary opportunities for investors to do this, but companies need to have a year-

round channel such as an email address or hotline to receive shareholder comments or questions.

Similarly, in the interests of transparency, the CSIA recommends that companies should establish a shareholder engagement policy and publish it on their websites. 'The corporate secretary is usually charged with the responsibility for drafting such a policy based on the relevant corporate governance practices, submitting the policy to the board or relevant board committee for approval and implementing the policy,' the guidance states.

Informing the board and senior management

As well as informing investors about developments in the company, the corporate secretary also needs to inform the company about developments relating to investors.

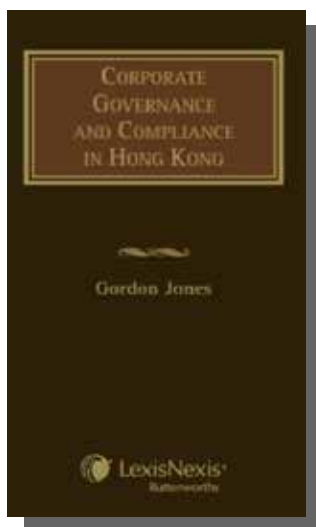
This means, of course, that corporate secretaries will themselves need to remain well informed about investors' concerns.

The CSIA recommends that corporate secretaries should regularly monitor investor websites and the corporate governance and proxy voting policies of their significant investors. It also recommends regular monitoring of press releases, shareholder proposals or other public statements or filings by investors. In addition, the CSIA points out that joining investor associations may provide a valuable opportunity for corporate secretaries to hear about, and respond to, investor concerns.

Kieran Colvert
 Editor, CSj

The CSIA's 'Shareholder Engagement: Practical Steps for Corporate Secretaries' is available in the news section of the HKICS website: www.hkics.org.hk. Readers may also be interested in the guidance prepared by the Institute of Chartered Secretaries and Administrators (ICSA), 'Enhancing Stewardship Dialogue', which is available on the ICSA website: www.icsa.org.uk.

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Carbon accounting and reporting in Hong Kong

Few companies in Hong Kong are monitoring and reporting on their greenhouse gas emissions. *CSj* takes a look at the growing stakeholder and regulatory pressure to ensure businesses catch up with international best practice in this area.

In 2013, Carbon Care Asia (CCA) undertook a survey of carbon emission reporting by companies registered on the Hong Kong Stock Exchange and concluded that such reporting among Hong Kong companies was 'at a very preliminary level'.

The report found that about one-tenth of the 357 companies listed in the Hang Seng Composite Index (HSCI) had produced formal reports on greenhouse gas (GHG) emissions. Moreover, only 1.7% of all HSCI companies had set clear targets for carbon reduction. Among the 1,221 listed companies outside HSCI, none of the companies surveyed had any form of carbon disclosure.

Some of the companies surveyed had produced sustainability or equivalent reports, but these did not always mention GHG emissions, indicating a low level of awareness of the importance of this area of environmental disclosure.

It would seem, then, that climate change and the need to report on GHG emissions have not been high on the agenda of most businesses in Hong Kong. There is mounting regulatory and stakeholder pressure on companies, however, to adapt international best practice in this area; in particular monitoring and adapting to climate change risks should be part of company's risk management programmes.

Carbon accounting and risk management

Dr Trini Leung, Director of Carbon Care Asia, believes that awareness of the risks involved in climate change are growing in Hong Kong. 'Compared to seven years ago when we started CCA, I think more companies are aware of climate change. They are aware that if we want to survive, as a business or as a person,

we need to transition to a low-carbon economy.'

Why then are so few businesses in Hong Kong moving to the next stage, namely taking action to monitor, report on and reduce GHG emissions? One likely reason is that climate change risks are rarely seen as presenting a danger to businesses in the near term.

'The problem with a lot of the companies here is that the business strategy is very short term. The businesses that are looking at the long or even the medium term know that it makes business sense for them. They know that they have to have a business strategy on climate change,' says Dr Leung.

Climate change risks may sound like a distant prospect, but they have already arrived in Hong Kong. The transition to a low-carbon economy, for example, is already having an impact on companies in Hong Kong.

This is most obvious in the energy sector where companies need to identify and manage risks such as the increasing regulatory constraints on carbon emissions and the increasing competition from innovative companies able to

exploit new low-carbon technologies. Few businesses in Hong Kong, however, are unaffected by these trends. The shift in consumer demand towards products and services which are low-carbon and environmentally friendly is already a factor for a wide variety of different businesses. Similarly, the growing stakeholder and regulatory pressure on businesses to adopt international best practice on disclosing and managing their GHG emissions cuts across all sectors of the economy.

Since 2013 there has been an increasing regulatory focus on how businesses disclose and manage their GHG emissions. Hong Kong Exchanges and Clearing's (HKEx) *Environmental, Social and Governance Reporting Guide (ESG Guide)* came into effect for listed companies in January 2013. The *ESG Guide*, which now forms part of the Listing Rules of the Stock Exchange of Hong Kong, brought in Hong Kong's first recommendations on ESG reporting. Those recommendations are still voluntary, but in an article in this journal last year (see *CSj*, September 2014), David Graham, Chief Regulatory Officer and Head of Listing, HKEx, outlined the HKEx plan to raise the obligation level of some recommended disclosures in the *ESG Guide* to 'comply or explain'.

Highlights

- mounting regulatory and stakeholder pressure on companies to adopt international best practice on greenhouse gas emissions is already affecting businesses in all sectors of the economy in Hong Kong
- Hong Kong Exchanges and Clearing intends to upgrade some of its recommendations on environmental, social and governance reporting to 'comply or explain' status by late 2015 or early 2016
- risk management should include the regulatory and reputational risks associated with the company's environmental policies and performance

'ESG reporting is fast becoming a standard practice and the Exchange has an important role to play in urging companies to adopt this practice in order to stay ahead of the curve and maintain their long-term competitiveness,' Mr Graham said. He explained that HKEx plans to publish a consultation paper on the proposed upgrades this year, and implement changes to the *ESG Guide* by late 2015 or early 2016.

In addition to these developments, the new Companies Ordinance, which was implemented in March 2014, has now made some form of ESG reporting mandatory for many Hong Kong incorporated companies. Companies not eligible for simplified reporting need to comply with the 'Business Review' requirement brought in by the new Ordinance, which requires companies

to include in their directors' reports a discussion of their environmental policies and performance, and an account of their key relationships with stakeholders.

Getting started

Regulators and the government in Hong Kong recognise that the regulatory 'stick' is only part of the equation. Many companies in Hong Kong are relatively inexperienced with ESG reporting and need help getting started. The HKEx *ESG Guide* recognises this and aims to provide businesses with practical resources and tools to improve their competency in this area.

Another resource for companies is the carbon footprint repository (CFR) website (www.carbon-footprint.hk) launched in December 2014. The Environmental Protection Department (EPD) commissioned Carbon Care Asia to

develop the website. Dr Trini Leung, who managed this project for CCA, explains that the website is intended to provide a user-friendly portal for listed companies to disclose carbon inventories in a simple, consistent and credible manner.

The website is not only a repository for GHG emission data, it is also an online resource for companies. The website links to a wide variety of online guidelines and tools, such as the 'carbon calculators' developed by the WWF (World Wildlife Fund), the University of Hong Kong, and Chinese General Chamber of Commerce to help businesses and individuals calculate their carbon footprints.

The website also has a 'Success Stories' section designed to highlight the positive benefits of carbon accounting and reporting, such as better stakeholder

“
The low-carbon economy is our only way out. Winners in this carbon paradigm shift would be those institutions and businesses who are well prepared and positioned to avoid damages and capture new opportunities
 ”

Dr Trini Leung, Director,
 Carbon Care Asia



relations, improving operational efficiency and making direct cost savings as a result of reducing energy and material consumption.

Dr Leung emphasises that the design brief for the CFR website was to make it easy to use. 'The most comprehensive carbon reporting website is that of the Carbon Disclosure Project (CDP) and the companies' disclosures on the CDP often run to 50 pages or more. We were aiming initially to create a carbon reporting template running to about 10 pages, but the government wanted us to come up with a very simple one so we managed to produce a three-page form,' she says.

She adds that this task was actually more difficult than producing a longer template since it had to be simple but also compliant with the essential reporting standards and guidelines. The website has to get the right balance between usability and credibility. One issue that is key here is how far down the supply chain the accounting process should go. Should companies only account for their direct emissions? Should they account for the emissions of their subsidiaries? What about the emissions due to consumer use of their products or the emissions resulting from the production of the raw materials they use?

The further down your supply chain you go, the more carbon you find. When, in 2010, the Germany-based sportswear manufacturer Puma started producing an environmental profit and loss account which included data from the farthest reaches of its supply chain, it found that only 6% of its environmental impact came from its own operations. Another 9% came from its direct suppliers but a staggering 85% came from areas

outside the company's direct control or influence – the rubber plantations, the cattle ranches, the cotton farms and the petroleum refineries that lie unseen and often ignored at the root of most companies' operations.

Dr Leung points out that, since most companies making disclosures on the CFR website will be at the starter phase of carbon reporting, mandating this degree of disclosure would be counterproductive. The website allows the reporting companies themselves to define the boundaries of their reporting, so long as they disclose where those boundaries are.

'Some people might think that this is not comprehensive enough, but we think of this as a first start. The most important thing is to get companies on board and to start the process. You can't go to the sky in one step. If they take this first step, then they will get to know the methodologies and the accounting methods involved, then they can take the second and third steps,' Dr Leung says.

The role of the corporate secretary

The developments discussed in this article have a particular relevance for corporate secretaries in relation to their board advisory function. The April edition of this journal (CSj, April 2015, pages 6–11) pointed out that corporate secretaries facilitate the board in its responsibility to oversee risk management. The scope, and the planning horizon, of risk management is expanding and directors' responsibilities and liabilities in this area are likely to expand with it. It is no longer sufficient for boards to solely focus on the traditional areas of operational, regulatory and legal risks. They need to be addressing issues such as GHG emission reporting requirements and the reputational

risks associated with the company's environmental and social policies and performance.

Corporate secretaries have an opportunity to be the board's 'sentinel' for these risks and also for longer-term sustainability risks arising from climate change, such as rising sea levels, persistent droughts, erosion of biodiversity and the depletion of natural resources. These risks may seem to be far away on the horizon, but, as Dr Leung points out, the winners in the emerging business environment will be those with a long-term strategy for sustainability.

'The low-carbon economy is our only way out. Winners in this carbon paradigm shift would be those institutions and businesses who are well prepared and positioned to avoid damages and capture new opportunities,' she says.

Kieran Colvert

Editor, CSj

More information is available on the CFR website:

www.carbon-footprint.hk.

In parallel to the development of the CFR, the government has also set up a free supporting helpdesk service (email: helpdesk@carbon-footprint.hk; tel: 3568 4078) to handle enquiries and offer technical advice on carbon auditing and carbon disclosure to all listed companies in Hong Kong.

The 2013 'Hong Kong Carbon Performance Report' can be downloaded from the Carbon Care Asia website:

www.carboncareasia.com.

An Earth Year

Governments around the world will be gathering in December this year to sign a new global agreement on greenhouse gas emissions reduction. Johan Rockström, Professor of Global Sustainability, Stockholm University, looks at what needs to be agreed in order to avoid potentially devastating impacts of climate change.

On 22 April this year, the world marked the 45th anniversary of Earth Day, established in 1970 to draw attention to environmental challenges. Never have those challenges been greater or more urgent than they are today. The combination of climate change, erosion of biodiversity, and depletion of natural resources is propelling the planet toward a tipping point, beyond which objectives like sustainable development and poverty reduction will be more difficult than ever to achieve.

Since 1970, scientists have learned not only that human activity is the primary driver of environmental change on Earth, but also that it is pushing the planet beyond its natural limits. If we do not make big changes fast, the results could be devastating.

Global leaders seemed to recognise this when they agreed five years ago to limit global warming during this century to two degrees Celsius above pre-industrial levels – the threshold beyond which we risk triggering more devastating consequences of climate change. But strong action to reduce greenhouse gas emissions has not been taken. On the contrary, emissions have increased markedly; as a consequence, last year was the hottest year on record.

The world is now on track to deplete its remaining "budget" for CO₂ emissions, which now amounts to less than one trillion tons, in just 25 years. The result would be catastrophic changes like unmanageable sea-level rises, devastating heat waves, and persistent droughts that create unprecedented challenges in terms of food security, ecosystems, health and infrastructure. Unsurprisingly, the poorest and most vulnerable will be the hardest hit.





We must change course. This Earth Day should serve as a reminder – and, indeed, a catalyst – of what the world really needs: strong and sustained action. Fortunately, 2015 may mark the beginning of just such a change for the better.

This year, world leaders will meet three times to chart a new path for our planet. In July, they will meet in Addis Ababa, Ethiopia, for the Conference on Financing for Development. In September, they will convene to approve the Sustainable Development Goals, which will guide development efforts until 2030. And in December, they will head to Paris to negotiate a new global climate agreement.

The outcomes of these meetings will shape this generation's legacy for both the natural environment and economic growth and development. By decarbonising the global economy and limiting climate change, world leaders can unleash a wave of innovation, support the emergence of new industries and jobs, and generate vast economic opportunities.

It is up to all of us to encourage political leaders to do what is needed to secure such an outcome. Just as we demand that our governments address risks associated with terrorism or epidemics, we should put concerted pressure on them to act now to preserve our natural environment and curb climate change.

Here, the scientific community has a special responsibility to share their research and its potential implications. That is why I and the 16 other scientists of the Earth League – representing world-leading

Highlights

The global climate deal to be reached in Paris in December this year should:

- reinforce countries' commitment to limit global warming to below two degrees Celsius
- lay the foundation for a fundamental transformation of the economy, with deep decarbonisation beginning immediately, in order to create a zero-carbon society by around 2050, and
- include provisions to safeguard carbon sinks and vital ecosystems.

academic institutions like the Potsdam Institute on Climate Impact Research, the Earth Institute, Tsinghua University, and the Stockholm Resilience Centre – have released the 'Earth Statement', which sets out the eight essential elements of a successful global climate deal, to be reached in Paris in December.

1. The agreement must reinforce countries' commitment to limit global warming to below two degrees Celsius
2. The agreement needs to recognise the remaining global budget for CO₂ emissions.
3. The agreement should lay the foundation for a fundamental transformation of the economy, with deep decarbonisation beginning immediately, in order to create a zero-carbon society by around 2050.
4. All 196 countries in the United Nations Climate Convention must formulate an emissions pathway consistent with deep decarbonisation, with richer countries taking the lead.
5. Countries must promote innovation in clean technologies and ensure universal access to existing technological solutions.
6. Governments must agree to support adaptation to climate change and to address the loss and damage associated with it.
7. The agreement must include provisions to safeguard carbon sinks and vital ecosystems.

8. To help developing countries fight climate change, donors need to provide additional support at a level at least comparable to current global development aid.

The good news is that these eight objectives are realistic and achievable; indeed, some

progress is already being made. Last year, total CO₂ emissions from the energy sector remained unchanged year-on-year for the first time (in the absence of an economic downturn). And recent reports show that emissions in China, the world's largest emitter of greenhouse gases, also did not increase from 2013 to 2014.

Environmental risks are on the rise

In January this year, the World Economic Forum published its *Global Risks 2015 Report*. The report, which features an assessment by experts of the top global risks over the coming 10 years, is an excellent resource for corporate secretaries seeking to keep tabs on the changing global risk landscape.


One important finding of the 2015 report is that environmental risks feature more prominently than economic ones. Water crises, for example, rated as the greatest risk facing the world in terms of impact. Extreme weather events rated second in terms of likelihood and failure of climate change adaptation was ranked fifth in terms of impact.

The top five global risks in terms of likelihood were:

1. interstate conflict with regional consequences
2. extreme weather events
3. failure of national governance
4. state collapse or crisis, and
5. high structural unemployment or underemployment.

The top five global risks in terms of impact were:

1. water crises
2. rapid and massive spread of infectious diseases
3. weapons of mass destruction
4. interstate conflict with regional consequences, and
5. failure of climate-change adaptation.

The World Economic Forum believes that the prominence of environmental risks over economic ones were not due to a diminution of the importance of economic risks. 'This comes as a result of a marked increase in experts' negative assessment of existing preparations to cope with challenges such as extreme weather and climate change, rather than owing to a diminution of fears over chronic economic risks such as unemployment and underemployment or fiscal crises, which have remained relatively stable from 2014,' the World Economic Forum stated at the launch of the report. 

The World Economic Forum 'Global Risks 2015 Report' is available at: www.weforum.org.

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by decarbonising the global economy and limiting climate change, world leaders can unleash a wave of innovation, support the emergence of new industries and jobs, and generate vast economic opportunities
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The tide is turning. Decarbonisation has already begun, and the appeal of a fossil-fuel-free world is growing – not only because it would limit climate change, but also because it would be more technologically advanced, democratic, resilient, healthy, and economically dynamic. This is the right time to move fully onto a more sustainable, zero-carbon path.

With the right global deal, the world could finally do just that. For the sake of the planet, and the people who depend on it, let us make 2015 Earth Year.

Johan Rockström

*Professor of Global Sustainability,
Stockholm University*

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Ambassadors for climate action

Recognition by board members of the need to address climate change risks will be one of the critical factors determining how businesses respond to the threats and opportunities of the emerging business environment.

Globally, awareness of the importance of these issues is rising in the agenda of board members. Earlier this year, a coalition of 43 CEOs representing over US\$1.2 trillion in revenue urged the world's leaders to reach an ambitious climate deal at the 'UN Climate Change Conference of the Parties 21' to be held in Paris in December this year. The coalition called on

government leaders and policy makers to align on global measures, to be consistent in policy-making and to develop helpful innovation frameworks.

The CEOs, who hope to act as 'ambassadors for climate action', also pledged their commitment to worldwide efforts to reduce greenhouse gas emissions, promising to move their own businesses toward a low-carbon economy.

'This coalition believes the private sector has a responsibility to actively engage in global efforts to reduce greenhouse gas emissions, and to help

lead the global transition to a low-carbon, climate-resilient economy. This coalition further seeks to catalyse and aggregate action and initiatives from companies from all industry sectors – towards delivering concrete climate solutions and innovations in their practices, operations and policies', the open letter reads.

The letter stresses that an effective response to climate change will have to include an effective pricing of carbon to trigger low-carbon investment and transform current emission patterns. [CSj](#)

Disclosure of inside information – an update

One of the toughest challenges facing companies seeking to comply with Hong Kong's statutory regime for the disclosure of inside information, as set out in Part XIVA of the Securities and Futures Ordinance, has been identifying what is and what is not inside information. In April this year, the Securities and Futures Commission issued new guidance on this topic.

The revised Securities and Futures Ordinance (SFO), implemented in January 2013, requires listed companies to disclose to the public, as soon as reasonably practicable, any inside information that has come to its knowledge. That requirement may seem very clear, but identifying what information needs to be disclosed under Hong Kong's statutory inside information regime is not always straightforward. There are many factors to consider, for example: is the information specific to the company? Is the information already known to the market? Will the disclosure of the information have a material effect on the company's share price? Is the disclosure exempted by one of the safe harbours in the SFO?

In general, listed companies have opted to disclose all information which might be deemed to be inside information rather than risk breaching the provisions of Part XIVA of the SFO. In addition to its *Guidelines on Disclosure of Inside Information*, the SFC has published specific guidance on inside information disclosure. Last year the SFC issued a new 'frequently asked questions' section on its website to help listed companies improve their inside information disclosure practices. In April this year, the SFC issued more guidance on this topic in the second edition of its *Corporate Regulation Newsletter*.

Some of the issues raised by the newsletter are highlighted below.

Repeat disclosures

The *Corporate Regulation Newsletter* reminds listed companies that inside information announcements are rarely necessary where the information has already been disclosed to the market, and companies making such repeat disclosures may be regarded as misleading the market. For example, if a company announces that its profits for a six-month period increased due to a gain arising from the sale of a building, repeating the announcement may cause investors to believe that there were two separate transactions resulting in gains.

There may be cases, however, where updates are required to information previously disclosed. The SFC advises companies who feel that they need to make an announcement about matters previously disclosed to clarify the extent to which the information in the announcement differs from previously disclosed information.

Moreover, the above does not apply to general disclosures previously made. If, for example, a company has warned the market in its prospectus that potential work stoppages are a risk factor, an inside

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information announcement may still be required when an actual stoppage occurs. In this case, the company would have to consider whether the disclosure of the information would have a material effect on its share price and hence whether an inside information announcement under the SFO is required.

'The company could not rely on its previous disclosures in the prospectus as vague references to possible future events do not fulfil a company's disclosure obligations if any of those events come to pass,' the SFC states.

Disclosure of one-off events

The SFC also warns listed companies that a repeat disclosure of a one-off event can be problematic. For example, the absence of a one-off gain which was included in the prior year is sometimes cited as a reason for a decline in profits in the current year.

'By definition, one-off, extraordinary, discontinued or other similarly described items are not expected to reoccur, and therefore the fact that they did not reoccur would not normally be considered inside information,' the SFC states.

The SFC adds that, where a reference to the absence of a one-off gain is designed

to mask the impact of other factors in a company's financial performance, the company may be regarded as having made a misleading statement. For example, if a company announces that its profits for 2015 will be substantially reduced from 2014's \$500 million due to the absence of the previous year's gain of \$300 million arising on the sale of a

Highlights

- repeating already disclosed information in an inside information announcement may be misleading to the market
- where an announcement about matters previously disclosed needs to be made, the announcement should clarify the extent to which the new information differs from previously disclosed information
- where gains or losses are sufficiently material to be considered as inside information, companies should not wait for an exact figure before informing the market

subsidiary, and the company then issues the 2015 accounts showing a loss of \$50 million, adjusting for the one-off gain in 2014, there was a shift from a profit of \$200 million in 2014 to a loss of \$50 million in 2015. 'Such a significant change in trading performance is likely to have been evident quite early on and needs to be considered independently from the previous year's one-off gain,' the SFC states.

Disclosure of information generated by internal developments

The SFC also addresses the difficult issue of when information generated by a company's internal developments, such as trading performance, needs to be disclosed. The SFC recognises that the determination of when trading performance is inside information that needs to be disclosed can be a difficult judgement, and the newsletter highlights a number of factors, many of which are likely to be company-specific, which should be taken into account.

Although it is impossible to provide an exhaustive list, companies would need to consider at least the factors set out below.

Where to get your copy

The SFC's *Corporate Regulation Newsletter*, launched in July 2014, is a useful resource for corporate secretaries in Hong Kong wishing to keep up to date with the latest requirements relating to disclosures by listing applicants and listed companies. The newsletter is available on the SFC website (www.sfc.hk) under 'published resources/ industry-related publications'. Readers can subscribe to the newsletter by filling out the form available under the 'subscribe' link. 

The SFC welcomes feedback on its 'Corporate Regulation Newsletter', including suggestions for future topics to be discussed. HKICS members who wish to respond, please send your comments to: Mohan Datwani FCIS FCS(PE), Senior Director and Head of Technical & Research, HKICS.

“ gains or losses arising from disposals of listed investments do not need to be confirmed by an auditor before they can be announced ”

Certainty

Companies are rightly cautious about providing the market with precise figures for expected long-term earnings. However, that does not mean that the company needs to know the level of profit for a period to the nearest dollar before deciding that its trading performance amounts to inside information. Some care needs to be taken in assessing whether an apparent change in results is merely a short-term effect or indicative of a longer-term trend. But



increased profits arising from strong customer orders should not be ignored solely because there is no absolute certainty that the customers will place orders at the same rate in the future.

Expectations

Companies should consider how results match market expectations. Under normal circumstances, if trading profits for the period were substantially lower than the previous period, this would very likely be inside information. But if the company has already warned investors that such an outcome is expected due to the loss of a significant contract, then it is much less likely to be inside information.

Likewise, a property investment company may believe that because property prices in the relevant market had dropped 10%, the expectation would be that their portfolio had dropped a similar amount. However, if the company had a track record of consistently beating the market or the consensus of analyst comments were more favourable, then it should still consider making an announcement.

Also, if the local press does not closely follow the relevant market (for example, an overseas property market), the company should still consider making an announcement, even if its performance is in line with analyst expectations, as the public may not be equally well informed about the property market concerned.

Materiality

Just because one month's trading results are higher than expected, this might not be sufficient to justify an announcement. But if that month's sales figures are of particular importance (for example, December sales in the run up to Christmas) then the performance in that month can be the difference between a good year and a bad year. A single-month figure can be of such significance that a trading update would be appropriate.

Disclosure of investment portfolio performance

The newsletter adds that the same three aspects – certainty, expectations and materiality – may be just as relevant when considering making disclosures in connection with investment gains or losses on investment portfolios.

Certainty

Gains or losses arising from disposals of listed investments do not need to be confirmed by an auditor before they can be announced, nor do fair value adjustments of listed investments which can easily be marked to market. If the gains or losses are sufficiently material to be considered as inside information, the company should consider whether an announcement is appropriate.

Expectations

If the investment portfolio of listed shares held by a company has been

previously disclosed – such details often form part of the interim and annual accounts – then, if there have been no significant changes to the portfolio, investors can gauge the changes in value of such a portfolio and the significance to the finances of the company. However, if the portfolio has changed and now has a very different valuation from an unchanged portfolio, the company should consider whether an announcement is necessary.

Materiality

If part of a company's business is trading in shares, then there is no requirement to inform the market of normal fluctuations in portfolio valuation on a daily basis. However, if in early January such a company disposes of an investment at a

significant gain over the previous book valuation, or the market valuation of a listed investment held, but not previously disclosed, increases enough to materially affect projected profits for the period, it is unlikely to be reasonable to only disclose that fact in the interim results announcement for the period to June.

Where an investment portfolio may significantly affect a company's finances, it is worth considering disclosing the portfolio's details at least on a half-yearly basis. [CSj](#)

The SFC's 'Corporate Regulation Newsletter' together with its 'Guidelines on Disclosure of Inside Information', is available on the SFC website (www.sfc.hk).

The role of the corporate secretary

Since the implementation of the revised Securities and Futures Ordinance in January 2013, many companies have revised their internal control processes to ensure that potential inside information is identified and escalated to the board to determine whether it triggers a disclosure obligation. Corporate secretaries are typically closely involved in these internal control processes. Their duties relating to the disclosure of inside information may include:

- establishing procedures for monitoring and escalating potential inside information to the board
- advising the board on the obligations for disclosure
- ensuring that undisclosed inside information is kept confidential
- reviewing publicly available information and information disclosed to analysts, the media or in conference calls to determine whether confidentiality has been breached
- maintaining channels of communication with outside advisers and regulatory bodies, and
- reviewing all relevant D&O policies in light of the new inside information disclosure regime. [CSj](#)

Domain name disputes: does arbitration work?

Internet domain name disputes are still a relatively new area for companies in Hong Kong. Zoe Chan FCIS FCS, Solicitor, gives some advice on the hazards of getting arbitration awards in this area enforced.

One of the reasons businesses prefer arbitration proceedings over litigation in international contracts is the relative ease of the decision enforcement process. Yet, in reality, the situation is quite different when it comes to internet domain name disputes. This is because, over the years, the dispute resolution mechanism adopted by the Internet Corporation for Assigned Names and Numbers (ICANN) has become a rather ambiguous process, particularly regarding the enforcement of decisions based on the Uniform Domain Name Dispute Resolution Policy (UDRP).

This dispute resolution mechanism has been the target of criticism for some time, concerning biases in favour of trademark-holding complainants, inconsistent decisions in different cases with similar underlying findings and calls for revamping the very sluggish UDRP system with the quicker Uniform Rapid Suspension (URS) system. These criticisms, however, have failed to address the practical issue as to when decisions are actually enforced, in particular

how fast the abused domain names can actually be transferred over to the winning party. Domain name disputes are still a relatively novel concept for the court systems of most countries and many arbitration cases have been left pending and not enforced long after a decision has been reached.

This article highlights a statistical study of over 1,491 UDRP decisions extracted from the Asian Domain Name Dispute Resolution Centre (ADNDRC), ICANN and other online resources. The ADNDRC is one of four leading institutes conducting UDRP dispute resolution in Asia. The research examined the parties' relationships, the attributes of the enforcement agencies (that is, the domain registrars) and the status of the UDRP decisions – in particular whether they have been properly enforced in Asia.

The study aims to help:

- compliance professionals and brand agents prioritising their e-enforcement agendas



- lawyers submitting UDRP filings for their intellectual property case strategies
- investigators building risk and threat assessments for online assets, and
- corporations managing domain portfolios with in-house tools.

UDRP case backgrounds

UDRP arbitration is a mandatory and administrative process to combat cybersquatting. In addition to the parties' right to litigate in local courts, the trademark domain name owners choose the ADNDRC to file a complaint based on the following UDRP grounds that:

1. the trademark owner owns a trademark (either registered or unregistered) that is the same or similar to the registered domain name
2. the respondent that registered the domain name has no legitimate right or interest in the domain name, and



- the domain name was registered and used in bad faith.

Unless a losing respondent commences a lawsuit in the courts within 10 days of the decision, ICANN's accredited registrars are supposed to cancel or transfer the disputed domain name according to the arbitral decision. The research reviewed all the 1,491 UDRP cases filed between 1990 and 2015 in the ADNDRC. The results show a high success rate for these cases – a total of 1,250 (83.8%) claims were found in favour of the complainants. The respondents did defend the claims and 0.3% of decisions were split. Eighty-nine decisions (6% of the total) were ruled in favour of the respondents. Due to court action or use of ADR to avoid the duplication of claims, 22 proceedings (1.5% of the total) were cancelled, while 117 cases were withdrawn before reaching a decision. Some 0.6% of claims are still pending a decision.

This study shows that the problem lies with the implementation of decisions by the enforcement agency. Despite a strict time

frame imposed on the registrars to transfer the domain names to complainants, over 80% of the concerned registrars did not follow the UDRP policy to effect the transfer.

The inaction or undue delay of the registrars in enforcing ICANN decisions, shows that UDRP is not an effective means for resolving new Internet domain name disputes as an alternative to the Uniform Rapid Suspension (URS) system.

Unlike other overseas findings, the nationalities of the parties was not a main

issue influencing the outcome of the UDRP decisions. There is no evidence to suggest a territorial favouritism or bias over the parties from a particular jurisdiction. Indeed, the difficulties of the registrars to effect a 'legal lock' and/or 'administrative lock' on the disputed domain names was the key issue.

Problems faced by the domain name registrars

- Only 25% of domain registrations in Mainland China display the owners' correct names and correspondence

Highlights

- UDRP (Uniform Domain Name Dispute Resolution Policy) arbitration is a mandatory and administrative process to combat cybersquatting
- unless a party commences a lawsuit in the courts within 10 days of the decision, ICANN's accredited registrars are supposed to cancel or transfer the disputed domain name according to the arbitral decision
- despite a strict time frame imposed on the registrars to transfer the domain names to complainants, over 80% of the concerned registrars did not effect the transfer

addresses. Often registrars do not have a direct communication link with registrants since proxy services hide their identity. Due to privacy and security concerns, registrars often do not receive a copy of proceedings' documentation. As a result, registrars often take years to contact the parties to make the proper implementation of the lock or transfer of domain names.

- There are no mandated standards for registrars to verify the accuracy of domain information records. The

inconsistent practices of different registrars has resulted in incomplete information. The domain names should be put into 'registrar hold' status by the registrar prior to the denial of transfer. The UDRP policy does not contain any provision addressing the necessity of paying renewal fees while a complaint is being adjudicated.

- There is a lack of legal sanction or penalty upon defaults in transfer. The registrars can only transfer domain names once the winning party has

Domain name disputes: quick facts

Domain name dispute decisions by the ADNDRC show that:

- UDRP (Uniform Domain Name Dispute Resolution Policy) decisions are 'appealable' in the appropriate courts. The UDRP is not a final binding decision.
- 18% of UDRP claims are based upon unregistered trademarks. The UDRP protects personal names as strongly as registered marks.
- Most UDRP registrars are domiciled in the US. The second largest population of registrars comes from Mainland China. The seniority of registrars affects the pace of UDRP enforcement actions. Careful choice of the registrars with good standing and reputation does quicken domain name transfer.

- Internet domain names have become a key factor affecting people's lifestyles and economic development in Asia. Mainland China has emerged as one of the largest e-commerce giants – over 70% of claims are Chinese-orientated.
- Internet domain name disputes commonly occur with similar multi-domain registrations in the following business fields:
 - e-banking and finance
 - e-commerce and customer protection
 - online shopping for consumer goods and services
 - social networking and information exchange via mobile/ electronic devices, and
 - personal name and image rights.

“ domain name disputes are still a relatively novel concept for the court systems of most countries and many arbitration cases have been left pending and not enforced even long after a decision has been reached

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completed all means to secure the outcome of the UDRP decision. The registrars often have to wait for the prevailing party to get back to them before they can proceed with the transfer.

Recommendations

It is high time to introduce amendments to the current rules to ensure that registrars fulfil their contractual duties and statutory obligations. These include the duty to avoid all forms of delay. Further, the Registrar Accreditation Agreement, together with ICANN, should oblige registrars to ensure accuracy for registered domain names. Ranking of registrars' standing is also recommended so that customers can make informed choices based on the service quality of the domain registrars. Sadly, registrars are often not acting upon the instructions of ICANN to update registrant contact data and effect domain name transfer.

Zoe Chan FCIS FCS, MCI Arab
Solicitor

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

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單元四 中國公司法律 Corporate Law in PRC

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單元二 中國公司治理 Corporate Governance in PRC

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單元三 中國公司行政 Corporate Administration in PRC

單元五 中國公司法律 Corporate Law in PRC

中國稅務

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上課時間及地點	每單元課程為期兩週 授課時間：4堂，每堂6小時，共24小時 上課時間：週六14:00-17:00及18:00-21:00、週日10:00-13:00及14:00-17:00 授課地點：港島區其中一所教學中心
授課日期	2015年6月27日、6月28日、7月4日及7月5日
每單元課程學費	港幣3,850元

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Professional Development

Seminars: April to May 2015

10 April

Disclosure of inside information, disclosure of interest (DI form) and model code for securities transactions by directors of listed issuers



Chair: Mohan Datwani FCIS FCS(PE), Senior Director and Head of Technical & Research, HKICS

Speaker: Daniel Wan, Technical Consultation Panel Member, HKICS, and Partner, Francis & Co in association with Addleshaw Goddard (Hong Kong) LLP

14 April

Riding the wind: regulating the new capital markets (joint seminar with HKICPA and Law Society of Hong Kong)



Chair: Mohan Datwani FCIS FCS(PE), Senior Director and Head of Technical & Research, HKICS

Speaker: Professor Cally Jordan, Melbourne Law School, Australia

15 April

Board representation of minority investors in Hong Kong companies



Chair: Susan Lo FCIS FCS(PE), Professional Development Committee Member, HKICS, and Executive Director, Director of Corporate Services and Head of Learning & Development, Tricor Services Ltd

Speaker: Timothy Loh, Founder and Managing Principal, Timothy Loh Solicitors

16 April

The NCO: directors' liabilities and responsibility – selected themes



Chair: Lydia Kan ACIS ACS, Director, Professional Development, HKICS

Speaker: Mohan Datwani FCIS FCS(PE), Senior Director and Head of Technical & Research, HKICS

23 April

Regulator dawn raids – the roles of the company, its directors and the company secretary (re-run)



Chair: Susie Cheung FCIS FCS(PE), Membership Committee Chairman, HKICS, and General Counsel and Company Secretary, The Hong Kong Mortgage Corporation Ltd

Speakers: Adam Ferguson, Partner, UK Eversheds, and Vishal Melwani, Partner, Eversheds

29 April

Business review and financial reporting updates for the new Companies Ordinance



Chair: Mohan Datwani FCIS FCS(PE), Senior Director and Head of Technical & Research, HKICS

Speaker: Ernest Lee FCIS FCS, Professional Development Committee Member, HKICS, and Partner, Assurance, Professional Practice, Ernst & Young

4 May
Cash dividend – rules and procedures of dividend payment



Chair: Grace Wong FCIS FCS(PE), Professional Development Committee Member, HKICS, and Company Secretary and Deputy General Manager, Investor Relations Department, China Mobile Ltd

Speakers: Maria Kwan, Vice-President, and Barry Lau, Senior Manager, Computershare

5 May
BVI business companies – overview and practical issues



Chair: Eric Chan FCIS FCS(PE), Chief Consultant, Reachtop Consulting Ltd

Speaker: Grace Ma, Head of BVI Technical Services, OIL

6 May
Now that Hong Kong applies UK directors' duties – latest UK developments you should know about



Chair: Mohan Datwani FCIS FCS(PE), Senior Director and Head of Technical & Research, HKICS

Speakers: Mark Cawson QC, Barrister Exchange Chambers, England, and Deputy High Court Judge, England; and Professor CK Low FCIS FCS, BEc LLB (Monash), LLM (HKU), Associate Professor in Corporate Law, The Chinese University of Hong Kong Business School

HKICS delivers governance seminar to Commercial Crime Bureau

Mohan Datwani FCIS FCS(PE), Senior Director and Head of Technical & Research, HKICS, spoke on the 'Directors of private and listed companies – accountabilities and liabilities' to the Commercial Crime Bureau, Hong Kong Police Force, on 23 April 2015. The Head of the Commercial Crime Bureau, Chief Superintendent Lawrence Wong Ying-wai (pictured) and about 30 police officers attended the talk.



Professional Development (continued)

公会地区董事会秘书圆桌会议 研讨风险管理及内控修订

为加强北京及周边地区董事会秘书的沟通交流，香港特许秘书公会（公会）于今年3月12日至4月10日期间分别在北京、上海、重庆、广州四地举办了地区董事会秘书圆桌会议，召集业界就“香港联合交易所有限公司（联交所）的《企业管治守则》及《企业管治报告》（守则）之风险管理及内部控制最新修订”为主题进行讨论

内控重在执行

公会会长魏伟峰博士在北京与上海会议上就联交所推出的《守则》之风险管理及内部控制最新修订进行了解读并和参会嘉宾进行了交流，公会司库吴德龙先生在重庆及广州会议上就相同主题进行了演讲与交流。魏伟峰博士与吴德龙先生在演讲中指出，良好的企业管治需要具备公开透明、问责清晰及可持续性特征，而之所以有关部门推行此次修订，是源于自2005年推出《守则》以来，海外司法权区的企业管治守则，规则及规例已更为注重风险管理，现行《守则》似未恰当反映此趋势。而此次修订的目的，一是为了强调内部控制为风险管理的重要元素；二是为了清晰界定董事会、董事委员会及管理层在风险管理及内部控制的角色与职责，以提高他们的问责；三是提升发行人风险管理及内部控制系统的披露责任，提高透明度；四是提升发行人内部审核的责任，以加强对发行人风险管理及内部控制系统的监察。

对于联交所就《守则》风险管理及内部控制部分的最新修订，参会人士基本表示赞同，中国铁建股份有限公司董事会秘书余兴喜表示，在其征询意见阶段也给予了积极反馈。

他介绍，国资委目前在推行“五部委内控规范”，具体由国资委评价局负责实施，风险控制由国资委改革局负责，各国企均需每年向这两个部门报告，提交“内控报告”和“风控报告”。国企在内控及风控程序上应该都比较好的遵守了程序规定和相关政策。他说，从实际体会来看，国内的治理机构和制度较香港来讲确实是有些复杂和重叠，对国企来讲，往往是一个官方文件就设一套制度，各套制度难免重叠或者存有矛盾，就管理效率来讲不是太高。此外，国内的制度比较“原则性”，可操作性稍逊。

这样的规则差异给上市公司带来困扰，重庆钢铁股份有限公司董事会秘书游晓安就表示，作为A+H股，目前遇到的较大问题是两地规则不一致。在重组过程中曾动用了十一家中介机构，香港与内地的中介都得聘用，双方行事风格也不一



公会会长魏伟峰博士在上海会议上和与会嘉宾探讨香港的风险管理及内部监控规则的最新修订

致。另外，国内审批时间漫长，而且涉及多个部门，协调的工作量大。

对于香港和内地规则差异，中国上市公司协会研究部主任李大勇则点评到：内地的规则没有香港的规则有灵活性，国内的公司治理结构复杂，治理成本较高，国内可以学习香港的公司治理体系。公司治理的有效性最终取决于本土的市场环境、股权结构等。

尽管如此，由于内地不少上市公司为国资委管辖，体系相对健全，包括中煤能源股份有限公司董事会秘书周东洲在内的多位研讨人士都表示修订实施难度不大。而恰如中国石化上海石油化工股份有限公司调研员张经明所言，改革开放以来，内地引进了很多国外的制度体系，目前基本的制度都是有的，关键在于是否能够有效的执行。“就内控来讲，要推动公司一把手来抓，否则很难有效实行”，重庆银行股份有限公司公司秘书周文峰介绍，目前内控与风险管理的制度一般公司都有，关键是执行与落实。执行部门的独立性如果有问题，那么制度的有效性就有问题。公司领导层的重视对每项制度的执行非常重要。

内控部门是保健医生

多家上市公司董事会秘书还介绍了内控经验，作为私企，东



北京地区董事会秘书圆桌会议现场

江环保董事会秘书王恬介绍其内控与国企有差别，“私企机制比较灵活，老板比较重视风险管理与内控，所以工作较好开展。公司对业务方面的风险有较严格的管理，因公司是做工业废物的处理，存在较大的环保风险，对其的风险管理也是纳入考核的。公司的法务部门是与各业务部门相结合的，协助各业务部门顺利工作。内控部门是保健医生，不能只是找茬，相互之间是良性的关系。

保健医生的表述得到了其他参会嘉宾的肯定，广东上市公司协会副会长李光认为，在当前监管转型的背景下，监管机构只做事中与事后监管，那么事前由谁管？需要企业自己管，这样企业的风险管理与内控的责任就比以前更加重大。目前还没建立完善的风控体系的企业，应该尽快建立。

中国平安保险（集团）股份有限公司公司秘书姚军介绍，平安作为金融企业，一直以来十分重视风险管理与内控，特别是2008年后，国际上加强了对金融机构的风险管理与内控，成立了国际性的“全球系统重要性的金融机构”，平安是最早入选的。由“内控审计部”（稽核部），“风险管理部”，“监察部”，“法务部”，“品牌管理部”几个部门组成“后卫”。风险管理部主要是风险识别，测试等。品牌管理部主要做品牌风险的管理。稽核部做内控评价，每年要做报告，而且此报告还要请第三方来审核。目

前，平安正在摸索创建一套适应于互联网金融的风险管理模式。

公会感谢新疆金风科技股份有限公司、宝龙地产控股有限公司、重庆长安民生物流股份有限公司、中国南方航空股份有限公司分别承办会议。四次会议共计67人参加。

Regional Board Secretary Panel meetings

This article reviews the Institute's latest Regional Board Secretary Panel meetings held in Beijing, Shanghai, Chongqing and Guangzhou from 12 March to 10 April. The meetings focused on risk management and internal control and the recent changes to Hong Kong's Corporate Governance Code in this area. The presentations by the Institute's President Maurice Ngai FCIS FCS(PE) at the Beijing and Shanghai meetings, and by the Institute's Treasurer Bernard Wu FCIS FCS at the Chongqing and Guangzhou meetings, emphasised the need for companies to keep up to date with developments in these important areas of corporate governance.

Professional Development (continued)

ECPD

Forthcoming seminars

Date	Time	Topic	ECPD points
25 June 2015	6.45pm – 8.15pm	The Competition Ordinance of Hong Kong, Cap 619	1.5
26 June 2015	12.30pm – 2pm	The duty of confidentiality for registered agents of BVI companies – the changing regulatory landscape in a world of tax information exchange	1.5
2 July 2015	6.45pm – 8.45pm	Risk governance	2

For details of forthcoming seminars, please visit the ECPD section of the Institute's website: www.hkics.org.hk.

MCPD requirements

Members are reminded to observe the MCPD declaration deadlines set out below.

CPD year	Members who qualified between	MCPD or ECPD points required	Point accumulation deadline	Declaration deadline
2014/2015	1 January 2000 – 31 July 2014	15 (at least 3 ECPD points)	31 July 2015	15 August 2015
2015/2016	1 January 1995 – 31 July 2015	15 (at least 3 ECPD points)	31 July 2016	15 August 2016

MCPD requirement to extend to graduates

Effective from 1 August 2015, all graduates are required to comply with the Institute's MCPD requirements.

Membership

New graduates

Congratulations to our new graduates listed below.

Chan Ki Yuen, Kenny	Li Lee Lee
Chan Wai Ki	Lo Hong Ting, Josephine
Chan Yiu Ming	Wong Ka Ki
Lai Wing Chiu	

New associates

Congratulations to our new associates listed below.

Cheung Yu Lai	Kwok Po Yi	Tang Cheuk Yin
Chuang Yik Ting	Lam Shi Ping	Wong Siu Nga
Heung Ka Lok	Lau Pik Shan	
Kam Choi Yin, Celia	Lee Pui Shan, Jenny	

New fellow

The Institute would like to congratulate Eric Mok Chung Fu FCIS FCS, Company Secretary, Lenovo Group Ltd, who was newly elected as a fellow of the Institute in April 2015.

Membership (continued)

YCPG Joint Professional Networking Party 2015 – ‘The Gatsby Glam’

Thirty-six Institute members and their friends attended the Joint Professional Networking Party organised by the Young Coalition Professional Group (YCPG) of The Hong Kong Coalition of Professional Services on 17 April 2015. The party was also attended by young members from 11 professional bodies in Hong Kong. Members took this excellent opportunity to forge links with professionals from fellow associations.

The Institute would like to congratulate Edmond Chiu ACIS ACS, Institute Membership Committee member and representative at YCPG, who was the co-chairman of the task force for this networking party, for winning the 'Best Dressed Kings' award at the event.



Institute members and their friends at the YCPG Joint Professional Networking Party 2015

Welcome reception for new graduates and associates 2014/2015

The Institute organised the reception for newly elected graduates and associates. More than 60 graduates and associates elected between August 2014 and March 2015 with Council, Membership Committee and Young Group members attended the event. This served as a valuable platform for graduates and associates to mix and mingle with one another and to get more acquainted with the Institute.

More photos are available at the Gallery section of the Institute's website: www.hkics.org.hk.



Susie Cheung FCIS FCS(PE), HKICS Council Member and Membership Committee Chairman, together with Membership Committee and Young Group members, introducing upcoming activities to graduates and associates

Recruit for HKICS dragon boat cheering team

The Institute's dragon boat team will enter the Professional Bodies Invitational Race of the Hong Kong International Dragon Boat Races on 4 July 2015. It will take place at Victoria Harbour near East Tsim Sha Tsui.

Members are invited to join the cheering team to support the dragon boat team on that day. For enquiries, please contact Rose Yeung at: 2830 6051, or email: member@hkics.org.hk.

Change of Company Secretary

Following a smooth transition, Grace Chan ACIS ACS was appointed as Company Secretary of the Institute in place of Louisa Lau FCIS FCS(PE), with effect from 1 June 2015. Louisa Lau, as Registrar, will focus on membership affairs assisting the Institute to enhance the service and support for its diverse membership.

Means of receipt of CSj

The Institute offers members the option of switching from the print to the electronic version of this journal from August 2015 onwards. Members, graduates and students may register for electronic CSj (eCSj) by completing and returning the reply form to the secretariat on or before 30 June 2015.

The form, which can be downloaded from the News section of the Institute's website (www.hkics.org.hk) should be sent by email to: member@hkics.org.hk. Those who register for eCSj will not receive the print copy from August 2015 onwards. Members will be given the option annually, from 1 May to 30 June, to change their means of receipt of CSj.

For enquiries, please contact Rose Yeung at: 2830 6051, or Sarah Hui at: 2830 6018, or email: member@hkics.org.hk.

Membership (continued)

Forthcoming membership activities

Date	Time	Topic
13 June 2015	10.15am – 3.15pm	Member Networking – Visit to Eco-Fish Farm
26 June 2015	6.30pm – 9pm	Happy Friday for Chartered Secretaries – Office yoga
18 July 2015	9.30am – 11.45pm	Community Service – Dementia concern and visit
14 August 2015	6.45pm – 8.45pm	Young Group Talk Series - Increasing the value of company secretaries in the world of commerce
16 September 2015	6.30pm – 9pm	Annual Convocation 2015 (by invitation only)
28 November 2015	10.30am – 3pm	Visit to Tao Heung Museum of Food Culture

Advocacy

Anti-corruption symposium

Institute President Dr Maurice Ngai FCIS FCS(PE) and Senior Director and Head of Technical & Research, Mohan Datwani FCIS FCS(PE) attended the symposium held by the Independent Commission Against Corruption (ICAC) of Hong Kong from 11–13 May 2015 on the theme of 'A future without corruption – one vision, multiple strategies'. Representatives from anti-corruption, law enforcement, legal entities, regulators and other professionals exchanged their insights and strategic knowledge on fighting corruption in Hong Kong.

Regional economic development seminars

Institute President Dr Maurice Ngai attended the Sichuan Service Industry Promotion Conference held by the Sichuan Provincial People's Government in Hong Kong on 7 May 2015. The conference, which aimed to foster economic cooperation between Sichuan province and Hong Kong, was attended by over 100 Hong Kong enterprises and representatives from chambers of commerce.

On 8 May 2015, Dr Ngai also attended a presentation meeting on the Guangdong free trade zone (FTZ) policies, arranged by the Hong Kong Commerce & Economic Development Bureau. Following the establishment of the pilot FTZ in Shanghai in 2013, the Chinese State Council decided to establish three additional FTZs in Guangdong, Tianjin and Fujian. The China (Guangdong) Pilot Free Trade Zone was subsequently launched in early 2015.

In addition, Dr Ngai attended a seminar on 'Strengthening Hong Kong-Zhuhai cooperation' held in Hong Kong by the Bauhinia Foundation Research Centre on 9 May 2015, which

discussed trade cooperation and tourism development between Hong Kong and Zhuhai. When the Hong Kong-Zhuhai-Macau Bridge is completed, it will take three hours to commute between Hong Kong and the Western Pearl River Delta region. The enhanced transport infrastructure is expected to spur more business activities and hence deepen economic integration of the three cities.



HKICS takes measures to reduce waste

HKICS continues to enhance measures to help preserve the environment for long-term sustainability. In order to support the waste reduction efforts of the Hong Kong government, the secretariat has put in place a recycling collection point to garner used non-confidential paper, aluminium cans, glass and plastic bottles for recycling purposes.



International Qualifying Scheme (IQS) examinations

Examination postponement applications

Candidates who are absent from a scheduled IQS examination due to illness must submit a satisfactory medical certificate to apply for examination postponement. Such application must be submitted to the Institute within three calendar weeks from the end of the June examination diet, that is, on or before Friday 26 June 2015.

December 2015 examination timetable

	Tuesday 1 December 2015	Wednesday 2 December 2015	Thursday 3 December 2015	Friday 4 December 2015
9.30am - 12.30pm	Hong Kong Financial Accounting	Hong Kong Corporate Law	Strategic and Operations Management	Corporate Financial Management
2pm - 5pm	Hong Kong Taxation	Corporate Governance	Corporate Administration	Corporate Secretaryship

Please enrol between 1 and 30 September 2015.

HKICS Examinations Preparatory Programme

The HKICS Examinations Preparatory Programme conducted by HKU SPACE will commence on Monday 1 June 2015. Please refer to the timetable and enrolment form on the Institute's website: www.hkics.org.hk. For enquiries, please contact HKU SPACE at: 2867 8478, or email: hkics@hkuspace.hku.hk.

IQS information session

The Institute's IQS information sessions provide information on the IQS and the career prospects for Chartered Secretaries. At the upcoming session in July, Louisa Yuen FCIS FCS(PE) will share her work experience with attendees. Members and students are encouraged to recommend friends or colleagues who are interested in the Chartered Secretarial profession to attend this IQS information session.

Date:	Monday 20 July 2015
Time:	7pm – 8.30pm
Venue:	Joint Professional Centre, Unit 1, G/F, The Center, 99 Queen's Road Central, Hong Kong
Speaker:	Louisa Yuen FCIS FCS(PE) Joint Company Secretary of a leading global luxury fashion group

Studentship

Taxation in PRC (new module)

The HKICS/HKU SPACE programme series in PRC corporate practices offers a new module – 'Taxation in PRC'. The new module will cover the role and responsibilities of board secretaries of companies in Mainland China and the corporate secretarial function in both listed and non-listed companies. Up to 18 HKICS ECPD points will be awarded to participants who attain 75% or more attendance.

For more information, please contact HKU SPACE at: 2867 8481, or email: prcprogramme@hkuspace.hku.hk.

Date:	27 June, 4 July 2015 (Saturdays) 28 June, 5 July 2015 (Sundays)
Time:	Saturdays: 2pm – 5pm and 6pm – 9pm Sundays: 10am – 1pm and 2pm – 5pm
Venue:	HKU SPACE Learning Centre on Hong Kong Island (to be confirmed)
Speaker:	Professor Zhang Fu Qiang (張富強教授) Director of the Institute of Fiscal Law and Professor of Law, South China University of Technology (華南理工大學財政法研究所所長和法學院教授)
Enrolment deadline:	Thursday 25 June 2015

Chartered Secretaries scholarships and subject prizes

Candy Wong, Director, Education and Examinations, HKICS, attended a Lingnan University scholarship and subject prize presentation on 13 April 2015. At the ceremony, she presented a Chartered Secretaries scholarship to Lim Pui Yan, Year Two student (BBA programme), and a Chartered Secretaries Subject Prize to Lau Hoi Yan, Year Three student (Company Law). Both the scholarship and subject prize were donated by The Chartered Secretaries Foundation Ltd.



HKICS professional seminar – Hong Kong Baptist University

The Institute organised a professional seminar to promote the Chartered Secretarial profession at Hong Kong Baptist University on 21 April 2015. Jerry Tong FCIS FCS, Financial Controller and Company Secretary of Sing Lee Software (Group) Ltd, delivered a talk on the 'Role of company secretary and corporate governance' to over 20 students.



Academic Advisory Panel Luncheon

The Institute held an Academic Advisory Panel Luncheon with representatives of local tertiary education institutions on 15 May 2015. The luncheon was hosted by Polly Wong FCIS FCS(PE) and Alberta Sie FCIS FCS(PE), Chairman and Vice-Chairman of the Education Committee, accompanied by Candy Wong, Education and Examinations Director of the Institute. They shared updates on the Institute's recent developments and future activities with guests.

Guests (in alphabetical order):

- Dr Dennis Chan, Associate Professor of Business Education, Department of Accounting, The Hong Kong University of Science and Technology
- Dr Derek Chan, Associate Professor in Accounting (Area Co-ordinator), Faculty of Business and Economics, The University of Hong Kong
- Professor David Donald, Professor, Faculty of Law, The Chinese University of Hong Kong
- Professor Ip Yiu Keung, Associate Vice-President (Academic Support & External Links), The Open University of Hong Kong
- Dr Shirley Kan, Senior Lecturer, CUHK Business School, The Chinese University of Hong Kong
- Ko Man Lut, Senior Lecturer, Department of Accountancy and Law, Hong Kong Baptist University
- Dr Mark Ng, Assistant Professor, Department of Business Administration, Hong Kong Shue Yan University
- Dr Richard Simmons, Associate Professor, Department of Accountancy, Lingnan University
- Tam Ching Yee, Teaching Fellow, School of Accounting and Finance, The Hong Kong Polytechnic University
- Dr Claire Wilson, Associate Head, Department of Law and Business, Hong Kong Shue Yan University
- Dr Brossa Wong, Associate Dean, School of Business, Hang Seng Management College
- Professor Yi Cheong Heon, Associate Head & Professor, Department of Accountancy, City University of Hong Kong



Academic Advisory Panel members at the luncheon

Studentship (continued)

'Passing the Torch'

The second phase of the 'Passing the Torch – from values of business ethics and governance to actions project' (薪火相傳之商業道德與治理之行動轉化) organised and sponsored by The Chartered Secretaries Foundation Ltd (the Foundation) took place in April 2015. Led by Institute senior members, three groups of Hong Kong University of Science and Technology (HKUST) students delivered interactive workshops on ethics and governance to students of the Hong Kong Institute of Vocational Education (IVE) on 22 April 2015 and senior students of Po Leung Kuk Ho Yuk Ching (1984) College and Po Leung Kuk Wu Chung College on 28

and 30 April 2015 respectively. Details of the first phase of the project were covered in CSj April 2015 (page 43).

The participating HKUST students and secondary school teachers discussed what they learned at a post-event gathering held on Saturday 6 June 2015.

The Institute would like to thank Chief Executive Samantha Suen FCIS FCS(PE), Registrar Louisa Lau FCIS FCS(PE), and Hammond Luk FCIS FCS, Executive Director, Well Sun Corporate Consulting Ltd for their assistance and support in the workshops.



At Tsing Yi IVE



At Po Leung Kuk Ho Yuk Ching (1984) College



At Po Leung Kuk Wu Chung College

Payment reminders

Studentship renewal

Students whose studentship expired in April 2015 are reminded to settle the renewal payment by Monday 22 June 2015.

Exemption fees

Students whose exemptions were approved via confirmation letter on 20 March 2015 are reminded to settle the exemption fee by Saturday 20 June 2015.

Rewarding the Extraordinary



The Hong Kong Institute of Chartered Secretaries Prize 2015

Call for Nominations

The Hong Kong Institute of Chartered Secretaries Prize will be awarded to a member or members who have made significant contributions to the Institute and the Chartered Secretarial profession over a substantial period.

Awardees are bestowed with the highest honour – recognition by their professional peers. We urge you to submit your nominations now!

The nomination deadline is Wednesday, 30 September 2015.
Please visit www.hkics.org.hk or contact Louisa Lau at 2830 6008 or email to member@hkics.org.hk for details.

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