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October 2018

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The journal of The Hong Kong Institute of Chartered Secretaries
香港特許秘書公會會刊

Pioneers of change

CGC 2018 special edition

CGC 2018 review
David Simmonds interview
AML/CFT compliance investigation

CHARTERED SECRETARIES
特許秘書

Pioneering Sustainable Energy

CLP 中電

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CHARTERED SECRETARIES 特許秘書

Good governance comes with membership

About The Hong Kong Institute of Chartered Secretaries

The Hong Kong Institute of Chartered Secretaries (HKICS) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies, as well as the development of the profession of the Chartered Secretary in Hong Kong and throughout Mainland China. HKICS was first established in 1949 as an association of Hong Kong members of The Institute of Chartered Secretaries and Administrators (ICSA) of London. It was a branch of ICSA in 1990 before gaining local status in 1994 and has also been ICSA's China/Hong Kong Division since 2005. HKICS is a founder member of Corporate Secretaries International Association (CSIA), which was established in March 2010 in Geneva, Switzerland. In 2017, CSIA was relocated to Hong Kong where it operates as a company limited by guarantee. CSIA aims to give a global voice to corporate secretaries and governance professionals. HKICS has over 5,800 members and 3,200 students.

Membership statistics update

As of 31 August 2018 membership statistics were as follows:

Students: 3,458
Graduates: 445
Associates: 5,312
Fellows: 659

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This month's *CSj* reviews the Institute's latest biennial Corporate Governance Conference (CGC), held at the JW Marriott Hong Kong on 14 September 2018.

Reviewing our CGC and CGP

This month's journal reviews our very successful Corporate Governance Conference (CGC) 2018, which was held at the JW Marriott Hong Kong on 14 September 2018, but before I address that topic I would like to update you on some important professional developments.

Last month I promised to update you on the outcome of our general meeting held on 29 August 2018. The main issue at hand was the need to amend our Articles of Association to add the new Chartered Governance Professional (CGP) designation to our long-established Chartered Secretary (CS) qualification. I am pleased to report that the necessary amendments were passed. I would like to thank all of our members who voted at the meeting; the outcome represents a significant step forward for our profession in Hong Kong. We are now governance professionals in name as well as in fact.

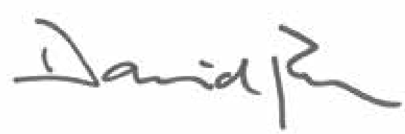
Full details of the transition arrangements can be found on our website. All Fellows and members who have been an Associate for five years have already been grandfathered to the new CGP designation. Anyone with the status of Fellow or Associate on 31 December 2020 will also be automatically grandfathered on that date. Further down the line, new recruits to our profession will acquire both the CS and CGP qualifications via the New Qualifying Programme (NQP), which we will be launching in January 2020.

The transition to our new professional identity passed another milestone last month. At the Annual General Meeting of The Institute of Chartered Secretaries and Administrators (ICSA) held in Toronto on 19 September 2018, members voted in favour of all the resolutions, which included, amongst other things, the new name of the International Institute: 'The Chartered Governance Institute'. The ICSA's Charter and byelaw changes, including the new name, will now go before the UK Privy Council for their final consent. We will be proposing a similar name change for our Institute here in Hong Kong in due course.

Turning to our theme this month, anyone who attended our CGC 2018 would have seen just how far we had come over the 20 years we have been holding our biennial CGCs. This was a top line debate – discussing how businesses, directors and governance professionals need to adapt to the new social contract under which businesses operate, as well as the emerging realities of the digital age. There was also a top line cast of speakers – including our Guest of Honour, The Honourable James Lau JP, Secretary for Financial Services and the Treasury, Government of the HKSAR, and our Keynote Speaker, Professor Mervyn King, Chairman of the International Integrated Reporting Council, along with thought leaders from the corporate secretarial, corporate governance, legal, regulatory, risk and finance sectors. The conference is reviewed in detail in this month's two cover stories.

Our CGCs demonstrate our commitment to our role as a thought leader not only in the issues relevant to our profession but also the wider context within which we work. Our Institute extends special thanks to the speakers, panellists, sponsors, the Institute's conference team and, of course, to everyone who attended the event. I would like to add that you don't have to wait two years for another forum of this scale and ambition. We will be holding a China Corporate Governance Conference in Beijing in March 2019 in collaboration with ICSA. Look out for more details on our website and future communications in the coming months.

Before I go, I would like to mention a new research report on environmental, social and governance (ESG) issues, which we launched last month in collaboration with KPMG and CLP. The report – *ESG: A view from the top* – was based on a survey of 212 senior executives of Hong Kong-listed companies on their approaches to ESG. It found that, while the recognition of the importance of ESG is relatively high, there is still a lot of work to do in terms of changing governance structures and practices to ensure that ESG is integrated into corporate strategy and planning. Only 41% of surveyed companies, for example, consider ESG to be a board-level discussion and only 37% of surveyed companies have integrated ESG issues into their strategic planning. The report recommends that improving board oversight of ESG issues should be a top priority for firms.



David Fu FCIS FCS(PE)

企业管治研讨会与企业管治师

今期月刊报道2018年9月14日于香港万豪酒店成功举行的企业管治研讨会(CGC)。在讨论这主题前，我首先报告一些重要的专业发展消息。

上月我答应向大家报告2018年8月29日会员大会的结果。会议讨论的主要议题，是修订公会的章程，在历史悠久的特许秘书资格以外，新增 "Chartered Governance Professional"（暂译「企业管治师」）的称号。我很高兴告诉大家，有关修订已获通过。我谨感谢所有出席会议投票的会员。表决的结果，是香港特许秘书专业向前迈进的重要一步：我们现在是名符其实的管治专业人员。

过渡安排的详情，请见公会网站。所有资深会员及年资满五年的会员，均已自动获颁企业管治师的新称号；2020年12月31日有资深会员或会员身份的人士，也可自动获得该称号。其后加入特许秘书行列的人士，将透过2020年1月起推出的新专业评审计划，取得特许秘书及企业管治师资格。

特许秘书过渡至新专业形象的过程中，上月经历了另一里程。在2018年9月19日于多伦多举行的特许秘书及行政人员公会(ICSA)周年会员大会上，会员通过所有决议案，包括为国际公会采纳新名称："The Chartered Governance Institute"(「特许管治公会」)。ICSA特许状和章程细则的修订，包括其新名称，将提交英国枢密院以徵求同意。我们稍后将为香港的公会提出类似的更改名称建议。

今期月刊的主题方面，公会举办两年一度的CGC已经20年，精益求精，成绩斐然，出席2018 CGC的人士均有目共睹。研讨会讨论过程精彩，探讨商业机构、董事和管治专业人员要如何适应新社会契约下的经营环境，以及数码时代的新情况；讲者阵容也十分鼎盛，包括香港特区政府财经事务及库务局局长刘怡翔先生以大会嘉宾身份出席、国际综合报告委员会主席Professor Mervyn King担任主题讲者，还有公司秘书、企业管治、法律、监管、风险及金融等界别的思想引领者发表演讲。研讨会的内容，在今期两篇封面故事有详尽报道。

历届CGC的讨论内容，显示我们不仅在与特许秘书专业相关的事项上担当思想引领者的角色，对于我们工作所处的大环境，我们同样关注。公会特别感谢各位讲者、讨论小组成员、赞助机构、公会负责研讨会的团队，当然也感谢出席研讨会的所有参加者。我还想指出，要参加规模如此庞大、如此雄心万丈的研讨会，不用再等两年。2019年3月，我们将联同ICSA在北京举办中国公司治理研讨会。欲知详情，请留意公会网站，以及未来数月的通讯。

最后，我想一提一份有关环境、社会及管治(ESG)的新研究报告。这份报告由公会联同毕马威及中电于上月发布，题为《环境、社会及管治：顶层观点》。研究以香港上市公司的212名高级行政人员为访查对象，访问他们如何处理ESG。结果显示，相当多受访者认为ESG十分重要，但在改变管治架构与做法，以便在企业策略及策划层面考虑ESG事宜方面，还有许多工作要做。例如只有41%受访公司认为ESG应在董事会层面讨论，只有37%受访公司在策略性规划中考虑ESG课题。报告建议，加强董事会对ESG的监督，是机构的一项首要任务。

傅溢鸿 FCIS FCS(PE)

Governance – the new deal

The Institute's latest Corporate Governance Conference, held at the JW Marriott Hong Kong on 14 September 2018, explored the need for a new governance model for a changed world.

'Nothing,' as the Keynote Speaker at the Institute's latest Corporate Governance Conference (CGC) put it, 'is what it used to be.' The Keynote Address by Professor Mervyn King, Chairman, International Integrated Reporting Council (IIRC), set the tone for the day's proceedings. This is the 20th year that the Institute has been holding its bienniel CGCs and over the last two decades the context within which businesses operate has changed dramatically. Most obviously, businesses are subject to much higher expectations of their environmental and social track records. Meanwhile, emerging technologies are rapidly transforming the way we live and work, disrupting many traditional business models but providing opportunities for start-ups in most sectors of the economy.

Under the theme 'Corporate Governance – The New Horizon', the Institute's CGC 2018 looked at the impact of these changes on companies locally and globally.

Milton Friedman is dead

Milton Friedman, economist 1912–2006, famously believed that the only social responsibility of businesses is to increase profits for shareholders. These views landed him the Nobel Prize in 1976, but Professor King pointed out in his Keynote Address that markets globally have turned away from the Friedman approach, in particular renouncing the shareholder primacy model of corporate governance.

His presentation took aim at a number of assumptions underpinning shareholder-centric capitalism. Firstly, shareholders are not the owners of the company; they own shares in the company but the company, since the creation of the limited liability company in the 19th century, remains a sovereign person. The creation of the 'ltd' brought with it the assumption that directors should act in the interests of the putative owners of the company – the shareholders – and this myth of 'shareholder primacy' led to a business culture which equates corporate success with a rising share price, and which prioritises short-term profit for shareholders, often at a cost to society and the environment.

In this century there has been a growing recognition that the duty of

Highlights

- companies need to adapt to the changed social contract for businesses
- corporate risk horizons are lengthening and this will be a powerful driver of change
- companies with a poor ESG performance are increasingly deemed to be 'toxic assets' by the market

> “the vision must be to have a company-centric governance model which moves away from yesterday’s primacy of the shareholder”

Professor Mervyn King, Chairman, International Integrated Reporting Council

directors is ‘to the company’s health not shareholders’ wealth,’ as Professor King put it. In tandem with this has been the emergence of a different approach to corporate reporting. Corporate performance and activities, in the traditional corporate reporting model, were seen solely through a financial lens. Corporate reporting was therefore only concerned with the financial health of the corporation over the previous year. He compared this backward-looking, myopic approach to driving a fast car with only rear view mirrors and no windscreen.

Since the financial crash of 2008, there has been growing momentum behind integrated reporting (IR). The IIRC was formed in 2010 and it published its *IIRC Framework* in 2013. The fundamental concept behind integrated reporting is that all organisations depend on a variety of resources and relationships for their success. These resources and relationships can be conceived as different forms of ‘capital’. IR encourages companies to report on six capitals – financial, manufactured, human, intellectual, natural and social.

Summing up, Professor King argued for a new approach to corporate governance focused on ensuring the creation of value in a sustainable manner. ‘The vision must be to have a company-centric governance model which moves away from yesterday’s primacy of the shareholder,’ he concluded.

Keynesian resurgence?

The first speaker in Session One of the conference, David Simmonds FCIS FCS, Group General Counsel, Chief Administrative Officer & Company Secretary, CLP Holdings Ltd, addressed the theme – *Financial Performance: The Holy Grail?* His presentation highlighted some positive role models for companies looking to adopt a more stakeholder-inclusive approach. The food company Danone, for example, has specifically renounced the shareholder primacy approach. Mr Simmonds quoted Emmanuel Faber, CEO Danone as saying: ‘The purpose of this firm is not to create shareholder value... it is to get healthy food to as many people as possible’.

Danone is not alone. Mr Simmonds highlighted the launch of the ‘B Corporation’ movement, which encourages firms to formally amend their constitutional documents to include responsibility to the community and planet in their objects clauses. He also looked at the proposed Accountable Capitalism Act in the US. US Senator Elizabeth Warren is proposing this new law that would require very large companies to acquire a federal charter (as opposed to the current state charter arrangements), which would come with specific obligations – in particular, the need to consider the interests of all corporate stakeholders, including workers.

So is the ghost of Milton Friedman well and truly buried? Are we seeing a resurgence of the ideas of Friedman’s arch nemesis – John Maynard Keynes (economist 1883–1946)? While there is a lot of evidence for this globally, Mr Simmonds was cautious about the

extent of change here in Hong Kong. For example, despite supportive words in favour of including environmental, social and governance (ESG) issues in the corporate agenda, the reality on the ground for most firms is still very much in the old mode – the pursuit of profits for shareholders without much attention paid to the external costs to society and the environment.

He added, however, that corporate risk horizons are lengthening and this will be a powerful driver of change. 'There is a clear advantage for companies who take a long-term approach. Once you take a long-term approach, the interests of stakeholders tend to align', he said. Answering the question raised in the theme of his presentation, he suggested that as long as financial performance is 'long-term and sustainable' it can be considered the holy grail.

The rise of ESG

The disconnect between words and deeds when it comes to ESG was also addressed by the second speaker in Session One of the conference – Andrew Weir, Senior Partner, Hong Kong/Vice Chairman, KPMG China. Mr Weir highlighted the findings of a collaborative research project by the Institute, KPMG and CLP which surveyed 212 business executives of Hong Kong listed companies on their ESG strategies and practices. The resulting report, *ESG: A view from the top*, released on 13 September 2018, found that 88% of respondents to the survey agreed that ESG is relevant to their business, but only 41% of surveyed companies considered ESG to be a board-level discussion. Even more worrying, only 37% of surveyed companies have integrated ESG issues into their strategic planning. The report recommends that improving board oversight of ESG issues should be a top priority for firms.

'Given that mandatory ESG reporting requirements for general disclosure and environmental key performance indicator (KPI) disclosures were enacted within the past two years – which are still at an early development stage – it is understandable that it will take time for companies to move further along the ESG learning curve and integrate ESG issues into their core business strategies,' Mr Weir said.

In the meantime, he warned however, investor pressure for improved ESG performance will only increase. In the context of the growing sustainable investment market, for example, companies with a poor ESG performance are increasingly deemed to be 'toxic assets' by the market.

Shareholder engagement

In the context of the changes highlighted above, businesses' relationships with shareholders are changing. Despite the shift away from shareholder primacy, shareholders remain a key stakeholder for companies and shareholder engagement expectations and requirements have extended beyond the responsibility of companies to maintain an appropriate level of disclosure. This was the focus of discussion in Session Two of the conference. The first speaker, Professor Frederick Ma Si-hang GBS JP, Chairman, MTR Corporation Limited, shared his views on how to get the dialogue with shareholders right. He put forth that the starting point should be a recognition that this needs to be a two-way dialogue and companies need to be conscious about changing shareholder expectations.

'Shareholders are much more active than in the past and, in addition to financial returns, they are looking for good governance and social responsibility in companies,' Professor Ma said. He also made reference to the 2018 annual letter to CEOs of public companies by Larry Fink, Founder, Chairman and CEO of BlackRock Inc, the world's largest asset manager, that companies should know their own purposes, bearing in mind the good of the society as a whole. 'To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers and the communities in which they operate,' the letter states.

One of the toughest challenges in shareholder engagement, however, is how to balance the interests of different shareholders. Since the Hong Kong Government is a majority shareholder of the MTR Corporation, Panel Chair Professor CK Low FCIS FCS, Associate Professor in Corporate Law, CUHK Business School, asked Professor Ma how the company balances the interests of the government and retail shareholders. Professor Ma acknowledged that this is a tough challenge since those interests can be conflicting, for instance, in relation to the setting of and control over fares.

The tech challenge

As mentioned above, the dramatic changes to the social contract for businesses comes at a time of equally dramatic changes to the business environment brought about by new technologies. High-profile cyber attacks together with large-scale data breaches have made the market more knowledgable

The growth of the sustainable investment market

Growth of socially responsible investment (SRI) assets by region 2014–2016

Region	2014 (US$ billion)	2016 (US$ billion)	Growth over period	Compound Annual Growth Rate
Europe	$ 10,775	$ 12,040	11.7%	5.7%
United States	$ 6,572	$ 8,723	32.7%	15.2%
Canada	$ 729	$ 1,086	49.0%	22.0%
Australia/New Zealand	$ 148	$ 516	247.5%	86.4%
Asia ex Japan	$ 45	$ 52	15.7%	7.6%
Japan	$ 7	$ 474	6,689.6%	724.0%
Total	$ 18,276	$ 22,890	25.2%	11.9%

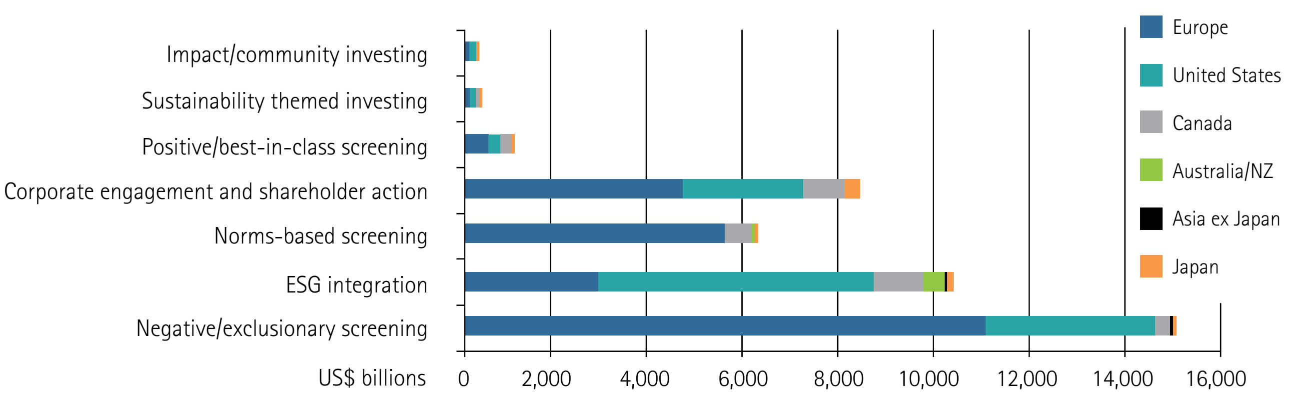
Asia ex Japan 2014 assets are represented in US dollars based on the exchange rates at year-end 2013. All other 2014 assets, as well as all 2016 assets, are converted to US dollars based on exchange rates at year-end 2015.

Proportion of SRI relative to total managed assets

Region	2014	2016
Europe	58.8%	52.6%
United States	17.9%	21.6%
Canada	31.3%	37.8%
Australia/New Zealand	16.6%	50.6%
Asia	0.8%	0.8%
Japan		3.4%
Global	30.2%	26.3%

Note: Asia figure includes Japan in 2014, but excludes Japan in 2016. The European Sustainable Investment Forum (Eurosif) used a narrower definition of SRI in 2016 than in 2014.

SRI assets by strategy and region



Source: GSIA Global Sustainable Investment Review 2016

> "the fundamental principles that underpin regulation will be the same in the new economy as they were in the old"

Julia Leung SBS, Deputy Chief Executive Officer and Executive Director, Intermediaries, Securities and Futures Commission

about rising IT risks, but how many businesses are taking the necessary precautions?

The second speaker in Session Two, Franklin Chen, Sales Director, Diligent Corporation, looked at some of the ways in which board practices are failing to keep pace with rising IT risks. He quoted the recent *APAC Survey of Board Communications & Cybersecurity Practices* which found that 80% of directors use personal email to communicate with fellow directors and management. The survey, which conducted 118 online interviews with board directors in October 2017, also found that 52% of directors keep confidential company information stored on their personal computer or devices.

These practices subject companies to high levels of IT risk, such as hacker intrusions, as well as malware and ransomware attacks. Mr Chen recommended that companies create a board-secure communication policy, implement secure governance software and secure all director communications. He also highlighted the importance of ensuring that the board has the necessary IT knowledge and expertise.

These issues were further explored in Session Three of the conference. Kenneth Wong, Partner, Risk Assurance Cybersecurity & Privacy, PwC, argued that there can often be a degree of naivety about what emerging technologies can achieve for companies. Adopting Cloud technology, for example, can reduce IT costs but can also open companies up to data residency, data security and access rights risks. Similarly, artificial intelligence (AI) is increasingly used by businesses, and while it may represent a game changer in some sectors of the economy, it is by no means error free. Mr Wong looked at some recent examples of where AI has been shown to be bias-prone and subject to unintentional and intentional manipulation.

New and emerging technologies are also transforming the regulatory sector and the conference was fortunate to have Julia Leung SBS, Deputy Chief Executive Officer and Executive Director, Intermediaries, Securities and Futures Commission, to discuss the key issues in 'RegTech'. She started her Session Three presentation with a look at some of the ways in which technology is transforming the financial sector. The first virtual banks, for example, are set to open in Q1 2019 in Hong Kong. As new technologies are implemented, she stressed, maintaining high data governance standards becomes all the more important. She also emphasised the fact that regulation should remain technologically neutral. Since Hong Kong's codes and rules date back to a face-to-face and paper-based era, they will need to be revised but the principles will not change. 'The fundamental principles that underpin regulation will be the same in the new economy as they were in the old,' she said. CSj

> *The Institute's Corporate Governance Conference 2018 was held at the JW Marriott Hong Kong on 14 September 2018.*

Pioneers of change

The Institute's latest Corporate Governance Conference highlighted the ways in which governance professionals can help future-proof the organisations they work for.

The first part of our CGC 2018 review looked at how the context within which businesses operate has changed dramatically. Not only are companies being held to higher stakeholder expectations, they also need to adapt to the disruptions and transformations brought about by emerging technology. But what will be the impact of these changes on governance professionals working in Hong Kong? As you might expect, this proved to be a recurrent theme in the conference.

Gatekeepers wanted

With opportunity there comes risk and from the perspective of 2018 there is an unusually high level of both in the years ahead. Andrew Weir, Senior Partner, Hong Kong/Vice Chairman, KPMG China, and a speaker in Session One of the conference, presented a slide showing the 'Global Risks Interconnections Map 2018' from the World Economic Forum Global Risks Perception Survey 2017–2018. The map not only highlights the major future risks for businesses – such as climate change, growing social instability, growing cyber risks, loss of biodiversity and ecosystem collapse – it also gives a graphic representation of the interconnectivity of these risks. Mr Weir warned that companies will need to adopt a more holistic approach to risk as a result.

He also discussed the implications of this for governance professionals and more specifically company secretaries. He pointed out that 'conduct, character and culture' will be at least as important as profit in the future and this will increase the importance of the gatekeeper role of the company secretary. 'This raises the bar on what professionals need to bring to the table. Having the company secretary at the forefront of debate and challenging the board is what we need,' he said.

Adapting to change

The approaches of different age groups to change was also a recurrent theme of the conference – do younger people have an advantage when it comes to adapting to the transformative changes affecting the business environment?

The first speaker in Session Four, Cindy Chow, Executive Director, Alibaba Hong Kong Entrepreneurs Fund, highlighted the fact that many millenials in Hong Kong have the adaptability to change that is essential for an entrepreneurial career. She pointed out that, as automation extends further into the market, creativity and entrepreneurship are the key skills driving success for companies. The Alibaba Hong Kong Entrepreneurs Fund (AEF) was set up to nurture entrepreneurs in Hong Kong by funding promising start-ups that need capital to get their ideas to market.

The disruption of traditonal business models by new technologies is opening up new opportunities for anyone with the right combination of creativity, entrepreneurship, adaptability and courage. 'Even problems can be an opportunity,' Ms Chow pointed out. She cited the example of Gogo Van – a delivery service launched in 2013 in Hong Kong. The idea came to one of the founders when he was trying to launch a different business for which he needed a reliable delivery service. The difficulty he had trying to hire a van prompted him to look into starting an app-based delivery van service in Hong Kong. Gogo Van has now expanded to Singapore, Mainland China, Taiwan, South Korea and India.

> "Hong Kong is the first jurisdiction to have a regulatory regime for weighted voting rights"

James Lau, Secretary for Financial Services and the Treasury
The Government of the HKSAR

Highlights

- conduct, character and culture will be at least as important as profit in the future and this increases the importance of the gatekeeper role of the company secretary
- company secretaries need to ensure the right questions are addressed by boards
- the CGC 2018 was designed to enable younger voices to be heard on the topics which will define the work and lives of governance professionals in the future

Ms Chow added, however, that launching a new start-up continues to be regarded with some suspicion as a viable career choice by parents in Hong Kong. Research by the AEF indicates that only 18% of company founders believe parents encourage an entrepreneur career and only 28% of students believe that their family would support them to pursue an entrepreneur career.

So do companies have something to learn from millennials? The second speaker in Session Four, Ann Kung, Deputy Chief Executive, Bank of China (Hong Kong) Ltd, emphasised that the openness to change of the younger generation will be a major advantage in the current business environment in Hong Kong. 'It is a will rather than a skill,' she added.

New technologies such as e-payments and robo-advice are transforming financial services, and there has been an increasing collaboration between tech companies and the traditional banks. For example, the use of open APIs (application programming interfaces) enables third-party developers to build applications and services around financial institutions.

'I've been in the banking industry for 28 years, but I am seeing the biggest change in my entire career,' Ms Kung said. While the attitude to change of the millennial generation is certainly an asset in this environment, she pointed out that teams still need professionals with training and experience to ensure the requisite due diligence is performed. 'While the mode of delivery is changing, the need for due diligence is the same, so banks will need both younger and older members on their teams,' she said. 'This is an exciting time… conditions exist in Hong Kong for banks to rise to the next level.'

A fresh perspective

An innovation of this year's CGC was the concluding dialogue between Keynote Speaker Professor Mervyn King, Chairman, International Integrated Reporting Council, and two younger members of the profession in Hong Kong – Rachel Ng ACIS ACS, Company Secretarial Manager CLP Holdings Ltd, and Ada Au, Company Secretarial Officer, Jardine Matheson Ltd. In the context of the above discussion of the generational differences relevant to adapting to change, the dialogue enabled younger voices to be heard on the topics which will define the work they will be doing and the lives they will be leading decades from now.

Guest of Honour's speech

In keeping with the tradition of the Institute's CGCs, the latest conference adopted an international scope in its discussions, but it also ensured that the local implications of the issues discussed were addressed. The CGC 2018 was fortunate to have high-profile speakers to update the audience on the evolving governance landscape in Hong Kong.

First to the podium was Guest of Honour James Lau JP, Secretary for Financial Services and the Treasury, The Government of the HKSAR, who updated the audience on recent initiatives to position Hong Kong as a regional hub for green investing. He also addressed Hong Kong's new listing regime, which came into effect on 30 April 2018. This regime allows high-growth and innovative companies to list with a weighted voting rights (WVR) structure on the main board of the Stock Exchange of Hong Kong. Mr Lau focused on the investor protection safeguards built into the new regime. 'Hong Kong is the first jurisdiction to have a regulatory regime for WVR', he said.

The audience also heard from Ada Chung, Registrar of Companies, on the recent review of the Companies Ordinance. She also discussed the new initiatives to enhance the transparency of beneficial ownership of Hong Kong companies. The Companies (Amendment) Ordinance 2018 requires companies to maintain a significant controllers register (SCR) containing information on the persons who have significant control over a company for inspection by law enforcement officers upon demand.

In addition, she discussed the recent initiatives to tighten regulation of trust or company service providers (TCSPs) in Hong Kong. The Anti–Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018 extends statutory customer due diligence and record-keeping requirements to solicitors, accountants, estate agents, and TCSPs. It also requires TCSPs to apply for a licence from the Registrar of Companies.

The Guest of Honour's speech is available online at: https://www.fstb.gov.hk/fsb/ppr/press/c_speech.htm.

> We can't just be a follower of trends. Stakeholder demands are changing all the time and company secretaries need to remain alert to their expectations.

Rachel Ng ACIS ACS,
Company Secretarial Manager,
CLP Holdings Ltd

Ms Ng emphasised the need for governance professionals to understand and anticipate the world we are moving into. The governance professionals of the future will need to be much more than specialists in regulatory compliance, she suggested, since they will need to advise boards on everything from virtual shareholder meetings to social media risks. 'We can't just be a follower of trends. Stakeholder demands are changing all the time and company secretaries need to remain alert to their expectations,' she said.

Ms Au emphasised the importance of adaptability and curiosity in governance professionals. If practitioners can remain open to new ideas and curious, they will be able to bring a fresh perspective to issues and be a better guide to the companies they work for, she said. In this sense, 'governance professionals, and in particular company secretaries, can be pioneers of change,' she added.

Summing up, Professor King said that company secretaries will have an important part to play in the transition to a more sustainable business culture. 'The role of the company secretary,' he said, 'is to test the board the whole time.' There needs to be a constant questioning, he added, of how the company has made its money in the past and how the company will make its money in the future – in particular will it be a value-creation process in a sustainable manner? CSj

The Institute's Corporate Governance Conference 2018 was held at the JW Marriott Hong Kong on 14 September 2018.

In their own words

'The role of the company secretary is to test the board the whole time.'

Professor Mervyn King, Chairman, International Integrated Reporting Council

'While the mode of delivery is changing, the need for due diligence is the same.'

Ann Kung, Deputy Chief Executive, Bank of China (Hong Kong) Ltd

'Shareholders are much more active than in the past and, in addition to financial returns, they are looking for good governance and social responsibility in companies.'

Professor Frederick Ma Si-hang GBS JP, Chairman, MTR Corporation Ltd

'There is a clear advantage for companies who take a long-term approach. Once you take a long-term approach, the interests of stakeholders tend to align.'

David Simmonds FCIS FCS, Group General Counsel, Chief Administrative Officer & Company Secretary, CLP Holdings Ltd

'This raises the bar on what professionals need to bring to the table. Having the company secretary at the forefront of debate and challenging the board is what we need.'

Andrew Weir, Senior Partner, Hong Kong/Vice Chairman, KPMG China

Feeding the right wolf

David Simmonds FCIS FCS, Group General Counsel, Chief Administrative Officer & Company Secretary, CLP Holdings Ltd, looks at the role of governance and governance professionals in keeping business sustainable in the uncertain future.

Could we start with some background about yourself?

'I grew up in Melbourne, Australia, the youngest of five children. Most of my family are in the medical profession so I did the opposite and became a lawyer. I studied at the University of Melbourne and started my career mostly doing mergers and acquisitions (M&A) and corporate work for one of the top-tier firms in Australia. That's where I had my first exposure to company secretarial work – incorporation of companies, minutes of meetings, drafting resolutions, ensuring filings were up to date, appointment of directors and advising on governance matters.

After eight years as an M&A lawyer, I joined the telecommunications company Telstra, doing transactional work which took me to Hong Kong on a regular basis. I loved the city from the first time I came here.

After about eight years with Telstra, I was then invited to be General Counsel and Company Secretary at CLP's subsidiary in Australia – Energy Australia.

I was with Energy Australia for about a year before I became the Director of Group Legal Affairs at CLP here in Hong Kong. I became the Group General Counsel & Chief Administrative Officer in 2013 and took up the role of Company Secretary in 2016.'

The legal and the company secretarial roles overlap to a certain extent, but how important is it to have specific Chartered Secretarial training for company secretarial work?

'A lawyer's role tends to be very broad and it's often more service-oriented. Having someone who is a dedicated professional in the company secretarial area gives it the kind of attention and focus that it deserves. Otherwise there is a danger that the company secretarial functions that aren't directly related to the board can get pushed to the back of the queue and that is obviously not desirable.'

Is the independence of the company secretary something that sets the role apart?

'Both lawyers and company secretaries need to have independence, but I think the difference is the degree to which company secretaries are expected to uphold the role of gatekeeper, as opposed to that of business facilitator.'

There has been discussion in the Chartered Secretarial profession about the potential conflicts of interest in taking on both the general counsel and company secretary roles – have you had any difficulty combining these roles at CLP?

'I wouldn't call it a conflict of interest, but in both roles there is an inherent intellectual struggle that you have to go through to determine what is the right way to approach something. Where something is illegal, that is an easy judgement call for lawyers to make, but it is often not that black and white – there may be practices which are perfectly legal but which are nevertheless a high-risk way of achieving an objective. In an in-house environment, company secretaries are often asked to make judgement calls on the governance side – that is, I think, the part of the company secretary role which is most interesting. When it comes to corporate governance, the roles of the general counsel and the company secretary are very similar – it is a question of persuading the organisation that there is a better, lower-risk and higher-quality way of doing things.'

Do you think that some companies, and some company secretaries, underestimate the gatekeeper role of the company secretary – believing their remit is to follow instructions rather than uphold ethics?

'A core function of the company secretarial position, and a critical part of it, is to uphold ethical standards. That has been one of the biggest influences on where I have chosen to work over the years. I want to work for organisations that conduct themselves in a manner consistent with the ethical standards that I am comfortable with, and CLP is one of

Highlights

- businesses can only survive long term if they are taking their place appropriately in the community in which they do business
- when it comes to corporate governance, the roles of the general counsel and the company secretary are very similar – it is a question of persuading the organisation that there is a better, lower-risk and higher-quality way of doing things
- company secretaries should take advantage of their incumbency position as governance specialists – other senior executives could quite willingly take the responsibility for this sort of work

> “having the right governance structure can be critical to getting the best answers to sustainability issues”

them. The CLP culture is to do the right thing, not just abide by the letter of the law. There is an understanding that we are here for the long term and that businesses can only survive long term if they are taking their place appropriately in the community in which they do business.

There are other companies around that are on the opposite end of the spectrum, and I really do feel for people who are in legal and company secretary roles in those organisations because they would be under enormous pressure to turn a blind eye, or to even enable questionable practices.'

Working for CLP has put you at the heart of the current climate change debate – could we discuss this as an example of how to approach ethical challenges in practice?

'Apart from being General Counsel and Company Secretary, I am the senior executive within the organisation responsible for our climate change strategy, so this is a topic close to my heart.

This is something that we've been concerned about for a very long time at CLP. We first published our Climate Vision 2050 back in 2007. That sets out a range of voluntary targets for us to reduce the carbon intensity of our business, and to increase the percentage of renewable energy and non-carbon emission energy in our generation portfolio.

The approach we've taken is not to second guess the science. We don't have climate scientists within the organisation so we've been guided by the science in the international community, particularly the findings of the Intergovernmental Panel on Climate Change (IPCC). What the IPCC has been saying is pretty clear – man-made sources of greenhouse gases are causing the climate to warm and, if we don't take action to curtail that, then it will lead to some very catastrophic consequences for the planet.

We know we are at about one degree warming at the moment, so we've already moved from forecast to observation. Things need to change and we feel as a company in a sector where we are apart of the problem – I think something like 40% of energy-related global greenhouse gas emissions comes from the power sector – that there is no solution on climate change that doesn't involve a solution in the power sector.

We reviewed the targets in our Climate Vision 2050 last year and we strengthened them further to reduce carbon emission by 82% by 2050 and to increase our share of renewable energy and non-carbon emission energy through that period as well.

We have a very mature and good dialogue with the Hong Kong SAR Government about the way in which that transition should take place in Hong Kong. That is important, because this is not a single impact issue – the reliability and affordability of power supply matter to the community, both in Hong Kong and in the other markets we work in. So it is a constant balancing act trying to deliver clean, reliable and affordable power supply to the community. We need to transition to non-carbon emitting forms of generation in sync with the governments and the communities in which we are operating.'

Do you think that globally we can meet the two degrees Celcius warming limit set by the Paris climate agreement in 2015?

'That's a very significant challenge but I am fundamentally optimistic at heart. The period of inactivity that followed the Copenhagen summit resulted from people feeling that the problem is just too big to solve. The approach in Paris was fundamentally different – it was about recognising that we may not have all the answers today as to how we can actually get to a below two degrees scenario, but we have to set the trajectory that will prevent that from being impossible in the years ahead. I think a lot of benefit came from that approach. We are now seeing widespread implementation of renewable energy and investment in developing the technologies that will enable the grid to cope with a large volume of renewable energy.

There are a range of factors that still need to come together. We will still need further policy support to speed up the transition, but I am optimistic that the world will get its act together to get us at least a lot closer to the two degree scenario than we are at the moment. I think the generally accepted view is that we are heading for a warming scenario of about 3.2 degrees, so we will need to see considerably more action.'

How important a role will governance, and governance professionals, be playing in all of this?

'The recent report by the Task Force on Climate-related Financial Disclosures (TCFD) makes governance one of the key elements in managing and reporting on climate change. Having a governance set-up specifically to deal with sustainability issues is really important. That starts with the board but goes all the way down the organisation. That's something that's worth taking time to get right.

At CLP, we have a dedicated sustainability team within the organisation that reports up to members of senior management who have oversight of the relevant issues – that includes me, the CEO, CFO and COO – and ultimately up to a sustainability committee of the board, which is a group of five directors.

The sustainability committee provides a safe forum to have open discussions and deliberations about the best way to tackle these longer-term issues, which are not only complicated but also have fundamental ramifications for the business from financial, reputational, environmental and social perspectives. Once these issues have been properly ventilated and considered and we have an agreed way forward, then it's a much smoother path through the board than if we were to try to have those conversations in the full board environment. When you walk into the board meeting, you already have five very supportive directors.

So that is an example of how having the right governance structure can be critical to getting the best answers to sustainability issues. The structure gives you the dedicated focus on these issues, which is really important for something as fundamental as this.'

Do you think governance professionals, in particular company secretaries, will need to be much more involved in the big picture – in particular fundamental issues facing organisations such as

> “the approach we’ve taken is not to second guess the science”

climate change risk and sustainability – in their future work?
'Yes, and I think that's why the introduction of the Chartered Governance Professional designation by the Institute is such a good thing. I see two forces at work here for the company secretary that will increase our focus on governance. At one end of the spectrum, a lot of the administrative and procedural work that company secretaries do is at the greatest risk of being automated. The jobs that are at least risk of being replaced by machines are those where you are dealing with human interactions and judgements about how to get the best out of people. This is, in large part, what governance is all about – resolving the inherent conflicts between various stakeholders that a company has regard to.

Historically the governance sphere has fallen to the company secretary but, as there is now a greater focus by senior management within organisations on environmental, social and governance issues, so the governance part of that might not necessarily default to the company secretary anymore – other senior executives could quite willingly take the responsibility for this area. So company secretaries should take advantage of our incumbency position to really focus on building up our strengths in governance in order to ensure that we remain the people responsible for the governance agenda of organisations.'

Some people have said that a 'tech fix' will come along to solve the various crises threatening us at the moment – climate change included. Do you think we can lower our guard?
'Any tech solution would have to come quickly. Bloomberg New Energy Finance recently released research predicting that, even if we eliminate all coal-fired power generation by 2035, we would still be six times over the level of global emission required to get to a below two degree scenario. There is a lot of work still to be done and other sectors need to play their part too, even though it may be even more difficult to achieve reductions. The transport sector is an obvious part of this, but I think it is dangerous to sit back and hope that a technology breakthrough will save the day. Real change is possible with existing technologies. We have joined an organisation called the Energy Transitions Commission led by Lord Adair Turner. He used to be the head of the Committee on Climate Change in the UK, and they are doing a lot of interesting work on how the world can get to a below two degree scenario with current technology.'

Many thanks for giving us this interview; one final question. We have seen the rise of a politics globally which is based on denying climate change risks and taking us away from multilateral, coordinated attempts to address the many crises we are currently facing. Do you think sanity will prevail?
'You have reminded me of an old native American proverb where a man tells his grandchild that there are two wolves in everyone. One wolf is greedy, jealous, selfish, angry and vindictive, while the other wolf is peaceful, generous, kind and considerate. The grandfather says that these two wolves are in constant battle in every person. When his grandchild asks him which wolf will win in the end, he says, "it depends which one you feed".

We are getting a lot of feeding of the wrong wolf at the moment. The American approach is depressing and has encouraged, and will continue to encourage, equivalence in other countries – Australia being an example of that. While that is no doubt putting a brake on the speed with which governments around the world are acting, I am encouraged by the fact that Europe is taking up a leadership role again. After a period where it was focusing on its own internal issues, Europe is working on a set of initiatives aimed at keeping global warming below the two degree scenario – part of which is fixing the emissions trading scheme so that there is an effective price on carbon.

What is happening now in the renewable energy sector is a direct result of policies adopted 15 years ago in Europe. To feed the right wolf, the Europeans subsidised the development of renewable energy technology, in particular solar. The Chinese took that and cut the cost out of it dramatically with their own scale and manufacturing processes. The result is that now, in a lot of places in the world, solar power is the cheapest form of electricity you can produce. Progress is being made and with the right "nudges" by governments in the future, I believe we can get to the right place.'

David Simmonds FCIS FCS was interviewed by *CSj* Editor Kieran Colvert.

> *The 'Recommendations of the Task Force on Climate-related Financial Disclosures' mentioned in this interview are available on the TCFD website: www.fsb-tcfd.org.*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ESG management – where was the board?

Tony Wong, Founder, and Regina Tai, Consultant, Alaya Consulting, present the results of their latest annual research report on the ESG disclosure practices of Hong Kong listed companies.

Fund investments in companies with improving performance on environmental, social and governance (ESG) issues have been getting bigger and bigger, triggering increased demand for quality ESG data. Leading indexes provider MSCI, as well as other ESG rating institutions, have been churning out reports on ESG ratings of listed companies. So, in addition to the 'buy', 'sell' or 'hold' signals published by analysts, listed companies and their investor relations experts have one more thing to worry about these days – their ESG ratings.

Alaya's annual survey of ESG reports in Hong Kong examines ESG disclosure levels and, more importantly, ESG performance of the top 200 companies (T200, by market capitalisation) listed in Hong Kong. Our objective is to identify the prevailing trend of disclosure and the gaps for continued improvement. The escalating appetite of institutional investors for ESG information is certainly one of our motivations to keep undertaking this annual survey.

This is the third year that Alaya Consulting has tracked ESG performance of the T200 companies. With listed companies getting more comfortable about reporting their policies and compliance status, we have taken a further step this year. More emphasis has been placed on industry-specific analysis, especially the trend of disclosing certain KPIs in particular industry segments. The rationale is that we believe most T200 firms are striving to meet at least the minimum levels of compliance to avoid breaching the listing rules. Exploring why listcos disclose or do not disclose certain KPIs is therefore critical for promoting industry best practice.

Reporting practices are improving, albeit gradually

As most listed companies have reported ESG performance for at least two years, some of them are ready to showcase their efforts on sustainability and raise the disclosure level beyond the minimum requirements set by the Stock Exchange of Hong Kong (the Exchange). 44% of the companies have gone beyond meeting reporting standards stipulated in Appendix 27 (the *Environmental, Social and Governance Reporting Guide* of Hong Kong's listing rules). 29% of the companies have adopted the Global Reporting Initiative (GRI) Sustainability Reporting Standard, a 6% increase over last year. Other sustainability frameworks followed include ISO26000 (17%), the UN Global Compact (8%) and CDP (3.5%).

Whether it is worth obtaining reporting assurance is one of the questions frequently asked by listed companies. Nevertheless, we did not see much action in this area in this year's survey. Only 23.5% (2017: 23%) of the reports are externally assured and only six of them have had the entire report assured. Unfortunately, 36% of the assured reports do not report the scope of the assurance and 20% do not even state the assurance standard adhered to. The results reflect that the best practice on assurance is yet to be fully implemented.

> “leadership by the board is the crux of ESG risk management”

In addition to the increasing investor focus on ESG performance, regulators too are getting more serious about scrutinising ESG disclosures and we believe the question of getting assurance is not if but when. Alaya shall continue to monitor this figure in the coming years and we would certainly like to see assurance practices become more well-developed and established.

One point to note before getting external assurance is that a company should be tidying its own house, for example, by making an internal overhaul of data definitions, sources, measurement, management and control. This 'pre-assurance' process is usually more effective for identifying the ESG risks and opportunities.

The importance of board leadership

Though more companies have established an ESG governance body, only 35% of the T200 have board involvement in ESG. Leadership by the board is the crux of ESG risk management and this is something we have been promoting since our last survey. This has also been advocated by Hong Kong Exchanges and Clearing Ltd in their *Analysis of Environment, Social and Governance Practice Disclosure in 2016/2017* (HKEX Analysis Report). Having a systematic approach toward ESG management is necessary for an effective reporting process, as well as taking up related opportunities. Establishing a board-level ESG governance body is not a mandatory initiative and it is often easier said than done. But for companies who are serious about a long-term sustainability vision and integrating sustainability into daily business operations, we believe if there is a lack of board involvement, ESG reporting might be just another PR blitz.

Stakeholder engagement helps identify ESG risks

Most of the T200 companies recognise that materiality and stakeholder engagement are core to ESG reporting. Echoing what has been said by the HKEX Analysis Report, 62% of the companies have reported on materiality assessment, but only half of them disclosed the process of the assessment. 30% of the companies reported on stakeholder engagement without showing how stakeholders' concerns are addressed.

Companies are required to engage with shareholders at annual general meetings but there is no similar requirement for engagement with stakeholders on ESG matters. However, we believe this is absolutely necessary if a company is serious about getting to know the risks it faces on the ESG front. Focusing on what matters and where it matters, and responding to concerns of key stakeholder groups regularly, are the keys to identifying ESG risks and the ways to address them.

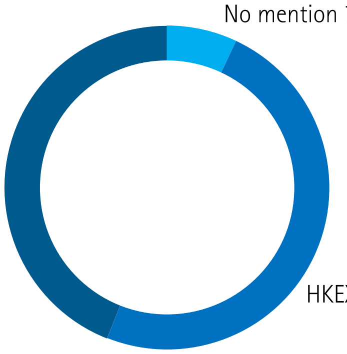
Environmental disclosure stops short of results achieved

General disclosures and KPIs regarding companies' environmental impacts are required on a comply-or-explain basis. As our last year's research suggested, levels of compliance on general disclosure are already high (99%). Therefore, this year we have focused on studying the KPIs. The narrative KPIs, including description of resources conservation and emissions reduction measures, demonstrate a high level of disclosure (over 90%). However, companies need to be aware that they are required to disclose both the measures and the results achieved. While it seems it is relatively easy to measure the results of energy use efficiency measures (A2.3), over 40% of the companies have failed to disclose results for emissions control (A1.5), waste reduction (A1.6) and water use (A2.4).

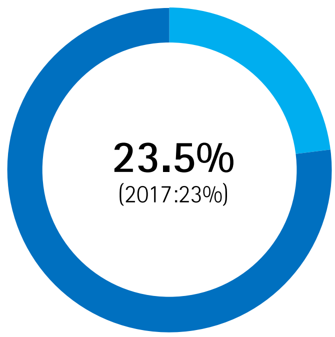
Highlights

- without board involvement, ESG reporting is likely to be just another PR blitz
- improving ESG performance and disclosure comes at a cost in the short term, but the resources put into ESG improves the trust of stakeholders and investors
- better ESG management also facilitates internal changes towards better risk management and governance

Reporting standards disclosed



Percentage of reports assured



For quantitative KPIs, T200 were found to be more ready to disclose carbon emissions and energy and water consumption than waste and air emissions. Disclosure on packaging materials consumption performed the worst with 75% of the T200 failing to report the figures.

Absence of an explanation is a breach of listing rule

The essence of comply or explain is that listed companies can make their own judgement about which disclosures are necessary based on the nature of the business. If the operations do not involve use of any packaging materials, companies, instead of choosing to comply, can explain the reasons why they did not report the relevant KPIs. However, 57% of companies that did not provide any environmental KPIs have remained silent about the reasons for their non-disclosure.

HKEX has made it clear that the absence of a proper explanation amounts to a breach of the listing rules. A survey of explanations provided by companies revealed that, generally, explanations refer to how the topic was not material to their business nature, or that monitoring systems were still under development. We advise T200 companies that they should elaborate further why the topic is not material and follow up on monitoring systems in the next reporting cycle.

Ways to ensure compliance tend to be overlooked in social aspects

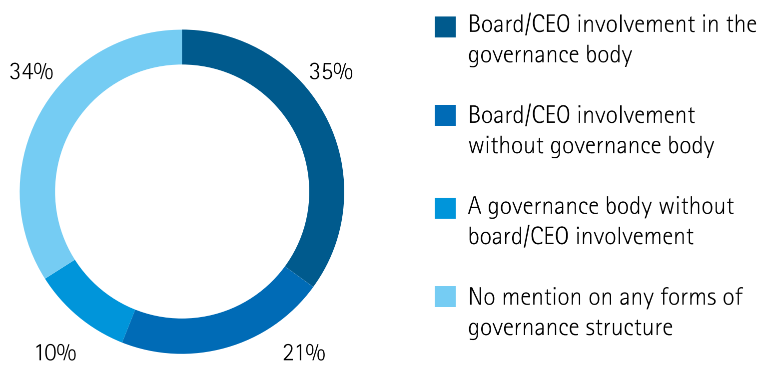
There were no significant changes in the disclosure level of social KPIs as they remain recommended disclosures in Appendix 27. In general, community involvement and anti-corruption are the most disclosed KPIs, while labour practices and product responsibility are the least disclosed KPIs. In terms of narrative disclosures, the situation is similar to the environmental disclosures discussed above – companies only disclosed policies and measures on aspects such as health and safety, data protection and whistle-blowing, etc, without telling stakeholders how they are monitored or evaluated.

Though companies may choose not to report on social KPIs, General Disclosures are subject to comply or explain, so companies must disclose how relevant social issues affect the business and how they ensure compliance in those aspects. This is not only a requirement to be fulfilled but it also allows stakeholders to make sense of the impact, potential risks and opportunities under the specific business contexts in which the companies operate.

Human rights and conflict minerals are largely overlooked in some industries. 12% of the T200 companies recognised human rights as a potential material aspect in the materiality assessment. 4.5% disclosed measures taken for preventing the use of conflict minerals for production. Companies producing IT hardware, materials and other related consumer goods should fully explain whether and why the topics are material or not material to their operations. Assessing the company's performance in, and social impact on, human rights and use of conflict minerals should be extended to the entire value chain to enable better control and response to such risks and crises.

The top three charitable areas

Almost all T200 companies have disclosed that their particular area of focus is community investment, with the top three focus areas being education (85%), Board involvement/governance structure



poverty relief (69%) and environmental actions (57%). Little focus, however, has been placed on their own industry development (26%) or technological innovation (14%). While 88.5% of the T200 reported on financial resources invested, only 35% provided the number of voluntary hours dedicated to the betterment of the community. Though more companies are engaging in CSR initiatives, they are recommended to go beyond making donations and participating in charity work. Proactively seeking collaboration opportunities to tackle social challenges through making use of their own expertise and innovations can create more value for both the company and its stakeholders.

Increasing alignment with the UN SDGs

It is encouraging to see an uptick in the number of companies aligning with the UN Sustainable Development Goals (SDGs). However, only a few companies were able to show substantial initiatives and set quantifiable targets for achieving the goals, while others simply took the first step by matching the SDGs with their existing ESG policies and measures. To ensure SDG-alignment becomes truly relevant to the business and does not remain empty talk, target-setting and monitoring are crucial. For institutional investors who are looking to make a positive impact through their investments, obtaining SDG-related insights about a company's environmental and social impact is helpful in making informed decisions.

Board independence and performance evaluation

On the corporate governance front, the listing rules require at least one-third of board members in a listed company to be independent directors. HKEX is seeking to strengthen the transparency and accountability of board committees via greater participation of independent non-executive directors (INEDs). 57% of T200 appoint only INEDs to their audit committees. When it comes to other board committees, research shows only 5.5% of T200 have all three board committees made up of only INEDs. Moreover, 22% of T200 boards have family relationships between directors.

Hong Kong's *Corporate Governance Code* (Appendix 14 of the listing rules) identifies performance evaluation of the board as a recommended best practice. Less than a half (46%) of T200 companies have mentioned performance evaluation of the board in their corporate governance reports. Among those, only 53% have described the process used and the assessment outcome.

Conclusion

More work is needed by Hong Kong listed companies in ESG management and disclosure. Proper compliance with the HKEX requirements and pushing ESG governance on material aspects could be the starting point. Ultimately, only reports which give out reliable data and a detailed narrative on the results achieved will help in building trust with stakeholders. Although this comes with a cost in the short term, the resources put into boosting the value of ESG reports not only strengthen the information provided to investors but also facilitate internal change towards better risk management and governance.

Providing financial information alone is insufficient for investors and stakeholders to make a reliable assessment of a company – ESG information helps capture the company's value and impact in broader aspects. We are likely to see stakeholders, including investors, casting aside companies that are not committed to making ongoing improvement in ESG.

Tony Wong, Founder, and Regina Tai, Consultant

Alaya Consulting

The 'Analysis of Environment, Social and Governance Practice Disclosure in 2016/2017', published by Hong Kong Exchanges and Clearing (HKEX), is available on the HKEX website: www.hkex.com.hk.

Due diligence – how much is enough?

The Companies Registry responds to queries raised by members of The Hong Kong Institute of Chartered Secretaries relating to the extent of due diligence required for compliance with Hong Kong's new anti-money laundering and counter-financing of terrorism (AML/CFT) regimes.

Following the implementation, from 1 March 2018, of the regimes relating to the keeping of significant controllers registers (SCRs) and the licensing of trust or company service providers (TCSPs), The Hong Kong Institute of Chartered Secretaries (the Institute) has received questions and comments from members, including those working at TCSPs, regarding the extent of due diligence required to ensure compliance with the new regimes. The Institute is grateful to the Professional Services Panel and the Companies Registry for the questions raised and the responses thereto summarised below.

Extent of due diligence relating to listed issuers

Query raised

The Institute raised an issue with the Companies Registry as to the extent of the requisite due diligence in the making up of SCRs where an applicable company has significant controllers, and in identifying the registrable persons behind these it becomes necessary to conduct due diligence over companies listed in Hong Kong or elsewhere on any recognised stock exchange. The Companies Registry had earlier made it clear that in accordance with the Companies Ordinance an applicable company is not required to investigate further beyond a registrable legal entity which is listed in Hong Kong as the latter is already subject to stringent disclosure requirements under the Securities and Futures Ordinance. But otherwise, due diligence would extend to companies listed in Hong Kong or elsewhere.

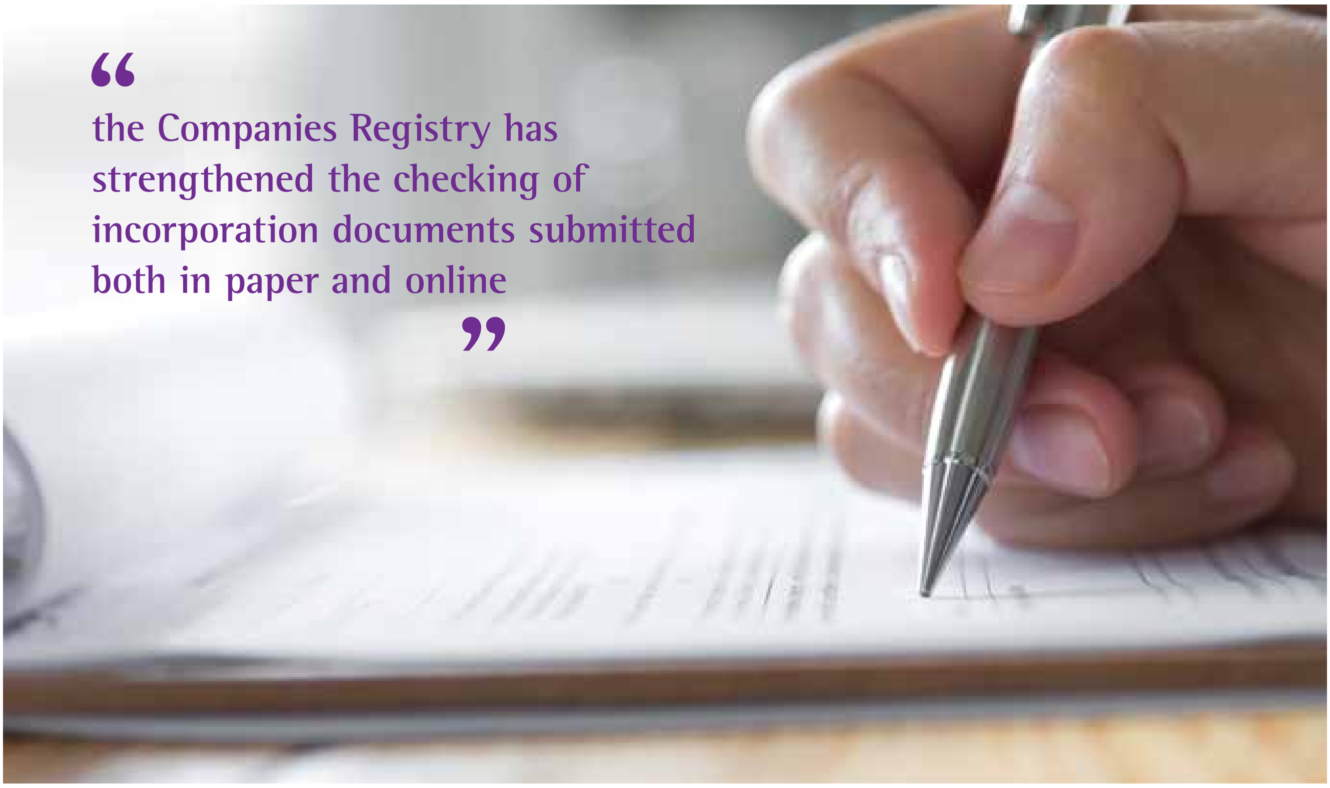
As the devil is in the details, the Institute honed in on whether the Companies Registry could provide some practical guidance to members as to what constitutes 'reasonable' due diligence in the context of the requisite due diligence over Hong Kong and overseas listed companies. This is especially important in respect of overseas listed companies as the extent of what constitutes reasonable due diligence would affect the extent of advice, time and costs required in making up the SCRs. For example, are the Institute's members obliged to follow financial news regarding mergers and acquisitions of the listed companies concerned in making up the SCRs?

The Institute submitted that it would be useful if the Companies Registry could accept that reasonable due diligence has been conducted where there is service of notice upon a listed issuer, whether listed in Hong Kong or elsewhere, to call for information for making up the SCR. This is without the need for further investigation as to whether there is need to serve a notice on any other persons.

The Institute also pointed out that under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance and the *Guideline on Compliance of AML and CTF Requirements for TCSPs* issued by the Companies Registry, where the client is a corporation or has in its ownership chain a corporation listed on a stock exchange body in a jurisdiction, which is a member of the Financial Action Task Force (FATF), simplified due diligence (SDD) may be applied. Under SDD, a TCSP is not required to identify and verify the beneficial owner of the listed corporation. It seems that the approach applied in dealing with the requirement for transparency of beneficial owners of a listed corporation under the two regimes are not the same.

Highlights

- on a practical level, many members of the Institute would like to have more guidance as to the extent of due diligence required to comply with Hong Kong's new beneficial ownership regime
- the Institute proposes that 'reasonable due diligence' should extend to the service of notice upon a listed issuer to call for information for preparing the significant controllers registers (SCRs), and not service of notice on persons associated with the listed company
- it is the obligation of each company (unless exempted) to investigate and maintain accurate and up-to-date information on its significant controllers for inspection upon demand by law enforcement officers



Companies Registry response
'As you are aware, the FATF, of which Hong Kong is a member, requires member jurisdictions to take measures to enhance the transparency of beneficial ownership of companies by requiring companies to take reasonable steps to ascertain and identify natural persons who have ultimate beneficial ownership interest or control of the company through various means. Further, companies are required to keep adequate and accurate information of these natural persons that can be obtained or accessed in a timely manner by competent authorities.

Presently, companies incorporated in Hong Kong are required to ascertain and identify registrable persons and registrable legal entities for the purposes of compiling the SCR. To strike a balance between meeting the requirements of FATF on the one hand and reducing the compliance burden and costs of companies on the other, instead of requiring companies to disclose the particulars of all legal entities in the chain of ownership, a registrable legal entity is restricted to a legal entity that is a member of the company (that is, the disclosure of registrable legal entities is restricted to the first level of ownership).

On this basis, the exemption given to listed companies is therefore only relevant to a registrable legal entity and the first level of ownership. It is not the legislative intent to extend the exemption to higher levels of ownership as the higher levels of legal entities are not required to be disclosed in the SCR and, more importantly, such extension of exemption would impede the identification of registrable persons and would likely fail to meet the requirements of the FATF, which in essence require that competent authorities should have access to adequate, accurate and timely information on beneficial ownership.

Under section 653P of the Companies Ordinance (CO), a company has the obligation to take reasonable steps to ascertain whether there is any significant controller of the company and to identify each of them. Taking reasonable steps will include, but is not limited to, the giving of notices in accordance with sections 653P(2) and 653P(3). There is further guidance on the issue in Chapter 4 of the *Guideline on the Keeping of Significant Controllers Registers by Companies* and FAQ 5.

In situations, for example, where the applicable company knows the ownership (direct or indirect) of the listed company in the applicable company but not if any other person holds ownership, or has significant control, through the listed company, notice(s) may be given to the listed company under section 653P(2). If, however, the company knows or has reasonable cause to believe that another person (who holds ownership through the listed company) is a significant controller of the applicable company, a notice is also required to be sent to that person.

In relation to updating the SCR, pursuant to section 653T of the CO, if the company knows or has reasonable cause to believe that there is a registrable change with respect to a person, a notice must be given to the person to whom the registrable change relates. In fulfilment of the FATF's requirements, it is the obligation of each company (unless exempted) to investigate and maintain accurate and up-to-date information on its significant controllers for inspection upon demand by law enforcement officers.

As you appreciate, the AML requirements applicable to a TCSP licensee and the legal obligation to keep an SCR by an applicable company are two entirely different regimes, which reflect different international requirements on the conduct of customer due diligence by a TCSP and the need to enhance beneficial ownership by a company, respectively. Even though SDD may be applied by a TCSP licensee in certain circumstances, the relevant FATF requirements remain, as pointed out above, for a company to identify the natural persons who have ultimate ownership interest, or control, of the company.'

Designated representative

Query raised

The Companies Registry has set out in its FAQs that: 'A company must designate at least one person as its representative to provide assistance relating to the company's SCR to a law enforcement officer. A company's designated representative must be either a shareholder, director or an employee of the company who is a natural person resident in Hong Kong or, alternatively, an accounting professional, a legal professional or a person licensed to carry on a business as trust or company service provider.'

The Institute raised a query as to why company secretaries are not in this list. The context is that a company secretary of an applicable company is quite often an employee only of the holding company, or one of the group companies for companies within a group, and not an employee of the applicable company. The Institute urged that recognition be given to company secretaries, as it would be reasonable that a company secretary, being an officer in charge of company administrative matters, be the designated representative of the applicable company.

Companies Registry response

'Your views are noted and we will keep in view the implementation of the relevant statutory provisions. Meanwhile, to ensure proper compliance, we should be grateful if you would remind your members that the appointment of a designated representative has to comply with the requirements set out in section 653ZC(2) of the CO.'

Incorporation issues

Query raised

A recent incorporation application submitted by a member of the Institute was selected for checking by the Companies Registry. In this case, no information was provided on how long the incorporation application would take. Members of the Institute would like to have further guidance on this matter so that they can alert clients regarding the implications for existing performance pledges. In addition, would post-incorporation vetting for licensed TCSP be more appropriate? Also, would the checking apply to the one-hour online incorporation timing?

On another matter, members of the Institute also report being asked for submission of proof of address for company incorporations when this is no longer required under the AMLO or the Companies Registry AML/CFT Guidelines.

Companies Registry response

'As you appreciate, in order to ensure the integrity of the Companies Register, to ensure that incorporation applications comply with the statutory requirements of the CO and to mitigate the risks of money laundering/terrorist financing, the Companies Registry has strengthened the checking of incorporation documents submitted both in paper and online. The enhanced checks are part of our enforcement efforts to prevent the use of companies for illicit purposes in compliance with international requirements.

As such, it would be inappropriate to disclose or publicise particulars of the enforcement measures. We should be grateful if members of the Institute would, among other things, duly conduct customer due diligence measures as required and comply with any requests made by us for further information and/or clarifications timely and properly so that the relevant applications can be processed smoothly.'

> *More information is available on the Companies Registry website: www.cr.gov.hk.*

Professional Development

Seminars: August and September 2018

7 August
Hong Kong and China practice on control over cross-boundary movement of currency

Chair: Jerry Tong FCIS FCS, Institute Education Committee member, and Financial Controller and Company Secretary, Sing Lee Software (Group) Ltd
Speaker: Myles Seto, Partner, Deacons

13 August
Everything you want to know about the new opening up of our market to emerging, innovative and biotech companies

Chair: Edith Shih FCIS FCS(PE), International President, ICSA; Institute Past President; and Executive Director & Company Secretary, CK Hutchison Holdings Ltd
Speakers: Grace Huang, Partner, Global Transactions; Teresa Ko, Partner, Global Transactions, Freshfields Bruckhaus Deringer LLP; and Andrew Weir, Senior Partner, Hong Kong/Vice Chairman, KPMG China

14 August
An update on significant controller register & licensing regime of TCSP

Chair: Stella Lo FCIS FCS(PE), Institute Council Member, and Group Company Secretary, Guoco Group Ltd
Speaker: Mohan Datwani FCIS FCS(PE) CAMS, Solicitor, Institute Senior Director and Head of Technical & Research

15 August
Let's talk dirty

Chair: Loretta Chan FCIS FCS, Institute Professional Services Panel Chairman, and Partner - Tax - Company Secretarial Services, PricewaterhouseCoopers Ltd
Speakers: Jill Wong, Partner, Howse Williams Bowers; and Andrew Weir, Senior Partner, Hong Kong/Vice Chairman, KPMG China

20 August
Anti-money laundering/ counter-financing of terrorism seminar for trust and company services providers

Chair: Mohan Datwani FCIS FCS(PE) CAMS, Solicitor, Institute Senior Director and Head of Technical & Research
Speakers: Mickey Wai, Assistant Secretary for Security, Narcotics Division, Security Bureau; Alex Fung, Senior Inspector of Police, Joint Financial Intelligence Unit; and Natalia Seng FCIS FCS(PE), Institute Past President, and Chief Executive Officer – China & Hong Kong, Tricor Group/ Tricor Services Ltd

22 August
Company secretarial practical training series: how to review financial statements and MD&A

Chair: Polly Wong FCIS FCS(PE), Institute Education Committee Vice-Chairman, and Company Secretary and Financial Controller, Dynamic Holdings Ltd
Speaker: Franki Lui, Director, Assurance Services, BDO Ltd

24 August
Practical company secretarial workshops: part 1 – how to manage board meetings effectively, module 1 – effective board meetings (re-run)

Speaker: April Chan FCIS FCS, Institute Past President and Chairman of Technical Consultation Panel; and Inaugural President, CSIA

24 August
Crowdfunding - what is it and what are the rules in Hong Kong

Chair: Daniel Chow FCIS FCS, Institute Audit Committee member, and Senior Managing Director, Corporate Finance and Restructuring, FTI Consulting (Hong Kong) Ltd

Speakers: Ian Childs, Partner; Katherine Liu, Senior Associate; and Conrad Lam, Associate; Stephenson Harwood

24 August
Cybercrime investigations – notes from the front line

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

Speaker: Sandeep Jadav, Managing Director, FTI Consulting (Hong Kong) Ltd

29 August
The GDPR: new rules, wider reach. What the company secretary needs to know about the impact of the GDPR on global businesses

Chair: Philip Miller FCIS, Institute Professional Development Committee member and Technical Consultation Panel member, and Senior Assistant Company Secretary, HSBC

Speakers: Mark Hughes, Partner; and Kevin Warburton, Counsel; Slaughter and May

31 August
Practical company secretarial workshops: part 2 – getting to know your board, module 5 – board evaluation

Speaker: April Chan FCIS FCS, Institute Past President and Chairman of Technical Consultation Panel; and Inaugural President, CSIA

31 August
Company secretarial practical training series: non-Hong Kong company and dormant company

Speaker: Ricky Lai FCIS FCS, Company Secretary, HKC (Holdings) Ltd

Professional Development (continued)

4 September

The corporate law and its practical steps for setting up a company in Mainland China

Chair: *Cynthia Chen FCIS FCS, Named Company Secretary, Asiasec Properties Ltd*
Speakers: *Grace Chiu, Lawyer & Partner; and David Liang, Lawyer & Partner; Guangdong Sun Law Firm*

6 September

A comprehensive guide to shareholder disputes

Chair: *Alberta Sie FCIS FCS(PE), Institute Professional Services Panel member, and Company Secretary & Director, Reanda EFA Secretarial Ltd*
Speakers: *Frederick Hui, Partner; and Gilbert Leung, Partner; Zhong Lun Law Firm*

Online CPD (e-CPD) seminars

For details, please visit the CPD section of the Institute's website: www.hkics.org.hk. For enquiries, please contact the Institute's Professional Development Section at: 2830 6011, or email: ecpd@hkics.org.hk.

ECPD forthcoming seminars

Date	Time	Topic	ECPD points
29 October 2018	10.00am–12.00pm	Negotiating corporate governance codes (session 1)	2
29 October 2018	2.00pm–4.00pm	Getting big corporations to 'do the right thing' (session 2)	2
30 October 2018	6.45pm–8.15pm	Overview of anti-money laundering (re-run)	1.5
31 October 2018	6.45pm–8.15pm	Hong Kong's OFC – the launch of a new fund vehicle	1.5
6 November 2018	6.45pm–8.15pm	What are the legal and compliance issues for companies participating in the Esports arena	1.5

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

Membership

Member and graduate discipline

The Institute requires its members and graduates to comply with the highest standards of professional conduct and the Institute's regulations. The Investigation Group, Disciplinary Tribunal and Appeal Tribunal are the Institute's disciplinary bodies, as stipulated in the ICSA Byelaws and the Institute's Articles of Association.

A summary of the Institute's disciplinary cases for year 2017/2018 is set out below. For further details, please visit 'Discipline' in the Membership section of the Institute's website: www.hkics.org.hk.

1. Professional misconduct cases

The total number of professional misconduct cases under disciplinary proceedings was nine:

- two cases were closed after investigation with no prima facie case established
- two cases are still under investigation
- two cases were concluded and closed at Disciplinary Tribunal with members' compliance
- two cases were concluded and closed at Disciplinary Tribunal with one member and one graduate removed from the respective registers
- one case is concluded by Disciplinary Tribunal and still under proceedings
- no appeals against Disciplinary Tribunal decisions were made to the Appeal Tribunal

2. Continuing Professional Development (CPD) non-compliance cases

The total number of CPD non-compliance cases processed under disciplinary proceedings was 40:

- 10 cases were closed following members' compliance
- 27 members and two graduates were removed from respective registers
- one member was removed from register in another professional misconduct case

Revised consequences of CPD non-compliance

For the compliance of 2017/2018 CPD requirements and onwards, the Disciplinary Tribunal has decided the following being effective from 25 July 2018:

- no further rectification opportunity will be given to the member or graduate concerned to rectify his/her alleged contravention as ample opportunities have been given by the Professional Development Committee
- a notice to disciplinary hearing will be issued and the case will proceed to a disciplinary hearing directly
- a disciplinary fine payable at a minimum of HK$3,000 will usually be imposed for each breach of CPD requirement, and
- under exceptional circumstances, grace periods of one to two months to comply may be granted.

Sanctions by the Disciplinary Tribunal may involve the imposition of a fine, censure, suspension of all rights of membership or graduateship and in severe cases, removal from the respective register.

Notice of Disciplinary Tribunal decision

The Institute reprimands one member for professional misconduct.

- Mok Wing Kai, Henry

The penalty of removal from membership/graduateship registers was further imposed by the Disciplinary Tribunal on the following 16 members/graduates for CPD non-compliance for year 2017/2018:

Au Young Hin Lap	Poon Koon Yu, Jeanie
Chan May Yi, Nicole	Tam Kam Yee
Cheng Koon Wai	Tong Man
Chu Siu Lun	Tsang Wai Yee, Terri
Ho Yau Choi	Wong Kin Hung
Kwan Pok Man, Daniel	Wong Sze Man
Leung Ho Yi, Jennifer	Wong Yin Ping, Rebecca
Ng Yuen Yi	Yan Miu Ping

Membership (continued)

Forum on land supply in Hong Kong

On 31 August 2018, the Institute co-organised a forum with The Task Force on Land Supply (土地供應專責小組, the Task Force) for members, graduates and students to share their views on land supply in Hong Kong. At the forum, Mr Stanley Wong Yuen-fai SBS JP, Chairman of the Task Force, presented the challenges and possible options to enhance land supply in Hong Kong. Ir Dr Greg Wong Chak-yan BBS JP, Vice-Chairman of the Task Force, Mr Vincent Ng Wing-shun JP and Mr Jasper Tsang Yok-sing GBM GBS JP, members of the Task Force also attended and answered queries from the audience. Over 75 members, graduates and students attended and gained further understanding on the land supply issue in Hong Kong.

New graduates

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

Chan Chui Ying	Chu Ka Yin, Tiffany	Lee Siu Kwan	To Pui Kei
Chan Chee Ting, Fiona	Edono Chiharu	Leung Mui Yin	Tso Hon Biu
Chan Ching Laam	Fung Wai Hang	Leung Wing Chi	Tsui Kwan Yi
Chan Hei Lam	Ge Jun	Li Chiu Chun	Wong Ho Yeung
Chan Pui Ying	Ho Ka Yan	Li Hoi Lam, Ellen	Wong Kin Tim
Chan Tsz Yan, Jean	Ko Ching Fung	Li Ka Hung	Wong Shun Wah
Chan Wing Ting	Ku Cheuk Tung	Li Ka Ming	Wong Shun Wai
Chau Shun	Kwok Sin Hang	Li Kwai Wah	Xu Ruirui
Chen Zhenting	Kwok Yan Ting, Jennis	Ma Ting Chi	Yang Tsz Sheung
Cheung Oi Yiu, Agnes	Lam Ka Tsun	Mak Wai Yin	Yeung Wan Mei
Cheung Yu Man	Lam Sai Hoi	Ng Shun Fai, Irene	Yeung Yin Kwan
Chiu Kei Fung	Law Wai Yan, Grace	Ng Wing Yip	Yip Hiu Man
Chiu Pak Kin	Lee Kwok Lun	Pang Siu Cheung, Victor	Yu Wai Chim
Chiu Pui Yan	Lee Leong Yin	Pi Pang Ngai	
Choi Tsun Kit	Lee Man Wa	Qin Yunshan	
Choy Suet Yee, Shirley	Lee Shuk Man	Sher Wendy	

New associates

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

Au Sin Ying	Fung Kwan Ho	Lee Kin Yip	Wong Ka Yan
Au Yeung Tsz Kit	Fung Mei Sin, Pamela	Lee Yvonne	Wong Kin Shing
Chan Man Hei	Fung Pui Yuen	Li Hei	Wong Miu Wai
Chan Shun Yan	Ho Kuok Chong	Li Peihua	Wong,Virginia
Cheng Wai Han, Charmaine	Hu Yi	Li Yuen Kie	Wong Wai Kan, Edith
Cheung Chun Sum	Jung Wai Tak	Ling Qin	Wu Man Ki, Maggie
Cheung Ka Ho	Ko Chi Hang	Liu Hong Ting	Yau Kar Yi, Grace
Cheung Lok Yi	Kwong Fung Lin	Ly Mei Fong	Yip Wing Kam
Chow Ling Pin	Lai Charics Cheuk Yan	Shiu Chi Tak, Titus	
Chung Sang Mi	Law Athene	Tam Oi Kam	

Members' activities highlights: September 2018

1 September
Members' Networking – Local Skincare Factory Visit

18 September
Members' Networking Lunch Talk：健康養生在今天

11 September
Chartered Secretaries Mentorship Programme – Social Gathering

22 September
Fun & Interest Group – Baking Class 中秋小兔奶黃月餅

Forthcoming membership activities

Date	Time	Event
8 October 2018	6.00pm–9.00pm	HKICS Annual Convocation 2018 (By invitation only)
21 October 2018	8.15am–1.00pm	Community Service – Pink Walk for Breast Health 2018

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

Advocacy

CG Week

The Institute organised the Corporate Governance Week (CG Week) from 8 to 15 September 2018 with the aim of promoting learning, sharing, discussion and debate on corporate governance issues in Hong Kong, as well as the Mainland. More than 840 delegates, from young master's students to experienced governance leaders, signed up to events in the CG Week. Details of the CG Week events are as follows:

Corporate Governance Paper Competition and Presentation Awards

The first event of the CG Week – the Corporate Governance Paper Competition and Presentation – was successfully held on 8 September 2018. The Paper Competition received applications from 40 groups of undergraduate students in total, and six finalist teams with the highest scores presented their papers and competed for the Best Presentation Award.

For further details, please see page 47 of this month's journal.

The 47th Affiliated Persons Enhanced Continuing Professional Development Seminars, Mainland China

On 12 September 2018, the 47th Affiliated Persons Enhanced Continuing Professional Development Seminars, a 2.5-day event hosted by the Institute in Hohhot, Inner Mongolia, attracted over 150 participants from H-share, A+H share, red-chip and to-be-listed companies in the Mainland.

The seminars, with the theme of 'Risk Management and Governance', were kicked off by a welcome speech from Institute Immediate Past President Ivan Tam FCIS FCS. Nine speakers, including Yang Liu, Deputy Director, International Affairs Department of China Securities Regulatory Commission, and Institute Vice President Dr Gao Wei FCIS FCS(PE), shared their knowledge and practical experience of relevant topics.

At the seminar

At the seminar

KPMG/CLP/HKICS release a joint ESG research report

On 13 September 2018, the Institute released a joint ESG research report. The report, titled 'ESG: A view from the top', features a survey that was conducted in March 2018. In the survey more than 200 senior executives of listed companies in Hong Kong were interviewed. The report looks into how business leaders are addressing environmental, social and governance (ESG) concerns and driving ESG development in the region.

The full report is available at the Publications section of the Institute's website: www.hkics.org.hk.

Biennial Corporate Governance Conference (CGC) – Corporate Governance: The New Horizon

The Institute's 11th biennial Corporate Governance Conference (CGC), themed 'Corporate Governance: The New Horizon' was held on 14 September 2018 at the JW Marriott Hotel, Hong Kong. This was a full-day event conducted in four sections which covered different topics including 'New Values, New Responsibilities', 'New Relationship with Shareholders', 'New Strategies for the Digital Age' and 'New Skills, New Mindset, New People'. Insights into corporate governance were shared among speakers, panellists, attendees and thought leaders from the corporate governance, legal, regulatory, risk, finance and other sectors at the conference.

The HKICS would like to thank the speakers, panellists, event and panel chairs, sponsors, delegates and all those who helped in the organisation of the CGC 2018.

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

CGC Corporate Visits

As part of the CGC, the Institute organised Corporate Visits on 15 September 2018 for Institute members to initiate discussions, share experiences as well as enjoy a pleasant and informative tour. The visits included Black Point Power Station, Ngong Ping 360 and Ocean Park. The 82 participating members had a pleasant and informative visit, learning and sharing ideas and experience.

HKICS students' masterclass – Professor Mervyn King

A lecture on the theme of 'Shifts in corporate thinking, reporting and governance' was held on 15 September 2018 at City University of Hong Kong. Distinguished speaker Professor Mervyn King, Chairman of the International Integrated Reporting Council, gave a one-hour lecture to broaden awareness of governance issues among Institute students and members and to stimulate new approaches to the critical issues facing governance professionals in the years ahead. Over 300 participants attended the lecture.

Advocacy (continued)

ICSA Annual General Meeting

The 2018 Annual General Meeting of The Institute of Chartered Secretaries and Administrators (ICSA) was held on 19 September 2018 in Toronto. The vast majority of members who voted approved all the resolutions put forward, including the resolution for the change of name of ICSA to 'The Chartered Governance Institute'. Details of the voting results are available on ICSA's website: www.icsaglobal.org/proposed-name-change. The changes will now go before the UK Privy Council for final consent.

For enquiries relating to the Annual General Meeting of ICSA, please contact ICSA via: www.icsaglobal.org/enquiry.

At the ICSA Annual General Meeting

ICSA Council Meeting

The International Council of The Institute of Chartered Secretaries and Administrators (ICSA) held its Council Meeting on 20 and 21 September 2018 in Toronto, Canada. Institute Past President and ICSA International President Edith Shih FCIS FCS(PE), Institute Representative and ICSA Council member Peter Greenwood FCIS FCS and Institute Chief Executive Samantha Suen FCIS FCS(PE) attended the ICSA Council Meeting. ICSA Professional Standards Committee also held its meeting on 18 and 19 September 2018 in Toronto. The International Council and divisional chief executives took the opportunity to meet with members of The ICSA Canada Division at the cocktail reception after the ICSA AGM to exchange views.

At the ICSA International Council Meeting

Ivan Tam was appointed the Corporate Governance Assessment Expert of the 'China Insurance Industry Thousands Talent Scheme'

Institute Immediate Past President Ivan Tam FCIS FCS was appointed the Assessment Expert of the 'China Insurance Industry Thousands Talent Scheme' (the Scheme) organised by the Insurance Association of China (IAC). The Scheme aims to foster corporate governance talent for the insurance industry in Mainland China. The assessment of the Scheme was launched in May 2018. Ivan Tam FCIS FCS has been the International Consultant of the Scheme since 2017.

HKICS official visit to Shanghai

On 17 August 2018, Institute President David Fu FCIS FCS(PE) led a delegation comprising Immediate Past President Ivan Tam FCIS FCS, Past Presidents Maurice Ngai FCIS FCS(PE) and Natalia Seng FCIS FCS(PE), Council member Bernard Wu FCIS FCS, Chief Executive Samantha Suen FCIS FCS(PE) and Chief Representative of Beijing Representative Office Kenneth Jiang FCIS FCS(PE) to visit Shanghai Stock Exchange (SSE) and Shanghai Zhangjiang Hi-Tech Innovation Center (ZJIC).

During the visit to SSE, the Institute's delegation met with SSE Chief Legal Officer Lu Wendao; Managing Director of SSE Legal Affairs Department Wang Shengyi; Managing Director of SSE Listed Company Supervision Department Zhang Xiaoyi; and Managing Director of SSE Global Business Development Department Fu Hao. During a discussion, the Institute and SSE agreed to further strengthen mutual cooperation and enhance the Memorandum of Understanding signed by both parties in 2011.

At the meeting with the Vice Director of ZJIC Lei Yazhou, both parties discussed the possibility of the Institute providing assistance to new-economy companies, especially those planning to be listed in Hong Kong. The possible scope of assistance includes pre-listing professional training, such as methods to strengthen corporate governance systems, and post-listing compliance issues. The meeting enhanced mutual understanding, and the two parties agreed to build a communication channel to facilitate further cooperation in the future.

During the trip, the delegation also took the opportunity to meet with Institute members, students and Affiliated Persons (AP) stationed in Shanghai. Mr Fu delivered a welcome remark and a briefing on the Institute's latest development, and the delegation also shared information about Institute services with the guests.

The Institute would like to express its sincere appreciation to SSE and ZJIC for receiving the delegation, and also to the members, students and APs for joining the dinner gathering.

For more details, please visit the News section of the Institute's website: www.hkics.org.hk.

At SSE

Meeting with SSE

At ZJIC

Institute delegates and Shanghai members, students and APs

Advocacy (continued)

HKICS General Meeting 2018

The Institute held its General Meeting on 29 August 2018, which was attended by Institute President David Fu FCIS FCS(PE), Vice-President Gillian Meller FCIS FCS, Treasurer Dr Eva Chen FCIS FCS, council members, Past Presidents, Institute members and Chief Executive Samantha Suen FCIS FCS(PE). The Special Resolution regarding the amendments to the Articles of Association of the Institute was passed. The revised Articles of Association have, amongst other things, given effect to the Chartered Governance Professional qualification to sit alongside the long-established Chartered Secretary qualification.

Group photo

At the meeting

At the meeting

HKICS joins MTR Society Link Gathering – High-Speed Rail

On 1 September 2018, representatives of the Institute joined the MTR Society Link Gathering, themed 'High-Speed Rail – Go Faster! Go Further!' organised by MTR Corporation Limited. A presentation and a tour of the Hong Kong Kowloon Station were arranged for attendees to better understand the development of the Hong Kong West Kowloon Station of the Hong Kong high-speed railway.

Group photo

Past Presidents' dinner

On 29 August 2018, Institute President David Fu FCIS FCS(PE) hosted the Past Presidents' dinner to express appreciation to the Past Presidents of the Institute. Institute Past Presidents April Chan FCIS FCS, Edwin Ing FCIS FCS, Dr Davy Lee FCIS FCS(PE), Neil McNamara FCIS FCS, Dr Maurice Ngai FCIS FCS(PE), Natalia Seng FCIS FCS, Edith Shih FCIS FCS(PE), Ivan Tam FCIS FCS, Horace Wong FCIS FCS and Chief Executive Samantha Suen FCIS FCS(PE) attended the dinner.

President attends AVIC International Forum 2018

On 5 September, Institute Council member Bernard Wu FCIS FCS attended the AVIC International Forum 2018 organised by AviChina Industry & Technology Company Limited (AVIC). More than 100 people from the Hong Kong SAR Government and business parties also attend the forum. AVIC aims to implement technological synergy and enhance technological cooperation to contribute to the development of the Greater Bay Area.

HKICS listed on Good Employer Charter 2018 and receives the Good MPF Employer Award

The Institute has been added to the Good Employer Charter 2018 of the Labour Department of the Hong Kong SAR Government, which recognises caring for employees, establishing a work-family/life balance and good communications between employer and employees. The Institute also received the Good MPF Employer Award 2017/2018 from the Mandatory Provident Fund Schemes Authority. Certificates for the Good MPF Employer Award were presented to the Institute's representative at the presentation ceremony on 9 October 2018.

Celebration of the Mid-Autumn Festival

As a friendly employer and to celebrate the Mid-Autumn Festival, the Institute has ordered moon cakes from The Society for the Prevention of Cruelty to Animals and fruits for the Hong Kong Secretariat staff. Proceeds from the mooncakes sales will go towards helping our many needy animals, providing them with accommodation, medical attention, rehabilitation and behavioural training. Similar arrangements will be made for the staff members of the Institute's Beijing Representative Office.

Dinner with Chief Secretary for Administration

On 11 September 2018, Institute President David Fu FCIS FCS(PE) and Past President Dr Maurice Ngai FCIS FCS(PE) joined a dinner hosted by the Hong Kong Coalition of Professional Services (HKCPS) with the Honorable Mr Matthew Cheung King-Chung GBM, GBS, JP, Chief Secretary for Administration of the Hong Kong SAR Government.

Advocacy (continued)

The Hong Kong Institute of Chartered Secretaries

CHARTERED SECRETARIES
特許秘書

2018 Annual General Meeting

Thursday, 13 December 2018 at 6.30pm

Means of receipt of annual report, general meeting notice and related documents

The 2018 Annual General Meeting of the Institute will be held on Thursday, 13 December 2018 at 6.30pm at Theatre A, 22/F, United Centre, 95 Queensway, Hong Kong.

The Institute's Articles of Association allows electronic communication with its members and your Council values the importance of preserving the environment. We therefore encourage members to receive the annual report, general meeting notice and related documents in electronic form. All members will receive a notification email when the documents are made available on the Institute's website. Members who opt to receive a hard copy should indicate their preference by returning to the Institute a completed and signed reply slip by 6.00pm on Friday, 2 November 2018. More details and the reply slip are available on the Institute's website: www.hkics.org.hk.

Members please mark your diary and join us at the AGM.

International Qualifying Scheme (IQS) examinations

Syllabus update – Corporate Administration

The topic, titled *Hong Kong Competition Law*, will be included in the syllabus of Corporate Administration under the field of Corporate Assets with effect from the December 2018 examination diet.

For details of the syllabus, please refer to Chapter 14 of the Corporate Administration study pack, or visit the IQS Syllabus of the International Qualifying Scheme under the Studentship section of the Institute's website: www.hkics.org.hk.

IQS study pack updates

The 2018 updated online version of the IQS study packs for *Corporate Secretaryship*, *Corporate Governance*, *Corporate Administration* and *Hong Kong Corporate Law* have been made available on the HKICS PrimeLaw online platform. Summaries of the updates for each of these study packs are available under the News section of the Institute's website: www.hkics.org.hk. Students who have activated their online account will have access to the updates and the summaries on that platform too. Students who have not yet activated their accounts are encouraged to do so as soon as possible.

For questions relating to the online study packs, please contact the Institute secretariat at: 2830 6006, or email: student@hkics.org.hk.

For technical questions relating to the PrimeLaw account, please contact Wolters Kluwer's customer service: HK-Prime@wolterskluwer.com.

Examination technique workshops

The Institute will organise a series of three-hour IQS examination technique workshops. These workshops, commencing in mid-October, aim to help students improve their examination technique. Each workshop costs HK$500. Students may download the enrolment form from 'Exam Workshop' under the 'Events' section of the Institute's website: www.hkics.org.hk.

Student Ambassadors Programme (SAP) 2018/2019 – recruitment of mentors

The Institute's SAP programme continues to be an effective platform to introduce the Chartered Secretarial profession to local undergraduates. Members are invited to contribute as mentors of student ambassadors. Interested members please contact Eva Cheung (Education & Examinations) for details at: eva.cheung@hkics.org.hk, or 2830 6019. A tea reception for mentors and mentees was organised on 6 October 2018 to kick off the SAP 2018/2019.

Policy – payment reminder

Exemption fees

With respect to the exemptions approved in August 2018, students are reminded to settle the exemption fees by Wednesday 23 October 2018.

Studentship

Studentship activities highlights: August and September 2018

21 Aug
Collaborative Course (CCA) – students orientation at City University of Hong Kong

23 Aug
Collaborative Course (CCA) – students orientation at The Open University of Hong Kong

24 Aug
Collaborative Course (CCA) – students orientation at Hong Kong Baptist University

25 August
Collaborative Course (CCA) student orientation at The Hong Kong Polytechnic University

3 September
New Students Orientation

Postgraduate Programme in Corporate Governance in Shanghai – student orientation

The 2018/20 Postgraduate Programme in Corporate Governance (PGPCG) of the Open University of Hong Kong in Shanghai commenced in September 2018. An orientation for the PGPCG students was held at the East China University of Science and Technology (ECUST/华东理工大学) in Shanghai on 9 September 2018. During the orientation, Institute Registrar Louisa Lau FCIS FCS(PE) introduced the Institute and its studentship registration policy to the attendees. On 7 September, Louisa Lau also met with the PGPCG students at a dinner gathering and updated them on the latest development of the Institute.

At the orientation

At the orientation

Corporate Governance Paper Competition and Presentation Award 2018

To promote the awareness of good governance among local undergraduates, the Institute has been organising the Corporate Governance Paper Competition and Presentation Award since 2006. This year's topic was 'Corporate Governance – Challenges and Opportunities in the Digital Age'. The six finalist teams of the Paper Competition attended the Awards Presentation on 8 September 2018. The Institute extends its congratulations to the winners listed below.

Paper Writing	Paper Presentation
Champion Ma Pui Yee, So Bo Ki and Wong Mei Ming *Hang Seng Management College*	**Best Presenter Award** Kao Ho Kwan Ben, Lau Tsz Fung Michael and Ng Kwan Tung Quentin *Hang Seng Management College*
1st Runner-up Cheng Yi Ching, Tsoi Wai Hung and Wong Pui Yu *Hong Kong Shue Yan University*	**1st Runner-up** Ma Pui Yee, So Bo Ki and Wong Mei Ming *Hang Seng Management College*
2nd Runner-up Kao Ho Kwan Ben, Lau Tsz Fung Michael and Ng Kwan Tung Quentin *Hang Seng Management College*	**2nd Runner-up** Chan Yat Hei and Lam Tsz Kwan *Hong Kong Shue Yan University*

Group photo

Studentship (continued)

The Institute would like to thank the following individuals and organisations (listed in alphabetical order) for their contribution and support of the Corporate Governance Paper Competition.

Reviewers

- Dr Derek Chan, Associate Dean (Undergraduate), Faculty of Business and Economics, The University of Hong Kong
- Dr Linsey Chen, Assistant Professor, Department of Accountancy, Hang Seng Management College
- Professor David Donald, Professor, Faculty of Law, The Chinese University of Hong Kong
- David Lai, Lecturer, Department of Accounting, Hong Kong University of Science and Technology
- Dr Candy Liu, Assistant Professor, Lee Shau Kee School of Business and Administration, The Open University of Hong Kong
- Dr Claire Wilson, Head, Department of Law and Business Administration, Hong Kong Shue Yan University
- Aileen Wong, Lecturer, Caritas Institute of Higher Education
- Dr Raymond Wong, Associate Dean (Undergraduate Programmes), College of Business, City University of Hong Kong
- Dr Davy Wu, Senior Lecturer, Department of Accounting & Law, Hong Kong Baptist University
- Dr KP Yuen, Associate Head (Teaching), School of Accounting and Finance, The Hong Kong Polytechnic University

Paper writing Panel Judges

- Joseph Mau FCIS FCS, Managing Director-Listing & Regulatory Affairs & Company Secretary, Hong Kong Exchanges and Clearing Limited
- Paul Yeung, Commission Secretary, Commission Secretariat, Securities and Futures Commission
- Wendy Yung FCIS FCS, Institute Council Member; Director, Practising Governance Ltd

Paper presentation Panel Judges

- Robin Healy FCIS, Institute Editorial Board Member; Assistant Group Secretary, Statutory & Regulatory Reporting, HSBC Holdings plc
- Jasmine Ho ACIS ACS, Deputy Company Secretary, LINK
- Winnie Li FCIS FCS, Institute Education Committe Member; Director, CWCC

Sponsors

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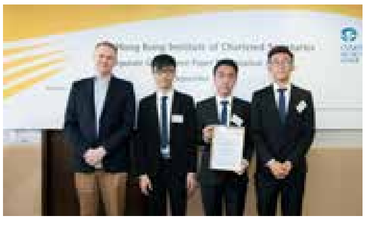
- School of Accountancy, CUHK Business School
- The Hong Kong Institute of Chartered Secretaries Foundation Ltd

(From left, front row) Dr Raymond Wong, Dr Eden Chow, Dr Candy Liu, Samantha Suen FCIS FCS(PE), Robin Healy FCIS, Winnie Li FCIS FCS and Jasmine Ho ACIS ACS

Paper writing champion



Best Presentation Award

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

CHARTERED SECRETARIES
特許秘書

中國公司行政
PRC Corporate Administration

1655-1800NW

課程大綱

- 分董事會秘書的職能和職責、角色和地位
- 董事會秘書規範履職的知識結構和資訊
- 人力資源管理
- 社會保險法
- 行政公文寫作
- 危機公關與公共關係處理

課程時間表

課程為期四週　　授課時間：4堂，每堂6小時，共24小時
上課時間：周六 14:00-17:00 及 18:00-21:00
授課日期：2018年11月17日、11月24日、12月1日及12月8日
(校方保留更改及調動課堂時間之權利)
授課地點：港島區其中一所教學中心

講者簡介

劉娟博士

- 華南農業大學公共管理學院副教授
- 華南農業大學勞動與社會保障系主任
- 工學學士、法學碩士、經濟學博士
- 十六年授課經驗，服務範圍包括：
  大學、國企企業、上市公司、政府、社區

修讀證明書 / 成績證明書

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

學費

每單元課程港幣$3,850

課程查詢

2867 8317(王小姐)
prcprogramme@hkuspace.hku.hk

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