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The Hong Kong Institute of Chartered Secretaries (HKICS) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies, as well as the development of the profession of the Chartered Secretary and Chartered Governance Professional 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 6,000 members and 3,200 students.

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March 2019

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今年1月17日，香港特许秘书公会周年圆桌会议顺利在香港召开，会议重点讨论了近期监管机构对香港企业管治守则的修订，包括董事问责制和董事会多样性等，以进一步提升香港企业管治水准。

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A roadmap for green finance

The business environment we are entering in 2019 may seem to be a rather daunting one. The trade war between the US and Mainland China is having an impact on businesses in Hong Kong and, in tandem with these geopolitical uncertainties, we are also facing looming threats from digital disruption and climate change.

In October 2018, the Intergovernmental Panel on Climate Change (IPCC) warned that we might be underestimating how far and how fast our global warming mitigation measures would need to go in order to avoid serious threats to global ecosystems. The 2015 Paris climate agreement commits national governments to keeping temperatures 'well below 2°C above pre-industrial levels', but the latest IPCC report suggests that the target should be to limit temperature increases to 1.5°C. On our current trajectory, even if nationally stated mitigation ambitions as submitted under the Paris Agreement are honoured, we could reach that 1.5°C warming in a little over a decade.

The topic of our journal this month brings some very welcome light into this dark picture – addressing the way green finance initiatives by both government and private sector enterprises are contributing to building a sustainable world economy.

Green finance, which in its broadest sense refers to forms of financing that aim to

deliver positive environmental outcomes, has been enthusiastically embraced in Hong Kong and Mainland China. Developing green finance is a national strategy in the Mainland and, as China's international financial centre, Hong Kong is well positioned to contribute to this development.

The Chief Executive of the HKSAR has declared green finance as a priority area and the Financial Secretary announced in the 2018-19 Budget a series of supportive measures, including programmes to subsidise bond issuance in Hong Kong and to attract Mainland and international green issuers and investors to Hong Kong. In this month's In Focus article, Julia Leung, Deputy Chief Executive Officer and Executive Director, Intermediaries, Securities and Futures Commission, talks about some of the projects under way at the SFC, the government and other relevant authorities to further develop green finance in Hong Kong.

The picture is not all rosy, of course, and this month's cover story looks at some of the impediments to the further development of green finance. These include deficiencies in listed companies' disclosure of environmental information, the lack of comparability of green finance information and insufficient disclosure by asset managers on the metrics behind

sustainable investing. How can investors, for example, know when green funds are little more than 'greenwashing'?

These issues are highly relevant to governance professionals, and while challenges on the scale and complexity of climate change may appear to be too daunting for individual businesses to make much of a difference, this month's journal brings some welcome good news – green finance is one growing area of the economy where both public and private sector initiatives are already making a difference.

I am reminded of the comments made by Edith Shih FCIS FCS(PE), The Institute of Chartered Secretaries and Administrators (ICSA) President, in her speech at the Institute's recent Double Anniversary Gala Dinner. She pointed out that the value of the principles at the heart of governance – such as transparency and accountability – increases in difficult times such as these. In a very real sense, governance and governance professionals are part of the solution.

A handwritten signature in dark ink, appearing to read 'David Fu', with a stylized flourish at the end.

David Fu FCIS FCS(PE)

绿色金融路线图

2019年的营商环境，看似相当困难。中美贸易战影响香港的商业；而除了这些地缘政治上的不确定因素外，数位破坏和气候变化，也渐渐构成威胁。

2018年10月，政府间气候变化专门委员会警告，全球暖化有可能严重威胁地球生态，我们可能低估了相关消减措施的迫切性和所需力度。2015年的巴黎气候协定签署国，承诺控制温度增长，维持在比工业化前水平高2°C的范围内；但该委员会最近期的报告指出，目标应定为把温度增长限制在1.5°C内。以目前的发展趋势估计，即使实现了各国在巴黎协定内注明的消减计划，我们在十多年内就可能达到1.5°C的暖化水平。

本刊今期的主题，为这黯淡的前景带来光明：政府和私营机构均在绿色金融方面努力，建构可持续的世界经济。

广义来说，绿色金融是指对环境有正面影响的融资方式。香港和中国内地均强烈支持绿色金融。发展绿色金融是中国内地的国家战略，而作为中国

的国际金融中心，香港绝对能在这方面有所贡献。

香港特别行政区行政长官已宣布绿色金融为优先工作，财政司司长亦在2018-19财政预算案中公布一系列支援措施，包括推出债券资助计划鼓励在香港发债，并吸引内地和国际集资者和投资者到香港参与绿色项目融资。今期In Focus一栏的文章中，证券及期货事务监察委员会（证监会）副行政总裁兼中介机构部执行董事梁凤仪介绍证监会、政府和其他有关机构进一步促进香港绿色金融发展的一些项目。

当然，前景并非完全乐观。今期的封面故事，探讨绿色金融发展的一些障碍，包括上市公司在环保资料披露方面有缺失、绿色金融资料难以比较，以及资产管理人对可持续投资背后的指标披露不足等。例如投资者如何可以得知绿色基金只是「漂绿」？

这些课题与企业管治专业人员很有关系。尽管气候变化的规模和复杂性带来的挑战十分重大，个别经营者似乎

难以改变，但今期的月刊也有好消息：绿色金融正在增长，公营和私营部门的努力已造就一些改变。

记得特许秘书及行政人员公会国际会长施熙德律师FCIS FCS(PE)在公会最近的双周年晚宴演讲中指出，透明度和问责性等管治原则的价值，在这些艰难的时刻更能彰显。管治和管治专业人员，真正是解决问题的答案。

傅溢鴻

傅溢鴻 FCIS FCS(PE)

Finance for sustainability





Can green finance be a game changer? CSj takes a look at the growing green finance sector in Mainland China and Hong Kong.

As global temperatures and sea levels are rising, so is the pressure on world leaders to actually do something about it. A United Nations (UN) report says the world is already 1 degree Celsius (1.8° F) hotter today than it was in the pre-industrial era, and temperatures will continue to rise if the world continues to release heat-trapping carbon as today. If we do not act now, experts warn, we could push the climate beyond a tipping point.

As is so often the case, a successful solution to this problem will depend on access to finance. In 2015, the G20 member countries reaffirmed through the Paris Agreement (the 21st Conference of the Parties Agreement under the UN Framework Convention on Climate Change), that an annual amount of US\$6.9 trillion between 2016 and 2030 will be needed for investment in green, low-carbon and climate-resilient infrastructures globally. But governments alone can hardly hope to raise such sums.

As an answer to the call, green finance has gained importance in recent years

as an important part of meeting global commitments to build a green and sustainable world economy. In short, green finance aims to increase financial flows from the public, private and not-for-profit sectors – via banking, microcredit, insurance and investments – to sustainable development priorities.

The challenges

Although interest and activity in green finance has grown rapidly in recent years, there's still a lack of consistency in market terms, standards and evaluation mechanisms. In fact, there is still some doubt about what it really means to be 'green' or 'sustainable'. Rebecca Self, Chief Financial Officer for Sustainable Finance at HSBC Holdings, says that the lack of a common standard for non-financial reporting is an issue that urgently has to be dealt with, but this should not stand in the way of green commitments.

'Traditional accounting standards and traditional industry definitions just don't work. There's a lot of confusion because there are no global standardisations –

Highlights

- green finance has gained importance in recent years as an important part of meeting global commitments to build a green and sustainable world economy
- further development of the green finance market is hampered by the lack of a common standard for non-financial reporting and the lack of reliable corporate environmental, social and governance data
- Mainland China has emerged as a global powerhouse in green bonds issuance, growing from almost zero in 2015 to having the second-highest issuance by country in 2018

this is too new', she says. 'Still, lack of standardisation shouldn't stand in the way of innovation. What's most important is to get started, to move in the right direction and to make commitments. That's why you have to be transparent about what you are including, and sometimes even more importantly what you're not including.'

As an acknowledgement of the scale of the challenge of making the transition to a low-carbon future, HSBC has announced its commitment to provide US\$100 billion in sustainable financing and investment by 2025. Among the green financing projects the bank has so far been involved in is the support of Indonesia's first sovereign green sukuk (an Islamic financial certificate), green automotive loans in the United Arab Emirates and lower-carbon funds through HSBC Global Asset Management. To date, the London-based bank has provided some US\$25 billion in sustainable financing over the past two years, supporting projects such as renewable energy and energy efficiency in 35 countries and territories.

In Hong Kong, HSBC recently launched a new Sustainable Financing Programme for its commercial banking clients. Under this scheme, companies can apply for loan rebates on investments that aim to reduce carbon emissions.

'What we are doing in green finance is really exciting. It's a way to make money, but it's also ethical, green and has social dimensions', Self says, clearly passionate about the cause.

HSBC's progress towards the US\$100 billion target will be disclosed in its environmental, social and governance (ESG) report this year. HSBC has also

adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was set up by the G20's Financial Stability Board in 2015 to develop a voluntary framework for companies to disclose the financial impact of climate-related risks and opportunities.

'We are big supporters of TCFD. I think it's a really good set of standards. They take into account that all businesses differ and have different types of exposures and differences in how they can fight climate change,' she says.

She adds that she's looking forward to launch by the European Union (EU) of a unified classification system of what can be considered an environmentally sustainable economic activity. The taxonomy would make it possible to determine which investments – such as loans, stocks or bonds – are environmentally sustainable, making it easier for market participants to finance these activities and limiting the risk of greenwashing, according to the European Commission website.

An even greater problem than the lack of a common standard for non-financial reporting, Self says, is a lack of reliable data. Not all companies publish data on carbon dioxide emissions, for example. And if you look at methane, nitrous oxide, or water/air pollution impacts, even less is disclosed. If data is published, numbers are often estimates based on arbitrary calculations.

The China factor

Self also highlights the need for global collaboration and strikes a positive tone when it comes to the collaboration with Mainland China. A new platform for green finance, officially named UK-China

Climate and Environmental Information Disclosure Pilot, has proven surprisingly successful. In this way, Mainland China has taken a public leadership position with green finance.

'China is emerging as a leader in green finance and is collaborating effectively with other countries,' Self says.

Long associated with coal power plants and air pollution, Mainland China might well turn out to be a leader in green financing globally – at least, that's the view of experts working in Mainland China's green finance field. The world's most populous country has emerged as a global powerhouse in green bonds issuance, growing from almost zero in 2015 to having the second-highest issuance by country in 2018. Green bonds are bonds where proceeds are earmarked for green projects, typically backed by the issuer's balance sheet.

Mainland China issued US\$30.9 billion in green bonds in 2018, according to figures from the Climate Bonds Initiative (CBI), a global non-profit organisation that tracks and certifies global climate bonds issuance. That's just close behind top-ranked US at US\$34.1 billion. That progress has led to Sean Kidney, CEO and Co-founder of CBI, to characterise the development of Mainland China's green finance field as 'exciting, incredibly exciting'.

'We've been involved with regulators of the [Chinese green bond] market for five years now. It's basically a market that has been created from nothing. The market has grown quickly and it will grow again,' the UK-based Kidney says.

Since its founding in 2009, Kidney's CBI has now become the de facto non-

“
 Traditional accounting standards and traditional industry definitions just don't work. There's a lot of confusion because there are no global standardisations – this is too new.
 ”

Rebecca Self, Chief Financial Officer for Sustainable Finance, HSBC Holdings



governmental organisation for tracking global green bond issuance and it also has its own certification programme called the Climate Bond Standard. It has worked closely with Mainland China's regulators, namely the National Development and Reform Commission (NDRC) and the People's Bank of China (PBOC), in developing Mainland China's green bond market.

The explosive growth in that market comes as the country transitions from speed of growth to quality growth. In the Communist Party of China annual Central Economic Work Conference, held in December 2018, where the country's top leaders typically chart the course of the economy for the next year, 'acceleration of green development' featured high on the agenda.

'On the whole, China is unlikely to return to the past of "growth at all cost" – it's moving to a growth model that is more sustainable,' says Raymond Zhang, Managing Director of SynTao Green

Finance, one of Mainland China's leading green finance consultancies. 'It's also something that the people of China want,' the Beijing-based Zhang points out.

Syntao Green Finance is China's first Climate Bonds Standard approved verifier and a signatory to the UN Principles of Responsible Investment, a UN body that drives responsible investing. It also hosts the yearly Mainland China Investment Social Forum, which just had its sixth year last December. Attendees included officials from Mainland China's top government agencies and international bodies such as HSBC and United Nations Environment Programme Finance Initiative.

Looser standards?

Development of Mainland China's green bond market is an important part of the country's push towards green finance. That market accounted for close to 90% of Mainland China's

green finance sector in 2017, according to the PBOC's 2017 *Green Finance Report*. The market has come in for criticism, however, directed at what is seen as looser standards on what constitutes a green bond, as compared to international standards.

The PBOC and NDRC guidelines on green bonds – the PBOC oversees financial bonds and the NDRC oversees enterprise bonds, or bonds issued by state-owned enterprises – include tolerance for 'grey' sectors such as coal. The NDRC also allows for 50% of the proceeds from bonds to pay off previous loans or working capital, compared to international standards where at least 95% of proceeds need to go towards green projects, according to CBI's definition.

Zhang points out that Mainland China's priorities are different from those of the West. 'This is related to how China and how the West sees the environment. For the West, the concern is more about climate change, whereas China views it

more in terms of emissions and pollution control,' Zhang says.

Kidney, whose organisation has worked closely with the PBOC to develop Mainland China's green bond market, agrees and thinks changes might come to align Mainland China's and international standards. 'We track every single green bond issuance worldwide. The regulatory environment in China is the toughest in the world by a long way when it comes to green bonds; the demands on issuers are very high,' Kidney says. 'It's not because of an attempt to hide anything, it's due to a different regulatory framework and we believe that it's going to be changed this year,' Kidney says, referring to the expectation that Mainland China regulators will exclude coal from its green bonds definition.

The implications for governance

Aside from the obvious benefits of a move towards more sustainable business, there are also potential governance benefits from further development of the green finance sector, in particular the imposition of tougher transparency standards.

'Going green promotes transparency. Under the NDRC regulations, you need to tell people where the money is going and you have to be specific about linking the funding to, for example, a railway line or a water utility plan. This is an advance on the lack of disclosure that we had in the past,' Kidney says.

This raised disclosure level, perhaps not surprisingly, is popular with investors and may be one of the factors driving the positive correlation between ESG scores and market performance. Zhang's Syntao Green Finance, along with Caixin Data, came up with a sustainability index

of Mainland listed companies called the SGCX ESG 50, which includes the top 50 listed Mainland China companies based on their ESG scores. The SGCX ESG 50 index performed better by 16.6% over the last three years compared to the CSI 300 Index, which tracks the top 300 listed companies in the A-shares market, according to Syntao Green Finance.

The Mainland China market is not known, however, for high levels of transparency and Mainland China's green finance sector is still dominated by commercial banks. 'If you look at mature markets overseas, yes, Chinese companies are still lacking. But the pace of development of Chinese companies adopting ESG practices is very fast,' he says. Kidney is even more upbeat. He is hoping that Mainland China will take on the mantle of co-leading the global green development with the EU, while the US is 'off for lunch for a while' under Trump.

'China has a history of doing things quickly. Now, there might be complaints about riding over the rights of farmers and things like that, but when you are faced with a major crisis that is potentially the extinction of the human race due to climate change, you want people who can do things quickly and think ahead. But it can't do it by itself, the challenge we have now as a planet is how to have a working relationship with Mainland China as an equal and the large blocks such as the EU,' Kidney says.

Looking ahead

Regional differences and the lack of common ESG standards aside, all interviewees for this article agree on one issue – green developments offer massive business opportunities.

“
China is unlikely to return to the past of ‘growth at all cost’ – it’s moving to a growth model that is more sustainable
”

Raymond Zhang, Managing Director,
SynTao Green Finance

Karine Hirn, a Partner at asset manager East Capital in Hong Kong, says that China's war on environmental damage is a structural transformation trend that means openings for investors and businesses, both local and international. China's cleantech market is the largest in the world and grows on average by 20% per year, she says.

The firm, which she co-founded in Sweden in 1997, focuses on emerging and frontier markets. It launched the East Capital China Environmental Fund in 2016, which has a climate finance label from the Luxembourg labelling agency Luxflag. The fund (which is not for sale in Hong Kong) has identified around 350 publicly listed companies in the Mainland and Hong Kong markets in sectors such as cleantech, waste management, renewable energy and clean transportation.

'If you look globally at all listed companies in the environmental sector, a third of them in terms of market cap are actually in China. But many are unaware



of this fact because these companies are often listed on the A-shares markets, which are just opening up to foreign capital and are mostly working in China only,' she says.

With some 20 years experience of cleantech investments and 10 years experience of investments in China, the team behind the fund has witnessed how pollution has come to the forefront of social and political concerns in China. Hirn points out that people in China feel the urgency of change in their everyday life.

'People in China have another approach to sustainability and green investments because they pay the price of pollution already today, and they can envision the impact now of what remains for others a very long-term trend related to climate change,' Hirn says. 'The challenge however is that Chinese retail investors are quite short term, while the equity market is still lacking strong and large institutional investors.'

Another challenge, she says, is the risk – especially in a sector where growth potential is very high and taxonomy and standards are not yet completely set – of a flurry of companies and financial service providers making themselves look sustainable, as this window-dressing will deter clients.

'There are many definitions and practices in the world of sustainable investing which make it sound more complicated than it actually needs to be. Investors should remain alert and just do their own due diligence before investing,' she says.

In a move to strengthen environmental responsibility and disclosure, the China Securities Regulatory Commission, in collaboration with China's Ministry of Environmental Protection, has enacted a plan by which all listed companies will have to issue specific environmental reporting by 2020. The agency has also pledged to actively support green bonds, encourage environmentally friendly companies to use the capital market and look for new ways

to finance environmental protection, according to a Reuters report.

Another challenge, Karine Hirn suggests, is the perception that sustainable investments are not as profitable as other investments and something for 'tree-huggers!' This is just wrong, she says. 'In the long run it is obvious that companies that do a proper assessment of their own ESG risks and opportunities will do better than the ones which do not. I call it the "Darwinism of capitalism" – survival of the fittest!'

Johan Nylander and Poo Yee Kai
Journalists

For more on the development of Hong Kong's green finance sector, see the interview with Julia Leung, Deputy Chief Executive Officer and Executive Director, Intermediaries, Securities and Futures Commission, published in this month's In Focus article.



Leading the governance change

Peter Greenwood FCIS FCS, former Company Secretary and Corporate Counsel of CLP Holdings and the winner of the HKICS Prize 2018, highlights the advantages of being a governance first mover.

Congratulations on receiving the Hong Kong Institute of Chartered Secretaries Prize 2018. Could we start by discussing your route into the Chartered Secretary profession – you started as a lawyer I believe?

'Yes, I studied law because I came from a family that wasn't particularly well-to-do. I could only go to university to study something that would lead me directly to a job. My dad used to say that he had never heard of an unemployed lawyer and had never met a poor lawyer. I was fortunate enough to study law at Cambridge and went from there into private practice – working for the law firm Lovells in London.

I went to Germany to study and spent some time with the army. The move to Hong Kong came when I visited my old law firm in London. I was down in London for a job interview on a Friday and, because the trains back home weren't that frequent, I paid a visit to the Lovells office. They offered me a job in Hong Kong and I accepted on the spot. I started work two days later on the Monday.'

Did you transition to company secretarial work at CLP Holdings?

'When I joined the CLP Group in 1995, I initially worked as Corporate Counsel. When the Company Secretary position became vacant, the CEO and the board preferred to fill the position internally. It is quite an intimate position in terms of the relationship you need to have with senior management and the board so there can be a bias towards internal appointment. Given that the company secretary role has a legal and compliance content, the head of the legal department was regarded as the most logical person to take up the job.

I was extraordinarily fortunate to have a very strong team of experienced practicing company secretaries led by April Chan. All I had to do was add a bit of legal background to an already strong corpus of corporate secretary expertise. The key really is to find a way of bringing together what you might call the 'regulatory' and 'client' aspects of the job. The former are increasingly complex and demanding and chiefly include compliance with the Companies Ordinance and the listing rules, and the latter are euphemistically and incorrectly called the 'softer' skills, such as managing the board and contributing to the effective governance of the business.'

You mention April Chan, who will be well known to readers of CSj as a former President of the Institute. In an interview with this journal, April has said that her job as your

“ we consistently found that there were advantages of moving early in advance of the broader tide of governance regulations

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successor in the company secretary role at CLP was made easier because the corporate culture recognises the need for good governance – was that also your experience?

'If you and I were sitting at this table 25 or 30 years ago, the expression "corporate governance" would have been used seldom if at all. Now it is probably the most used phrase when reflecting on what the company secretary does and is so much at the heart of what we do that it is going to be in the name of our Institute. It was apparent to us at CLP from the late 1990s onward that the importance of corporate governance was going to grow enormously in the years ahead. We were among the first listed companies, if not the first listed company, to adopt our own corporate governance code. In fact, we had a governance code before the listing rules required one. When the stock exchange introduced the first governance code in Hong Kong, we were grateful for the flexibility to maintain our own code. We were also fortunate in the support of CLP's chairman, board and CEOs whom I served – all of whom quickly and readily committed themselves to a move to enhanced corporate governance standards and practices.

Highlights

- the need for governance expertise now extends to a much wider spectrum of economic and social activity
- the profession needs to adapt to this changing environment by widening the knowledge base and improving the skills of its members
- the education of the profession now requires a much better understanding, not just of what constitutes good governance, but of the underlying drivers of good governance

Of course, we were also influenced by the overall business context and developments in the West. It wasn't difficult to foresee that the first corporate governance codes in the UK would gradually find their way to Asia in one form or another. We also had positive reactions from shareholders and stakeholders which encouraged us to continue to be an early adopter of practices such as the disclosure of director remuneration. We consistently found that there were advantages of moving early in advance of the broader tide of governance regulations.'

Over the course of your career there has been a broad shift from a shareholder to a stakeholder orientation in governance – what do you think are the implications of this for governance professionals?

'This has at least two major implications for governance professionals. The first is that governance expertise and discipline will be required in any significant organisation, irrespective of whether it is a listed company, a non-listed private company, an non-governmental organisation, a state-owned enterprise or a public authority. The need for governance will extend, as it has already, to a much wider spectrum of economic and social activity. So the scope for our profession, the ground on which we will be able to deploy our skills, is going to expand.

The second thing is that the nature of the skills we will have to possess as governance professionals will continue to grow. When people like me started in the profession, we could say the core skills were minute taking, board meeting preparation and statutory filings. To some people the job might still be defined in those terms, but the job has gone way beyond that and will continue to travel even further beyond that.

We now need to have expertise in risk management, for example. One of the major outcomes of good governance should be the effective identification and management of risk. As governance professionals, we therefore need to understand the risk that exists in the organisations we work for, and play our part in ensuring that systems and controls are in place to identify and mitigate those risks.

But the role is not just about rules and regulations, it is about the way people work together and about contributing to the relationships within an organisation. So, for example, the revised qualification syllabus is going to contain a much stronger emphasis on things like board effectiveness and director remuneration. The education of the profession now requires a

much better understanding, not just of what constitutes good governance, but of the underlying drivers of good governance.'

Do you think there will be more emphasis in the future on the need for members of the profession to think independently – particularly when questions of ethics arise?

'That requires a number of things to be done successfully, some of which are already in hand. The first is clearly is that the nature of the profession itself must be understood better by those who deal with us. In that respect the repositioning of the Institute as a "governance institute" is a valuable step in the identification to outsiders of what we actually do.

The second thing is that the Institute has to continue to be a strong, authoritative and convincing voice in the discussion about governance issues. If our individual members have the backing of a better understanding of what their profession actually does, and a sense that they belong to a well-recognised and respected organisation in the form of the Institute, that will set them on the path to be a more credible voice within the senior management of the organisations where they operate. To that you have to add education, both initial and continuing, which is relevant to the needs of the profession and allows individuals to speak with authority and confidence on the topics that cross their desks. We have to be masters of the subject.'

There are still major differences in the governance systems of Hong Kong and Mainland China – does that present challenges for members of the Institute?

'Good governance will not always take the same form across different political backgrounds. I think this issue is less about the core principles of governance, which are pretty much the same, but more about the way in which governance is enforced, encouraged and applied. There has been convergence in governance standards but divergence in the way in which those standards are enforced and by whom. In markets and countries with a free, open and robust press, one of the heaviest sanctions on poor governance is media criticism – and it can be an immediate, brutal and severe sanction. If you don't have a free press or a strong and independent legal system, you need to replace these with something that ensures good governance is enforced and bad governance deterred.

You have to understand what good governance is and then reflect on how that can be best promoted and achieved within the overarching political context. You have to be open-minded

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never been a
better time
to become
a company
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because otherwise you are pre-supposing the existence of a governance regime which can only operate in a Western liberal democratic setting and that cannot be an answer with which any of us should be satisfied.'

Do you think public sector organisations should be held to the same standards of governance as listed companies – particularly in terms of the degree to which they are transparent and accountable?

'Firstly, it is extremely difficult to have good corporate governance if you have poor public governance. It is possible, but it is much more difficult. Secondly, it cannot be right for private sector enterprises to be expected to govern themselves more effectively than public sector enterprises. Throughout Asia, and in Hong Kong itself, significant elements of the economy that affect people's daily lives – transport and health for example – are in the hands of the public sector, but you would not always say that the governance of those enterprises, authorities or statutory bodies has been the shining example that it might have been.

The third thing is that good governance in listed companies used to be considered the price you pay for access to public money. Once you move to the premise that listed companies have duties to a wider stakeholder group – customers, the community and the environment as a whole – then it seems to me that there should be little difference between the standards required of non-public companies and those of publicly listed companies. Especially when private companies often have more employees, serve more customers, work in more diverse markets and have bigger environmental footprints than listed companies. We are

seeing across the world that the number of listings is declining very substantially, so if you are only regulating in governance terms for listed companies, you are increasingly swinging at a diminishing target.'


What's your view of the initiatives promoted by The Institute of Chartered Secretaries and Administrators (ICSA) to increase the recognition of the centrality of governance to the profession?

'With regard to the repositioning of our profession, there is no doubt that ICSA can play a very substantial and valuable role. Companies carry on international businesses, investors come from across the world and it's really only the ICSA which can promote the understanding of our profession at the international level. Individual divisions can do that within their own markets, but only ICSA can transcend those individual markets and help the profession achieve a much wider global recognition.

So it's entirely proper and timely that ICSA should be proceeding with the repositioning of the profession and the change of name of the ICSA to "The Chartered Governance Institute". But that rebranding shouldn't just be a change of name, we have to backfill it with real substance and that process has started with the revised educational requirements for joining the profession.

The ICSA also needs to become more relevant to individual members. Governance professionals around the world face similar challenges and the ICSA is building an information resource – for example the publications generated by the ICSA Thought Leadership Committee – accessible to governance professionals wherever they are. Whenever individuals are faced with a particular challenge or question, they can now access not just the knowledge-base of their own institute but a global information base.'

What advice do you have for new recruits to the profession?

'I think we can say to them with confidence that the need for their skills has never been greater and the recognition of that need has never been more widely held. We can say with equal confidence that the dimensions of the job are expanding at a rate unparalleled in the history of the profession. That means that the demands on young governance professionals will be greater than those borne by their predecessors, but equally the rewards, whether tangible in terms of remuneration or intangible in terms of job satisfaction, will be much higher than in the past. There has never been a better time to become a company secretary.' 

Green finance: an SFC view

CSj interviews Julia Leung, Deputy Chief Executive Officer and Executive Director, Intermediaries, Securities and Futures Commission (SFC), on the potential for developing Hong Kong as a green finance centre.



What is the underlying rationale for pushing green financing for Hong Kong? Is it a global trend and what are you seeing globally?

'Globally, green finance has gathered momentum since the Paris Agreement (the 21st Conference of the Parties Agreement under the United Nations Framework Convention on Climate Change, concluded in Paris in December 2015), which calls for "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development". This is particularly relevant since the Paris Agreement also applies to Hong Kong, and Mainland China has made green finance an important priority as it transitions to a sustainable economy.

Mainland China and Europe have been taking the lead in pursuing a common goal of establishing a green financial system. It is important that these initiatives are coordinated at the global level. If a coalition of the like-minded forms a large enough block, it can drive the change better.

As China's international financial centre, Hong Kong is well positioned to connect green finance flows between the Mainland and the rest of the world, and complement the Mainland's green finance development. Given the expansion of the mutual market access, we recognise that Hong Kong needs to properly align itself with the Mainland's ambitious initiatives on green finance. It is imperative for Hong Kong to have a good grounding to develop green finance locally, and to enhance its green finance cooperation with the Mainland and overseas jurisdictions. This would require Hong Kong to be at the forefront of global development in green finance, and to go beyond green bond issuance.'

In Hong Kong, which is the main policy bureau in charge of this area? What are the policy initiatives and the complementary role of the SFC in this connection?

'Green finance is an area that requires multidisciplinary expertise from different sectors. As a result, the government, along with various authorities and organisations, have been playing their part to develop supporting policies and initiatives. These include the government's Green Bond Programme and Hong Kong's Climate Action Plan 2030+, which was prepared by the Environment Bureau in collaboration with members of the Steering Committee on Climate Change, such as the Financial Services and Treasury Bureau.

Other efforts have also been crucial. These include the focus on green bonds by the Hong Kong Monetary Authority; the updated *How to prepare an ESG report?* A step-by-step guide to environmental, social and governance (ESG) reporting, issued by Hong Kong Exchanges and Clearing Ltd (HKEX); the Green Finance Certification Scheme of the Hong Kong Quality Assurance Agency; papers by the Financial Services Development Council regarding Hong Kong as a regional green finance hub and its ESG strategy; and the

establishment of the Hong Kong Green Finance Association.

The SFC has been working closely with the government, relevant authorities and other organisations to exchange ideas on how to further develop green finance in Hong Kong. As a first step, we published the SFC's Strategic Framework for Green Finance last September to complement and move beyond Hong Kong's current focus on green bonds. In alignment with the green finance initiatives of major securities market regulators, we specifically focus on two crucial areas that are interrelated and reinforce one another. The first is listed companies' disclosure of environmental information and climate change-related risks and opportunities. The second is asset managers' integration of environmental and climate risk factors into the investment and risk management processes, based on information disclosed by companies that they invest in.

Other areas of focus include enhancing the transparency and comparability of green/ESG investment products offered to retail investors. In view of the innovative green finance initiatives by leading stock exchanges worldwide, we are also in discussion with HKEX on how it can

Highlights

- green finance is not solely about issuing green bonds but about changing investment behaviour, measuring environmental and climate risks and directing capital flows to sustainable investments
- listed companies need to approach environmental sustainability as a major strategic risk and opportunity management issue
- The Hong Kong Institute of Chartered Secretaries is well placed to provide training and encourage its members to start integrating environmental considerations into every aspect of their companies' strategic direction

develop and promote the listing and trading of green financial products such as bonds, indices and derivatives. Together with the Investor and Financial Education Centre, we are also planning to increase investor understanding of green finance.'

Can you explain the approach you have taken to put Hong Kong on a path to becoming a green finance hub?

'As a regulator, we approach green finance a bit differently from others. A few years ago, one would say it's a corporate social responsibility (CSR) to invest responsibly or to reduce pollution. There has been a shift – increasingly, severe weather, climate events and environmental degradation are demonstrably posing a financial risk to companies and their investors. Questions are being asked along these lines on green finance.

- Should capital flows be orientated towards green investment in order to achieve sustainable growth?
- If the environment and climate change are giving rise to financial risks, are those risk factors being properly assessed and managed?

For example, it is often said that climate change gives rise to two main financial risk factors. The first is physical risks, which are related to specific weather events (such as heat waves, floods, wildfires and storms). The physical impacts of extreme weather and climate events are increasingly apparent. They disrupt resource availability, production capacity and supply chains, increase operational and maintenance costs, and impair asset values and investment returns.

The second risk factor is transition risks that could lead to reappraisal of prices

of the entire sector – the transition towards a green, low-carbon economy presents business opportunities but also poses risks to those who fail to adapt (for example, Mainland China shuts down highly polluting factories). This transition also affects energy and commodity prices, corporate bonds, equities and certain derivatives contracts.

Another question is whether there should be greater transparency of these risks and greater disclosure on how these activities are being handled by companies.

To put Hong Kong firmly on the path to becoming a green finance hub, there is a need to move beyond CSR, and for the public, private sector and regulators to give more thoughts to these strategic issues and work out a coordinated action plan. It's not solely about issuing green bonds but about changing investment behaviour, measuring environmental and climate risks and directing capital flows to sustainable investments.'

How many SFC-authorized funds are there currently with an investment focus on climate, green, environmental or sustainable development, or some other yardsticks under the green banner (and what are these yardsticks)?

'Currently, there are over 20 SFC-authorized funds with an investment focus on climate, green, environmental or sustainable development. The SFC's preliminary review of these funds shows that although most funds have disclosed ESG-related elements in their investment objectives or strategies, a majority do not specifically disclose how investment managers integrate ESG factors into the criteria used in the investment selection process for the fund portfolio.

It is important to note that the Code on Unit Trusts and Mutual Funds stipulates that, if the name of the fund indicates a particular objective, the fund should invest primarily (that is, at least 70% of its assets) in investments to reflect the particular objective which the scheme represents. In addition, the offering documents of the fund should contain full and proper disclosure of the investment policy and strategy with sufficient details necessary for investors to be able to make an informed judgement of the investment.'

Are you seeing an increase in the number of new fund applications adopting, or applications for a change of investment strategy to adopt, a green theme?

'We have seen a noticeable increase during 2018 in the number of new fund applications and applications for a change of investment strategy to adopt an ESG investment theme.'

For listed companies, your Strategic Framework for Green Finance highlights a number of potential challenges for green finance in Hong Kong, for example areas for enhancement in listed companies' disclosure of environmental information. How does the SFC intend to tackle this problem?

'Principle 16 of the International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulation states that issuers should provide "full, accurate, and timely disclosure of financial results, risk, and other information which is material to investors' decisions". ESG matters, though sometimes characterised as non-financial, may have a material short-term and long-term impact on the business operations of issuers, as well as on risks and returns for investors and their investment and voting decisions.

“
Mainland China has
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sustainable economy
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We see a momentum building up elsewhere in the world that environmental and climate risks are being regarded and managed as any other financial risk, as opposed to CSR. For listed companies, there needs to be a fundamental transformation in governance and thinking: from completely ignoring environmental degradation and climate change or getting the sustainability department to deal with it, to managing it as a major strategic risk and opportunity management issue.

As a priority, the SFC is working with HKEX to enhance listed companies' reporting of environmental information emphasising climate-related disclosure, taking into account the Mainland's policy direction to target mandatory environmental disclosure, and aiming to align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

HKEX, as the frontline regulator of the listing rules, also updated its *Step-By-Step Guide to ESG Reporting* and *Frequently Asked Questions* on its ESG-related listing rules in November 2018, taking into account recent international climate-related disclosure recommendations and with an emphasis on the issuer's governance structure for ESG reporting.



“ as China’s international financial centre, Hong Kong is well positioned to connect green finance flows between the Mainland and the rest of the world ”

It is also planning to review its disclosure framework and have informal discussions with stakeholders with a view towards consulting the market in mid-2019 on proposed changes to its rules.

For asset managers, how does the SFC intend to tackle the issue of insufficient disclosure by asset managers of the metrics behind sustainable investing? For example, how can regulators or investors know that it is not just ‘greenwashing’?

‘Regulators’ mandate is investor protection. If it is generally accepted that climate and environment degradation pose financial risks, and if that is material, it follows that such risks be disclosed. Last December, European Securities and Markets Authority (the European Union’s regulator for public and private fund managers) put out consultation papers on how to integrate sustainability risks and factors in investment funds in the EU. Those papers consult on the high-level principles that obligate fund managers to assess and manage the relevant financial risks stemming from climate change and to foster transparency of these activities. Other aspects that are covered include product governance and

clients’ ESG preferences, which gets into suitability areas.

It’s too early to say whether these proposals should be adopted in Hong Kong. As part of our *Strategic Framework for Green Finance*, we are preparing a survey to better understand the ecology, current practices of asset managers and asset owners on how they integrate environmental and climate factors into their commitment, investment and risk management processes, post-investment ownership practices and disclosure. The survey will cover asset managers of different types and sizes, as well as those using different investment strategies. Based on the survey outcome, we will consider appropriate policies, codes and guidance.’

Do you think there needs to be more comparability of green finance information and data? For example, would you like to see convergence to a single, international reporting framework for ESG disclosures?

‘Enhancing the comparability of green finance information would be particularly helpful to asset managers, analysts and other users of information along the investment value chain and to prevent greenwashing. Currently there is no shortage of standards but the many different standards available make comparison difficult. When one talks about disclosure, is there a common language of what is sustainable investment? The European Union is taking a lead in developing a unified classification system for sustainable economic activities.

Globally, the convergence of ESG disclosure standards already appears to be the direction of travel. For example,

major reporting frameworks such as the Global Reporting Initiative, Carbon Disclosure Project and the Sustainability Accounting Standards Board, have announced a joint effort aimed at simplifying reporting standards to align with the TCFD recommendations. This is an area where regulators could work further with the industry.’

Do you think the TCFD framework is a good model to follow?

‘The TCFD is a sophisticated disclosure framework for both the financial and non-financial sectors. Traditionally, companies have often focused on disclosing how their business or operation impacts the environment, whereas the TCFD focuses the other way around, that is, how companies’ businesses or financial position could be affected by risks and opportunities arising from climate change. Not only is this useful information for companies to plan their short-, medium- and long-term strategies, it also helps investors make investment decisions. This is important if we want environmental and climate risks to be managed as any other financial risk, rather than viewing them only as corporate social responsibility issues.’

Generally, can green finance succeed where governments are failing to ensure against the risks of climate change – for example with the US under the Trump Administration?

‘The SFC as a regulator looks at green finance from the perspective of investor protection, rather than from a political angle.

Beyond a firm’s impact on the environment and climate change, there is increasing attention on the reverse direction of such interactions, that is, the growing financial impact of the

environment and climate change on firms, investment portfolios and capital markets. Among financial regulators, companies and asset managers, awareness has been growing internationally to enhance risk management and information disclosure.

This falls within the remit of the SFC, given that ensuring risk management and proper disclosure are key to our regulatory objectives to maintain efficient and transparent markets, and to protect the investing public. Our approach to regulating the market has always been forward-looking, meaning that we expect firms to guard against current risks and those that could plausibly arise in the future. This strengthens and protects the integrity and soundness of Hong Kong's securities and futures markets,

which we regulate for the benefit of investors and the industry.'

What do you think will be the likely trend in green finance in Hong Kong and Mainland China in the future? And how can professional institutes like The Hong Kong Institute of Chartered Secretaries help in this regard?

'Mainland China has made green finance an important priority as it transitions to a sustainable economy. This is a valuable opportunity for Hong Kong to fully leverage its position as China's international financial centre to complement the Mainland's green development ambitions and to connect green finance flows between the Mainland and the rest of the world.

Hence, any credible plan for Hong Kong to develop green finance would need to be comprehensive and far reaching. Various authorities and organisations in Hong Kong have been contributing their part to develop supporting policies and initiatives to green the financial market. Given the increasingly important role of Chartered Secretaries in businesses, The Hong Kong Institute of Chartered Secretaries is well placed to provide training and encourage its members to start integrating environmental and climate change considerations into every aspect of their companies' strategic direction, governance, management of risks and opportunities, and disclosure.' 



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Raising the governance bar



The latest Hong Kong Institute of Chartered Secretaries Company Secretary/Board Secretary Roundtable meeting, held on 17 January in Hong Kong, focused on recent amendments to Hong Kong's governance regime designed to raise standards in a range of areas from directors' accountability to board diversity.

The Hong Kong Institute of Chartered Secretaries (the Institute) holds five Company Secretary/Board Secretary Roundtable meetings every year in Hong Kong and cities in the Mainland. These forums are designed to assist Institute members and Affiliated Persons from both the Mainland and Hong Kong to keep up to date with the fast-changing regulatory environment in which they work.

Speakers at the latest meeting in this series, held on 17 January in Hong Kong, emphasised the increasingly important role that corporate governance is playing in determining corporate success. Apart from anything else, upholding the best corporate governance practices is of utmost importance to maintaining investor confidence, especially the confidence of international institutional investors who not only look at the company's short-term earnings, but also what measures the company has in place to minimise risks and prevent corporate fraud.

Over 40 company and board secretaries, representing Hong Kong- and dual-listed Mainland companies, discussed the latest developments in corporate governance of relevance to dual-listed companies.

The challenge for governance professionals

In his welcoming address, the Institute Past President Dr Maurice Ngai FCIS FCS(PE), noted that there have been numerous changes made to the listing rules and Corporate Governance Code

recently, as regulators seek to improve oversight of board governance, directors and senior management. The amendments include more stringent requirements for independent non-executive directors (INEDs) and for board governance practices, especially relating to INEDs' independence, board diversity and disclosure practices.

The lingering US-China trade war, mutual trading of shares and bonds listed and issued in Hong Kong and the Mainland, as well as the new dual-class ownership structure now permitted in Hong Kong, present unprecedented challenges to governance professionals. However, Dr Ngai is optimistic that Hong Kong's role as an international financial centre will continue to strengthen and will attract more companies from across the region to list in the city.

'On this occasion celebrating the 25th anniversary of the Institute, we will continue, as dedicated as we have been in the past, to foster the development of corporate governance best practices, and ensure company secretaries are suitably

trained and professionally qualified for their responsibilities,' he said. He added that the new Chartered Governance Professional designation, recently introduced in Hong Kong and internationally by The Institute of Chartered Secretaries and Administrators, will elevate members' status both at home and abroad.

Hong Kong's new governance regime

The first speaker, Ellie Pang, Vice-President, Policy and Secretariat Services, Listing, Hong Kong Exchanges and Clearing Ltd (HKEX), gave attendees an update on the latest changes made to the listing rules and Corporate Governance Code (the Code) in Hong Kong.

Ms Pang began with a recap of the importance of good corporate governance, including the impact on market quality, company reputation, business continuity and investor confidence. A high concentration of poorly managed companies, she pointed out, can jeopardise market stability. Moreover, a company with good governance practices tends to enjoy a better valuation by

Highlights

- the long-term success of companies relies on good board governance
- independent non-executive directors are subject to the same legal duties and liabilities as other directors under the law and the listing rules
- listed companies are encouraged to formulate a diversity policy that articulates the benefits of all forms of diversity, including gender diversity

the market. She emphasised that the long-term success of listed companies relies on good board governance. Better risk management ensures long-term, sustainable development. A high level of transparency provides better investor protection and therefore helps build a company's reputation.

In Hong Kong, the listing rules and the Code form the core regulatory and compliance framework. The Code is divided into governance principles (Principles), code provisions (CPs) and recommended best practices (RBPs).

- Listing rules are mandatory for all issuers and any breach may result in sanctions.
- Code Principles describe what good corporate governance is, but do not provide specifics as to how it is achieved.
- CPs provide specifics on how to comply with the Principles, but are not mandatory and are applied according to the 'comply or explain' principle.
- RBPs are desirable standards with which issuers are encouraged, but not required, to comply.

The listing rules and the Code have been subject to important amendments in recent years, in November 2017, July 2018 and the latest round of amendments, effective January 2019. These latest amendments are designed to:

- strengthen the transparency and accountability of the board and/or nomination committee and election of directors, including INEDs

- improve transparency of INEDs' relationships with issuers
- enhance criteria for assessing the independence of potential INED candidates
- promote board diversity, including gender diversity, and
- require greater dividend policy transparency.

For every issuer, there should be an established policy on how to identify potential directors, Ms Pang said. The selection process should be transparent and fair. Issuers are encouraged to select from a broad range of candidates who are outside the board's circle of contacts and in accordance with the issuer's diversity policy. Formal procedures should be in place for the selection, appointment and reappointment of directors according to the selection criteria. This should include, for example, bringing value to the board in terms of qualifications, skills, experience, independence and gender diversity.

INEDs will be held accountable both for their actions and inactions – they are subject to the same legal duties and liabilities as other directors under the law and the listing rules. For this reason, once an individual has accepted an INED appointment, he or she immediately bears legal responsibility. Where directors fail in their duties, they can't shift their responsibility onto others, warned Ms Pang.

In order to strengthen the independence and avoid potential conflicts of interest, former partners of the issuer's current auditing firm and/or consulting firm(s) cannot assume the role of INED until after

a two-year cooling period. By the same token, former partners of the auditing firm of the issuer cannot be offered a place in the audit committee until after two years. For the same reason, former partners/executives of the company's existing vendors have to wait a year before they are eligible for such a role. When determining independence, the same factors should also apply to the director's immediate family members, Ms Pang elaborated.

'Though in recent years we have seen a growing focus on board diversity, over 30% of issuers we surveyed have a board purely comprised of men. I think we are way behind other major markets in terms of board diversity. A greater diversity of directors is conducive to good governance practices as it promotes efficiency and enables better decision making,' Ms Pang said.

In addition to seeking to maintain a diversity of skills and experience on the board, listed companies are encouraged to formulate a diversity policy that articulates the benefits of all forms of diversity, including gender diversity.

According to the latest annual survey by HKEX assessing issuers' compliance with the Code, only about 64% of the respondents reported that the chairman and CEO roles are separate, making this the least complied with RBP in the Code. The survey results were published as part of the *Analysis of Corporate Governance Practice Disclosure in June and December Year-End 2017 and March Year-End 2018 Annual Reports* released in November last year.

A clear separation of the chairman and CEO roles is intended to reduce possible conflicts of interest, especially when it comes to determining the CEO's

“
Over 30% of issuers we surveyed have a board purely comprised of men. I think we are way behind other major markets in terms of board diversity.”

Ellie Pang, Vice-President, Policy and Secretariat Services, Listing, Hong Kong Exchanges and Clearing Ltd



compensation, ensuring checks and balances, and maintaining a balance on the audit committee. 'While some companies believe and may argue that the combination of the chairman and CEO roles could enable a faster decision-making process, it is more likely that the chairman/CEO is surrounded by "yes men" on the board,' Ms Pang said.

Wrapping up her presentation, she encouraged attendees and their companies' directors to watch HKEX's latest e-training webcast, which includes advice on the new amendments to Hong Kong's corporate governance regime. Directors should participate in training to develop and refresh their knowledge and skills so as to ensure that their contribution to the board remains informed and relevant, she pointed out. HKEX will continue to look for innovative ways to provide training for directors, she added.

A governance case scenario

The second speaker, Yao Jun FCIS FCS, Company Secretary, Ping An Insurance (Group) Company of China Ltd, gave

attendees insights into the governance practices of this dual-listed company.

Ping An's compliance policy addresses international market rules and regulations, China's unique business environment and industry standards. The company does not only comply with the regulatory requirements and compliance standards imposed by both the Hong Kong and Shanghai stock exchanges, but also relevant legislation and industry standards such as the requirements of China Banking Regulatory Commission and China Insurance Regulatory Commission.

'For Ping An, as a dual-listed company, our governance objective is to achieve the highest possible standards so that we can meet all rules and regulations imposed by multiple market regulators, domestic and abroad,' Mr Yao said.

After Morgan Stanley and Goldman Sachs became shareholders of Ping An in 1994, the company took that opportunity to modernise its board governance structures and processes to meet international

standards. When HSBC became another shareholder in 2002, Ping An learnt a lot from HSBC's highly recognised governance practices, making substantial improvements to the company's governance structure, risk management, internal control, firewall construction and disclosure, Mr Yao pointed out.

Ping An was listed in Hong Kong in 2004 as an H-share stock and then listed on the Shanghai bourse as an A-share stock in 2006. After the initial public offering, the company made more improvements to its governance structure, focusing on improving transparency and investor protection. 'Thanks to all these endeavours we have made over the years, Ping An is now trusted by the exchanges, industry regulators and industry bodies in both Hong Kong and the Mainland,' he said.

'Our board is well diversified in terms of skill sets, cultural background and nationality. Our directors not only come from the most relevant insurance, actuarial, banking, accounting, legal, medical and engineering backgrounds, in the future

we will also introduce experts in artificial intelligence to the board. 46% of our directors are from outside the Mainland, including the US, the UK, Singapore and the Hong Kong SAR,' he added.

External directors, especially independent directors, make up the largest percentage of the four committees under the board, including committees that are entirely comprised of external directors for the sake of achieving the highest level of independence. On board diversity, Ping An factors in gender, age, cultural and educational backgrounds, experience, skill sets and knowledge when selecting independent directors.

Ping An also commissions consultants to review their compliance policies, training and strategic planning to ensure that its compliance programme aligns with the listing rules and requirements of the Code, especially when it forays into new territories, for example fintech or when launching new products. While formulating new, innovative strategies to future-proof their business, the company would also think about ways to minimise the associated risks.

In order to ensure directors are kept abreast of the company's latest situation and to help them make informed decisions, Ping An has established multiple communication channels, including site visits, monthly director newsletters, briefings on the company's new business lines or products and discussions either face to face or over the phone/internet whenever they have questions.

'Ping An places a high importance on board effectiveness, and we aim to make every meeting effective and fruitful. In doing so, sufficient preparation is key. Every

November, we schedule board meetings in advance for the upcoming year. Based on the meeting schedule, different business units will suggest issues they would like to be discussed at board meetings. We don't like to arrange board meetings in a rush unless absolutely necessary.'

Sixty days before the next board meeting, the board secretary will have the agenda ready after reviews by the concerned business units and executives. Meanwhile, all directors will be given an opportunity to include matters in the agenda for the upcoming board meeting. The finalised agenda will be dispatched at least 14 days ahead of the meeting.

'In fact, we have developed our proprietary electronic board meeting platform to distribute agendas, and send notifications and meeting reminders to directors. Directors can retrieve archived agendas, minutes and director training materials on this secure platform.'

Questions and answers

During the discussion session at the end of the meeting, a number of questions were raised about Ping An's practices and the HKEX stance on certain hotly debated issues. Mr Yao was asked to share Ping An's experience in ESG reporting. The speakers and audience further discussed the importance of third-party accreditation of these reports.

While all agreed on the importance of external assurance of sustainability reports, Ms Pang noted that there is a wide range of assurance providers, standards and approaches in different regions, which poses a significant challenge to the overall usefulness and reliability of assurance. This highlights the need for a generally accepted approach to assurance of ESG

“
our governance objective is to achieve the highest possible standards so that we can meet all rules and regulations imposed by multiple market regulators, domestic and abroad
”

Yao Jun FCIS FCS, Company Secretary, Ping An Insurance (Group) Company of China Ltd

reports to be developed. 'In the context of Hong Kong, we intend to leave third-party assurance to the discretion of the reporting issuers at this stage,' she said.

Subsequent discussions focused on the roles and functions of executive and supervisory boards, whether there is an overlap between these boards, and whether this results in too much oversight function.

Ms Pang concluded with some general thoughts on governance trends. Rather than short-term profits, institutional investors such as mutual funds and pension funds are focused on building long-term shareholder value, she pointed out. Since they tend to hold onto the company's shares for the long term, they expect the company to apply sound governance principles and practices.

Jimmy Chow
Journalist

A bird's eye view

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

- regulatory compliance
- corporate governance
- corporate reporting
- board support
- investor relations
- business ethics
- corporate social responsibility
- continuing professional development
- risk management, and
- internal controls



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提高管治标杆

今年1月17日，香港特许秘书公会周年圆桌会议顺利在香港召开，会议重点讨论了近期监管机构对香港企业管治守则的修订，包括董事问责制和董事会多样性等，以进一步提升香港企业管治水准。



每年，香港特许秘书公会（公会）都会在香港和内地城市，举办五次董秘圆桌会议，通过专家分享和讨论，协助内地和香港会员了解内地和香港监管环境的变化。

在1月17日于香港召开的圆桌会议上，发言嘉宾强调良好企业管治对公司成功发挥重要作用。坚持落实企业管治最佳实务，是投资者信心的最大保障，特别是国际机构投资者。海外机构投资者关心的不仅是短期收益，他们更在乎公司采取了哪些措施，以最大限度地降低风险和防止公司欺诈。

今次圆桌会议共获得超过40位代表内地和香港上市企业的董秘出席，远道来港，参与讨论，共同探究企业管治的最新发展。

企业管治专业人员面临的挑战

公会前会长魏伟峰博士在欢迎辞中指出，随着监管机构持续完善对董事会管治的监督，近来特别针对《上市规则》和《企业管治守则》进行了多项修改，涵盖董事会、董事和高级管理层，旨在提升独立非执行董事的独立性、董事会多样性及信息披露等实务。

他续说，在美中贸易磨擦阴晴不定、香港和内地股债互连互通，以及同股不同权的新形势下，企业管治专业人员正面临前所未有的挑战。不过，魏博士相信，香港作为国际金融中心的角色将继续加强，吸引更多来自海内外的公司来港上市。

“今年适逢公会成立25周年，我们将一如继往、继续促进香港企业管治最佳实践的发展，确保公司秘书们得到适当的培训并在专业技能方面足以履行其职责。”他补充说，公会及特许秘书及行政人员公会最近在香港及国际范围内引入了“Chartered Governance Professional”资格，这将有助于提升会员在国内外的专业地位。

企业管治制度持续更新

第一位主讲嘉宾、香港交易所上市科政策及秘书组副总裁彭京玲女士，详细地向与会者介绍了香港上市规则及《企业管治守则》的最新修订。

彭女士首先回顾了良好企业管治的重要性，包括对市场素质、公司声誉、业务可持续性和投资者信心的正面影响。她指出，管理不善的公司数量过多，更有可能危及市场稳定。反之，实行良好管治实务的公司，往往会得到市场更好的估值。上市公司的长期成功，取决于良好的董事会管治。更佳的风险管理可确保长期、可持续发展。高透明度为更有效保障投资者利益，有助于建立公司声誉。

香港交易所使用上市规则及守则定义其企业管治监管框架。把守则分为良好企业管治准则（准则）、守则条文及建议最佳常规（最佳实践）几部分。规则、准则、守则条文及最佳实践有如下不同：

- 上市规则对所有发行人而言是强制性的，任何的违反可能招致联交所的制裁；
- 描述了良好企业管治是什么的原则，但没有提供如何实现该原则的详情；
- 守则条文提供了如何遵守原则的详情，但不是强制性的，要求按

照“不遵守就解释”原则（见下文）适用；及

- 建议最佳常规与鼓励发行人作为理想标准，但不要求遵守。

于2017年11月及2018年7月，香港交易所分别对上市规则和《守则》作出两次重大修订，新一轮的修订则于2019年1月生效，旨在：

- 提高董事会及／或提名委员会以及选举董事（包括独立非执行董事）的透明度及问责；
- 提高独立非执行董事与发行人之间关系的透明度；
- 提高评估独立非执行董事人选独立性的准则；
- 提倡董事会成员多元化（包括性别多元化）；及
- 要求提高股息政策的透明度。

彭女士续说，每一个发行人都应当设有如何识别和遴选董事的既定政策，甄选过程应当透明和公正；发行人宜尽可能从董事会圈子之外的广泛人选中，按其多元化政策物色合适人选。需要有根据选任标准选择、任命以及重新任命董事的正式程序。选任标准应该包括，例如，在专业资格、技能、经验、独立性及性别多样化方面给董事会带来价值。

摘要

- 上市公司的长期成功，取决于良好的董事会管治。
- 根据相关法律及上市规则，独立非执行董事承担的法律风险，与其他董事无异。
- 鼓励为董事会制定多元化政策，阐明各种形式多样性的好处，包括性别多样性。

“

据我们调查所得，超过30%发行人的董事会只有男性成员。在董事会多样性方面，我们还远远落后于其他主要市场。

”

香港交易所上市科政策及秘书组副总裁彭京玲女士



特别在董事会问责方面，她指出独立非执行董事须就其作为和不作为负责，根据相关法律及上市规则，独立非执行董事与其他董事承担同等的法律责任。因此，任何人在接受董事任命后，就须承担法律责任，亦不能将责任转嫁到别人身上。

为加强独立性和避免潜在利益冲突，向发行人提供服务的审计及/或专业咨询机构的前合伙人，须于两年的冷却期后，才可出任独立非执行董事。同样道理，发行人审计公司的前任合伙人，要待两年的冷却期后，才可出任审计委员会成员；发行人供应商的前任董事、合伙人、主事人或高管，在新例下也须等待一年才可出任董事。在决定独立性时，发行人也须注意候选人跟公司董事、最高行政人员或主要股东有没有有关连，如直系亲属等。

“尽管近几年来上市企业显得愈来愈注重董事会的多样性，但据我们的调查所得，超过30%发行人董事会只有男性成员。在董事会多样性方面，我们还远远落后于其他主要市场。”彭女士解释，董事会多样性有利于提升效率，能助董事会做出更明智的决策。

除了董事会成员技能和经验的多样性外，联交所还鼓励上市公司制定多样性政策，阐明包括性别多样性在内一切形式多样性的好处。

根据联交所审阅上市发行人遵守《守则》情况的年度调查报告，只有约64%的受访者表明其公司主席及首席执行官的角色是分开的，是建议最佳常规中遵守比率最低的一项。调查结果于去年11月公布，分析了发行人在以2017年6月和12月及2018年3月为年结的年报内披露企业管治常规情况。

她指出，明确区分董事长和首席执行官角色，可减低可能的利益冲突，特别首席执行官薪酬的制定、确保利益得以制衡、以及保持审计委员会独立公允。虽然，部分公司认为，一人同时兼顾董事长和首席执行官能加快决策过程，但有可能令董事会作决策时变得独裁，外部董事也变得对董事长兼首席执行官唯唯诺诺。

在分段总结时，彭女士鼓励出席者及其公司董事，观看联交所最新的董事网上培训，当中包括上述最新修订的内容。她指出，董事应参加培训、发

展和更新自己的知识和技能，以确保他们对董事会的贡献有价值 and 有意义。最后，她表示联交所将继续以创新方法，为董事提供有用的培训。

企业管治实例分享

第二位发言嘉宾、中国平安保险（集团）股份有限公司董秘姚军FCIS FCS，向出席者介绍了这家中港上市大型金融机构的治理实践。

他表示，平安的合规政策以符合内地和国际市场规则和法规为目标，兼顾中国独特的商业环境和国情。所以，公司严格遵守港沪两地的上市规则、中国内地法律以及“一行两会”的规定。

姚先生续说：“平安保险作为港沪上市的大型金融机构，我们企业管治原则是以达到最高标准为目标，以满足海内外不同市场监管机构实施的所有规章制度。”

1994年，摩根、高盛入股后，明确要求平安增强合规运作。平安便借此机会，引进与国际接轨的治理结构和理论，开启了平安法人治理国际化道路。2002年，汇丰入股后，平安积

极学习汇丰在公司治理、内控审计、防火墙建设、信息披露等方面的先进经验，建立了符合国际最高监管标准的综合型金融法人治理和管理平台。

其后，平安于2004年和2006年分别于香港和上海交易所挂牌上市。成为H和A股公司后，平安根据境内外法律法规和监管要求建立了全面规范、细致的治理准则。“我们多年来所作出的努力没有白费，让平安获得香港和内地交易所、监管和行业机构的信任。”

“平安董事会成员在专业技能和文化背景等方面都十分多元化。我们的董事不仅来自最相关的保险、精算、银行、会计、法律、医疗和工程背景，今后我们还将向董事会引荐人工智能专家。”他补充说，平安董事会约46%的董事来自境外国家和地区，包括美国、英国、新加坡和香港等。

外部董事特别是独董，在董事会辖下的四个委员会中占最大比例，包括完全由外部董事组成的委员会，以彰显该会职能的独立性。在多样性方面，平安在遴选独董时，会整体考核候选人的性别、年龄、文化和教育背景、经验、技能组合和知识等多方面因素。

此外，平安还委托专业顾问，审查其合规、培训和战略规划，以确保公司合规方案符合《守则》和市场规则和要求。每当公司打进新产业或市场时（如金融科技或推出新产品），往往须先制定创新的战略，以确保其业务可持续发展，而此治理措施有助公司将相关风险降至最低。

为保证董事们及时了解公司的最新情况，保证董事会决策的科学、高效，平安建立了多条沟通管道，包括基层考察、月度通讯、新业务介绍和其他讨论沟通。

“平安高度重视董事会的有效性，我们的目标是使每一次会议都能高效地进行，充足的会议准备是关键。每年11月，我们都会提前安排下一年的董事会会议议程。根据会议时程表，要求不同业务单位提出它们希望在董事会会议上讨论的问题。如非必要，我们不匆忙安排董事会会议。”

集团董事会办公室至少在定期会议前的60天，梳理《会议议题一览表》，并报公司董事长定稿后随《工作通知书》下发。与此同时，所有董事都予以充足时间对已提交的会议议程进行

反馈，最终确定的议程将于会议举行前14天发出。

“为提升效率和加强安全，我们已开发了董事会会议电子平台，向董事分发议程、发送通知和会议提醒。董事可以在此安全平台上，检索以往和最新议程、会议记录和培训资料等。”

问答环节

在讨论环节上，演讲嘉宾和观众分别就平安的企业管治最佳实务和联交所最新修订作深入交流和提问。与会者先向姚先生查询平安保险在《环境、社会及管治报告》方面的实务经验。然后，发言者和观众进一步讨论由第三方机构提供审核及保证的重要性。

虽然，大家都同意第三方机构认证，能大大增加公司《环境、社会及管治报告》的认受性和客观性，但彭女士指出，不同行业领域都有不同的标准和审核方法，也就是说，在技术层面上，不可能由少数公认的第三方认证机构去审核跨行业板块公司的《环境、社会及管治报告》。这表明了有需要制定普遍接受的《环境、社会及管治报告》审核准则。她补充道，就目前的情况而言，就是否引入第三方认证机构，最好还是留给发行人自行酌情决定。

随后的讨论侧重于执行委员会和监事会的作用和职能、这些委员会之间是否存在职能重叠、以及是否导致叠床架屋等。

在最后的总结时，彭女士重申良好企业管治的重要性，指出国际机构投资者如基金、大型养老基金等，关注的不仅是短期利润，而是公司的长期价值。由于他们倾向长期持有公司股份，期望公司实施健全的企业管治原则和最佳常规也是理所当然。

Jimmy Chow
记者

“
我们的企业管治原则是达到最高标准为目标，以满足海内外不
”

中国平安保险（集团）股份有限公司董秘姚军FCIS FCS



Scriptless shares – a new model for Hong Kong

CSj looks at the latest proposals for the implementation of an uncertificated, or scripless, securities market in Hong Kong.



In January this year, the Securities and Futures Commission (SFC), Hong Kong Exchanges and Clearing Ltd (HKEX) and the Federation of Share Registrars Ltd (FSR) jointly issued a consultation paper proposing a revised operational model for implementing a scripless securities market in Hong Kong.

Abolishing paper share certificates was one of the proposals of the Ian Hay Davison Report back in 1988, so the scripless securities market reform in Hong Kong has already been some three decades in the making. The SFC conducted its first consultation on scripless shares in 2002, followed by another consultation by HKEX in 2003. Both of these consultations failed to drum up sufficient support from investors and brokers for the operational model proposed.

The SFC, HKEX and FSR set up a Working Group in 2009 to put forward new proposals. A public consultation on these proposals was conducted from December 2009 to March 2010. The consultation conclusions were published in September 2010 and primary law amendments were enacted in March 2015 to support the 2010 model. These amendments were not subsequently implemented since the 2010 model failed to be adopted by the market. Opponents argued that the proposed settlement arrangements were less efficient and more costly for brokerages. In view of this, the Working Group has revisited the 2010 model and identified an alternative approach.

The Institute's view

The Hong Kong Institute of Chartered Secretaries (the Institute) has long been a supporter of the introduction of a scripless securities regime in Hong Kong. This is chiefly based on the governance benefits

of such a regime. The current set up of the settlement system in Hong Kong – the Central Clearing and Settlement System (CCASS) – means that companies don't always know who their actual investors are. Shares can be traded electronically, but they are considered to be still in paper form and held by the operator of CCASS – HKSCC Nominees Ltd (HKSCC) – in a central depository linked to the settlement system. The paper securities are 'immobilised' in this central depository and do not need to be moved or re-registered every time they are bought or sold. In fact, only the beneficial interest in the securities is transferred when the shares 'change hands' – legal ownership of the securities remains with HKSCC.

This arrangement has been a hurdle to better shareholder engagement. Corporate communications and proxy voting materials often do not reach the actual owners of the shares since they are not the registered holders of the shares. Moving to a system where share owners have legal title to their shares will mean that companies will have new opportunities for improving shareholder transparency and corporate communications.

Other gains to be made by going scripless include facilitating changes of ownership

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The Hong Kong Institute of Chartered Secretaries has long been a supporter of the introduction of a scripless securities regime in Hong Kong
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and eliminating manual processes to enhance post-trade settlement and servicing, while reducing the need for paper and manual processes is also environmentally friendly.

Institute President David Fu FCIS FCS(PE) has also made the point that, complementary to the proposals, there is a need to deal with electronic communication. The SFC has indicated that it intends to encourage issuers and registered shareholders to communicate electronically. Proposals include requiring issuers and shareholders to provide specified electronic addresses for corporate communications, and requiring certain or all corporate action instructions to be given via a designated electronic

Highlights

- HKSCC Nominees Ltd (HKSCC) will not play the role of 'system operator' in the new environment as was envisaged under the 2010 model
- electronic systems for evidencing and effecting transfers of legal title to securities will be operated by share registrars rather than by HKSCC
- share registrars and their systems will take on additional responsibilities, and it will be necessary for the Securities and Futures Commission to regulate them more directly and robustly than today

“ moving to a system where share owners have legal title to their shares will mean that companies will have new opportunities for improving shareholder transparency and corporate communications ”



communication channel, for example via CCASS or a designated web-based platform.

These requirements would need to be set out in subsidiary legislation and would also entail amendments to the Companies Ordinance. For instance, provisions enabling a company or shareholder to choose to send certain notices, requests or documents in either paper or electronic form will conflict with the requirement for such notices, requests or documents to be sent in electronic form via a designated channel. The SFC has indicated that it will consult the market on these proposed requirements in due course.

The new model

The joint SFC, HKEX and FSR consultation paper issued in January this year sets out a revised scripless securities market model for Hong Kong. Under this revised model, the existing nominee structure in CCASS will be retained. This means investors who hold securities through CCASS in the way

they do today will continue to hold only a beneficial interest as HKSCC will remain the registered owner and hold legal title to such securities.

Investors will still have the option to hold securities in their own name and in scripless form (that is, without paper). However, these securities will not be managed and administered through any of the existing account types in CCASS. Instead, two new account types will be introduced for this purpose.

1. USI account

Investors will be able to open a 'USI account' with the issuer's share registrar. Securities reflected in a USI account will be registered in the name of the investor who has opened the account, which means the investor will be the legal owner of the securities and hold legal title to them. The account will be administered by the relevant share registrar and the investor will be able to manage their holdings directly.

2. USS account

Institutional investors (in particular funds) will be able to open a 'USS account' with a sponsoring clearing or custodian participant (sponsoring CP). Securities reflected in a USS account will be registered in the name of the institutional investor who has opened the account, which means it will be the legal owner of the securities and hold legal title to them. The account will be administered by the relevant sponsoring CP and the institutional investor will have to manage its holdings through such sponsoring CP.

The new model vs the 2010 model

The 2010 model envisaged that the register of members or register of securities holders (ROM) would be kept in two parts, with one part maintained by HKSCC and the other by the issuer's share registrar. Under the revised model, however, the entire ROM will be kept and maintained by the issuer's share registrar.



Flowing from the above, share registrars' systems will be used for evidencing and effecting transfers of legal title to securities. HKSCC will not play the role of 'system operator' in the new environment as was envisaged under the 2010 model. As a result, share registrars and their systems will take on additional responsibilities, and it will be necessary for the SFC to regulate them more directly and robustly than today. A new regime for regulating share registrars will need to be introduced.

The process of moving securities into and out of the clearing and settlement environment will, as today, constitute legal title transfers. However, unlike today, the transfer will be electronic rather than paper-based. An interface or connection will therefore be needed between HKSCC systems and share registrars' systems. To that end, HKSCC will introduce a new 'registrar participant' category for share registrars.


A key difference between the 2010 model and the revised model is that the former offered investors the option to hold scripless securities in their own name within CCASS, while the latter only allows them to do so outside that environment. It follows that, under the revised model, investors who opt to hold scripless securities in their own name, and who wish to sell them on The Stock Exchange of Hong Kong, will (similar to today) need to first move them into the clearing and settlement environment by transferring the securities to HKSCC. However (unlike today), the process for effecting such transfers will be electronic rather than paper-based, which means it will be much simpler and faster than it is today, as well as more efficient and convenient. The need to effect transfers should not, therefore, deter investors from opting to hold securities in their own name.

Investors who opt to hold securities within CCASS, and hence in the name of HKSCC, will continue to hold only a beneficial interest in their securities. In the context of shares, this means they will, as today, continue to have to rely on HKSCC, and any intermediating entities in between, to pass any benefits or voting information, or to exercise any rights for them. The current processes for this to happen are largely paper-based and cumbersome, and hence not conducive to participation in the voting process. It would be in the interest of investors, and consistent with the objectives of moving to a scripless market, to remove paper documents and manual processes. This means developing an electronic alternative that facilitates and encourages participation in the voting process, but without creating undue costs or burden for either investors or their intermediaries.

Any such alternative would benefit investors under the current market infrastructure also, and should therefore be implemented separately from the scripless market initiative and as soon as possible. The SFC is working with HKEX to explore options in this regard, and will seek further views from the market in due course.

Legislative amendments

In light of the fundamental differences between the 2010 model and the revised model, a number of the primary law amendments enacted in March 2015 to support the 2010 model will no longer be appropriate and will require further amendment. In particular, provisions predicated on there being a 'split ROM' will need amendment. Amendments will also be needed to reflect that the electronic systems for evidencing and effecting transfers of legal title to securities will be operated by share registrars rather than by HKSCC.

The opportunity will also be taken to introduce additional amendments to further facilitate the implementation of a scripless market. In addition to the amendments mentioned earlier to encourage the use of electronic communications, these include amendments relating to settlement finality, amendments to enable listed funds to be brought within the scripless market initiative and amendments relating to the appointment of proxies. 

The 'Joint Consultation Paper on a Revised Operational Model for Implementing an Uncertificated Securities Market In Hong Kong' is available on the Securities and Futures Commission website: www.sfc.hk.

Cyber risk – are you a weak link?



It is essential for directors to set the tone from the top for a strong cyber risk management culture, but a recent Diligent survey indicates that, when it comes to digital security, their own practices often aren't keeping pace.

Directors guide the success of organisations with their management, governance and strategic insights. Yet there's a deep disconnect between their perception of cyber risk and their day-to-day behaviour. A recent Diligent survey – *The Silent Cyber Risk Threat in the Boardroom* – of 118 directors, governance professionals and senior executives across the Asia Pacific region reveals the common communications practices that are inadvertently putting organisations' profits and reputations at risk.

Dozens of recent high-profile cybersecurity incidents underline the reality of the risk. Many organisations are playing catch-up as the rapid pace of technological change continues but time is running out.

Diligent's survey reveals why and also pinpoints areas where improvements are needed, including training, monitoring and support, if boards are to manage their exposure effectively.

The survey explored practices at the highest levels of organisations to give a new perspective on boardroom cybersecurity culture, including:

- whether directors' communication norms and digital behaviour provide adequate protection
- how much training and support directors receive on cyber issues
- the extent of boards' cyber risk awareness and oversight responsibilities, and

- what impact technology has on the information management provides to boards.

We hope that organisations will use this report to inform their own boardroom cyber risk practices and to develop stronger defences.

Key findings

Five key themes emerged from responses to the survey:

1. directors' email use is a common weak link in cybersecurity – but it's not the only one
2. board communications often fall outside organisational policy and oversight
3. many directors agree that board communications need to be more secure
4. more information and support are needed for boards to oversee cyber risk effectively, and

5. technology is driving more communication between directors and management.

This report presents the detailed survey findings, as well as their implications and risks, accompanied by practical suggestions for how to strengthen boards' cyber risk culture.

'Cyber security is becoming a key strategic priority for boards of all shapes and sizes. Understanding where you, as a director, might be breaking the chain of cybersecurity to enable potential successful cyber attacks is both a governance and legal obligation,' says Steven Bowman, Founder and Managing Director, Conscious Governance.

Directors play a fundamental role in shaping organisational culture. The values and behaviours they demonstrate in the boardroom and beyond reverberate through offices and work sites. However, the survey reveals that from how they communicate to where they keep their board information, directors are

Highlights

- there's a deep disconnect between directors' perception of cyber risk and their day-to-day behaviour
- from how they communicate to where they keep their board information, directors are inadvertently increasing their exposure to cyber risk
- directors should adhere to the same IT security protocols that apply to regular employees, including undergoing regular cybersecurity training, testing and audits

“
understanding where you, as a director, might be breaking the chain of cybersecurity to enable potential successful cyber attacks is both a governance and legal obligation
”

Steven Bowman, Founder and Managing Director,
Conscious Governance



inadvertently increasing their exposure to cyber risk.

The majority of respondents (81%) use their personal email accounts to communicate with fellow directors and management 'at least occasionally', and half of respondents (49%) 'regularly' use personal email accounts for board business. Personal email ranks in the top-three communications channels, behind face-to-face meetings (98%) and on par with corporate email (82%).

Three-quarters (75%) of respondents download board materials onto personal devices such as PCs, laptops, tablets or smartphones. Close to half (43%) say they download that information 'always' or 'most of the time'.

Company servers are the most popular location to save downloaded board materials (38%), but more than a quarter of respondents use file-hosting services such as Google Drive (28%) or personal or USB drives (also 28%). Some

people routinely download documents to multiple locations for their ease of review and preparation.

Every single respondent uses a PC, laptop or tablet for at least some of their board preparation (some use more than one device). Print is far from finished, though, with almost half of respondents (47%) needing paper copies of board information more often than not, even when it has already been provided electronically. Fewer than one in five people (17%) never need printed information.

How organisations can strengthen their practices

Establishing strong cybersecurity policies and protocols at an organisational level raises awareness and sets consistent expectations for individual responsibilities. The challenge is that non-executive directors often fall outside those policies and protocols.

At a practical level, organisations may grapple with how to apply controls to

the highest echelons of their leadership. Including them in board-approved corporate policies is one way to meet this challenge.

'Organisations should review their security policies and ensure that non-executive directors are clearly included in the scope of policies where appropriate,' says Bowman. 'Those policies should be provided to new directors as part of their induction programme. In line with good governance practice, those policies should be approved by the board and reviewed annually to keep pace with external changes.'

Development of board communication policies should not only involve directors and senior management, but also experts from risk management, governance and IT. It is important to take an organisation-wide approach to cybersecurity. With a fragmented approach to sanctioning and administering board communications, it is little wonder that boards are often out of step with the rest of the organisation.



“
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 individual responsibilities
 ”

Steven Bowman says that strong governance processes need to involve every level of an organisation. 'Companies with continuous disclosure obligations have deep and broad processes to manage the identification and elevation of information that may require disclosure. Effectively managing cyber risk takes a similarly embedded approach across the organisation.'

Where do we go from here?

No organisation can afford to be complacent in this climate of growing cyber threats. Directors are talking about cybersecurity, but that isn't enough to protect them and the organisations they serve. They need to 'walk the talk', otherwise they risk being the weak link that exposes critical business information.

Board communication practices can leave organisations vulnerable to data breaches, leaks, litigation, regulatory fines, sanctions and financial or reputational losses. Directors have an obligation to increase their

understanding of the risks involved and to embrace the fact that information security must take precedence over common practices.

Directors should adhere to the same IT security protocols that apply to regular employees, including undergoing regular cybersecurity training, testing and audits. Organisations can help by giving their directors practical tools and support to make it easy for them to embrace strong digital security

habits. That can include using governance software that pairs increased convenience with strong security.

Boards and executive teams need to work together to ensure that enough time and resources are devoted to selecting, implementing and monitoring a company-supported infrastructure that features secure and convenient ways of communicating.

Chris Lawley, Vice-President
Diligent APAC

About the survey

Diligent's survey of 118 directors, governance professionals and senior executives across the Asia Pacific region reveals the common communications practices that are inadvertently putting organisations' profits and reputations at risk. This survey follows a 2017 Diligent report undertaken in the US, in partnership with New York Stock Exchange Governance Services, that looked at the practices of more than 350 listed companies.

The survey is available online at: <https://diligent.com/au/resources/the-silent-cyber-risk-threat-in-the-boardroom>.

Professional Development

Seminars: January 2019

9 January

Company secretarial practical training series: formation of common vehicles in Hong Kong



Chair: Terry Wan FCIS FCS, Group Company Secretary, Li & Fung Ltd

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

10 January

Setup and maintenance of PRC company and WFOE



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

Speakers: Grace Chiu, Lawyer & Partner; and David Liang, Lawyer & Partner; Guangdong Sun Law Firm

14 January

Blockchain and compliance



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

Speaker: Shum Hin Han, Associate, Squire Patton Boggs

15 January

Disclosing anti-corruption information in ESG reports – ICAC's review and tips for improving the disclosure



Speakers: Stanley Chio, Chief Corruption Prevention Officer; and Angelina Leung, Senior Corruption Prevention Officer; Corruption Prevention Department, ICAC

18 January

Practical company secretarial workshops: part 4 – What You Can Do More? Module 13 – corporate finance



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

18 January

ESG – a good idea; what could possibly go wrong?



Chair: Peter Greenwood FCIS FCS, Institute Technical Consultation Panel member

Speakers: Andrew Weir, Regional Senior Partner, Hong Kong/ Vice Chairman, KPMG China; Pat Dwyer, Founder and Director, The Purpose Business; Hendrik Rosenthal, Director, Group Sustainability, CLP Power Hong Kong Ltd; and Jamie Allen, Founding Secretary General, Asian Corporate Governance Association

22 January
**Company secretarial practical
 training series: guides for
 company dissolution**



*Chair: Frances Chan FCIS FCS, Institute Professional Services
 Panel member, and Founder and Director, K. Leaders
 Business Consultants Ltd*

*Speakers: Teresa Lau ACIS ACS, Director and Head of Corporate
 Secretarial Services; and Chan Leung Lee, Director,
 Specialist Advisory Services; BDO Ltd*

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: 2830 6011, or email: ecpd@hkics.org.hk.

ECPD forthcoming seminars

Date	Time	Topic	ECPD points
26 March 2019	6.45pm - 8.15pm	Corporate rescue in Hong Kong: present and future	1.5
11 April 2019	4pm - 5.30pm	Update on the law relating to search warrants and mobile devices: how to survive a dawn raid	1.5
15 April 2019	6.45pm - 8.15pm	Defending an SFC investigation: 2019 annual review	1.5

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

Membership

New graduates

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

Cheng Pui Yan	Lee Kam Man	Tsang Yick Kan	Yip Chui Mei
Cheung Man Sum, Malcolm	Lei Ka Ying	Tsui Ka Ling	Yip Sin Mei
Chu Hoe Tin	Lin Wei	Wong Chun Yin	Yung Sin Yee
Fong Yuen Man	Lu Zhengmeng	Wong Yue Hin	Zhang Xiao
Fung Tsz Long	Ng Wai Kuen	Woo King Yan	Zi Xuan
Hau Lok Ting	Tang Wai Chun	Yau Ying Ying	
Kam Chui Han	Tang Wai I	Yeung Tsz Kit, Alban	
Kwok Ming Ying	Tsang Chi Ming	Yeung Wai Kin	

Forthcoming membership activities

Date	Time	Event
9, 16, 23, 30 March 2019	3.30pm–5.30pm	HKICS Dragon Boat Team Training Sessions
23 March 2019	9.15am–2pm	Fellows Only – Hiking Tour (Half-day)
27 March 2019	6.45pm–8.30pm	Members' Networking – Personal Cybersecurity

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

Advocacy

HSUHK BBA-CG Advisory Committee lunch meeting

The Advisory Committee of the Bachelor of Business Administration (Honours) in Corporate Governance (BBA-CG) of The Hang Seng University of Hong Kong (HSUHK) held a lunch meeting on 15 February 2019 at the HSUHK campus. The Advisory Committee comprises Institute Chief Executive Samantha Suen FCIS FCS(PE); Institute members Frances Chan FCIS FCS, Loretta Chan FCIS FCS and Jenny Choi FCIS FCS; and Kevin Lau. HSUHK Programme Director Professor Kevin Lam, Associate Programme Director Joey Lee, other teaching and executive staff members, as well as four BBA-CG students, also attended the meeting. Discussions included future development of the BBA-CG programme, possible joint promotion and further collaboration between HSUHK and the Institute.



Advocacy (continued)

Media interviews

JobsDB

Institute Past President and Company Secretary of Lippo Limited Dr Davy Lee FCIS FCS(PE) and his daughter Crystal Lee ACIS ACS, also a member of the Institute, were interviewed by JobsDB. Dr Lee talked about the important roles and key success factors of being a company secretary in a listed company. Having been inspired by Dr Lee, Crystal Lee also pursued a career in the company secretarial field. At the end of the interview, JobsDB also interviewed Institute Chief Executive Samantha Suen FCIS FCS(PE) who highlighted the important personality traits of a company

secretary. The interview was published by JobsDB on 14 February 2019.

CTgoodjobs

Institute Past President Richard Leung FCIS FCS and his son, Institute student Arthur Leung, as well as Institute Chief Executive Samantha Suen FCIS FCS(PE) were interviewed by CTgoodjobs. During the interview, Mr Leung, who is a barrister with Des Voeux Chambers, shared his road to success from being a company secretary to a successful accountant and a practising barrister. Mr Leung was supportive of his son in becoming

a Chartered Secretary and Chartered Governance Professional. Accordingly, Arthur Leung is currently studying a Master in Corporate Governance course which is accredited by the Institute. Ms Suen explained the entry requirements and employers' expectations of a qualified Chartered Secretary and Chartered Governance Professional. The interview, in the form of a video, was released by CTgoodjobs on 28 February 2019.

For details of the interviews and related articles, please visit the News section of the Institute's website: www.hkics.org.hk.



Business-School Partnership Programme

The Institute has joined the Business-School Partnership Programme 2018-2019, organised by Hong Kong General Chamber of Commerce (HKGCC). The programme aims to facilitate direct communication between employers and schools to enhance secondary school students' knowledge of the business world and to help them prepare for their future careers. The Institute was paired with St Mary's Canossa College this year with 12 students enrolled in the Programme.

On 1 February 2019, students and teachers visited the Secretariat office for a kick-off presentation. Institute Chief Executive Samantha Suen FCIS FCS(PE) and Registrar Louisa Lau FCIS FCS(PE) gave an introduction to the work of the Institute and the Chartered Secretary and Chartered Governance profession. They also shared their valuable experience with participants. A series of activities will be arranged for the Programme during 2019 and details will be reported in future editions of CSj.



Advocacy (continued)

Earth Hour 2019

The WWF Earth Hour 2019 will take place at 8.30pm on Saturday 30 March 2019.

The Institute will continue to support this initiative in environmental protection and caring for our planet.

As pledged, both the Hong Kong and Beijing Institute Secretariat offices will switch off all lights for the designated hour. Members, graduates and students are also invited to support the event and switch lights off for the designated hour.



For details, please visit: www.earthhour.org.

HKICS receives the Caring Organisation Logo Award



The Institute has been awarded the 2018/2019

Caring Organisation Logo by The Hong Kong Council of Social Service. The award is in recognition of the Institute's corporate social responsibility efforts in caring for the community, its employees and the environment. The Institute will continue to support and embark on projects that will bring long-term sustainable growth to its members and students, its employees and other stakeholders, as well as the community and the environment at large.

Cyberport FinTech Community event

On 21 February 2019, Institute Chief Executive Samantha Suen FCIS FCS(PE) and Senior Director and Head of Technical & Research Mohan Datwani FCIS FCS(PE) met with the Chairman of Hong Kong Cyberport Management Company Ltd Dr George Lam and his management team at the Cyberport's FinTech Community event hosted by Hong Kong Cyberport Management Company Ltd. Also, joining the event was Julianne Doe, Partner of law firm Dentons. There were discussions of the work of Cyberport in attracting digital innovations and other creative projects to the Cyberport, and the potential contribution that Institute members can make as governance professionals especially to technology companies. The Institute will seek to collaborate with Cyberport to promote the profession and opportunities in the digital economy.



Law Society Spring Reception

The Institute's President David Fu FCIS FCS(PE), Vice-President David Simmonds FCIS FCS, and Senior Director and Head of Technical and Research Mohan Datwani FCIS FCS(PE), attended The Law Society's Spring Reception for the Year of Pig on 21 February 2019. Also attending the event were the Chief Justice Geoffrey Ma Tao-li GBM and Secretary for Justice Teresa Cheng GBS SC JP.



International Qualifying Scheme (IQS) examinations

May 2019 diet examination schedule

	Tuesday 28 May 2019	Wednesday 29 May 2019	Thursday 30 May 2019	Friday 31 May 2019
9.30am–12.30pm	Hong Kong Financial Accounting	Hong Kong Corporate Law	Strategic and Operations Management	Corporate Financial Management
2pm–5pm	Hong Kong Taxation	Corporate Governance	Corporate Administration	Corporate Secretaryship

Examination enrolment period 20 February–30 March 2019

Examination enrolment

The examination enrolment period runs from 20 February to 30 March 2019. The Examination Entry Form can be downloaded from the 'Studentship' section of the Institute's website: www.hkics.org.hk. All entries must be received by the Secretariat by 1pm on Saturday 30 March 2019, and, if sent by post, with a post-mark on or before that date. No late applications will be accepted under any circumstances. To avoid postal errors or delays, students are recommended to submit their applications in person or by registered mail. No change can be made to the subject(s) and examination centre selected after the examination application has been submitted.

IQS Study Packs (online version)

The updated version of the IQS study pack for Corporate Secretaryship has been made available from 24 August 2018. Updated versions of the other three study packs (Corporate Governance, Corporate Administration and Hong Kong Corporate Law) are also available online. A summary of the updates for each study pack can be viewed under the News section of the Institute's website and the PrimeLaw platform. For further questions regarding the online study packs, please contact Leaf Tai: 2830 6010, or email: student@hkics.org.hk. For technical questions regarding PrimeLaw, please contact WoltersKluwer Hong Kong's customer service by email: HK-Prime@wolterskluwer.com.

HKICS examination technique workshops

The Institute will organise a series of three-hour IQS examination technique workshops from 8 April 2019. These workshops aim to help students improve their examination techniques. The workshop fee is HK\$500 each. Students may download the enrolment form from the Studentship section of the Institute's website: www.hkics.org.hk.

IQS examination pass rates (December 2018)

Subject	Pass rate
Part I	
Strategic and Operations Management	47%
Hong Kong Corporate Law	26%
Hong Kong Taxation	39%
Hong Kong Financial Accounting	67%
Part II	
Corporate Governance	43%
Corporate Administration	30%
Corporate Secretaryship	21%
Corporate Financial Management	16%

Syllabus update – Corporate Administration

The topic of 'Hong Kong Competition Law' has been included in the Corporate Administration syllabus (effective from the December 2018 examination diet). Students may refer to the 'IQS Syllabus' under the International Qualifying Scheme section of the Institute's website and Chapter 14 of the Corporate Administration study pack for this new topic (Hong Kong Competition Law).

Studentship

Subject prize and merit certificate awardees

The Institute is pleased to announce the following awardees of subject prizes and merit certificates at the December 2018 examination. The subject prizes were awarded by The Hong Kong Institute of Chartered Secretaries Foundation Ltd. Congratulations to all awardees!

Subject	Subject prize awardees
Hong Kong Corporate Law	Chan Ho Kei
	Lau Pui Ka
	Pau So Yi
	Tong Ka Ki
Hong Kong Financial Accounting	Huang Na
	Lee Pui Kei, Kris
	Sam Yuen Sze
	Sun Hoi Yan
Corporate Governance	Au Yeung Sze Ngar, Anthea
	Chan Ngar Wai
	Chun Wai Chung, Carol
	Ho Meei Yng
	Ng Ching Hang
	So Sze Man
Corporate Administration	Sze Tong
Corporate Administration	Zhang Tao
Corporate Financial Management	Wong Wan Yu

Subject	Merit certificate awardees
Hong Kong Corporate Law	Chan Kin Kwan
	Chow Kit Wa
	Lai Yau Yan, Gladys
	Lam Man Hei
	Lam Tsz Kwan
	Lo Siu Ting
	Long Tingxi
	Ng Kwai Fa
	Sun Hoi Yan
	Wan Qianqian
	Wong Wan Ting
Hong Kong Taxation	Yeung Lok Yan
Hong Kong Financial Accounting	Kwok Long Ting

Subject	Merit certificate awardees
Corporate Governance	Chan Hing Pan
	Chan Mui
	Chapman Evelyn Po Yin
	Chau Po Yi, Polly
	Cheung Yan Yan
	Cheung Yin Hei
	Cheung Yuen Shun
	Fung Sau Laam, Susanna
	Lam Kin Hang
	Lau Chun Long
	Leung Cheuk Yu
	Li Tiantian
	Lin Haizhou
	Mak Pui Ki
	Shukla Pooja
	Tam Mei Po
	Tse Siu Ho
	Wong Che Woon, Cherry
	Wong Miu Shun
Yang Xueyan	
Zhang Jiaojiao	
Corporate Secretaryship	Fok Heung Wan, Emma
	Lai Man Pun
	Lam Tsz Kit
	Lin Haizhou
Corporate Financial Management	So Wing Chun
	Chan Wai Kwan
	Chang Han Peng
Corporate Administration	Wong Wai Lam
	Choi Shui Sum
	Lai Lai Ngar
	Lai Mei Ha
	Law Hei To, Vela
	Lee Po Yan
	Leung Hoi Ting, Vanessa
	Wong Che Woon, Cherry
Wong Nga Sim	

Student Ambassadors Programme

Student Ambassadors Programme – visit to Hong Kong Business Ethics Development Centre, ICAC

The Institute organised a visit to Hong Kong Business Ethics Development Centre, Independent Commission Against Corruption (ICAC) for student ambassadors on 24 January 2019. Students learned about the history and functions of the ICAC and the Prevention of Bribery Ordinance. A visit to the ICAC Exhibition Hall was also arranged.



At Hong Kong Business Ethics Development Centre, ICAC

The Institute would like to thank Hong Kong Business Ethics Development Centre, ICAC, for its continued support of the programme.

Summer internship

The Institute invites companies and organisations to offer summer internship positions to local graduates under its Student Ambassadors Programme with the aim of promoting the Chartered Secretarial and Chartered Governance profession to the younger generation in Hong Kong. The internship period is usually from June to August 2019 for a maximum period of eight weeks.

Members who are interested in offering summer internship positions this year, please visit the News section of the Institute's website. For further details, please contact Helen Fung: 2881 6177 or email: student@hkics.org.hk.

New Student Orientation

Students registered since September 2018 are invited to attend the New Students Orientation to be held in March 2019. This event aims to give new students up-to-date information about the Institute and serves as a platform for them to meet with other students. Further details will be announced on the Events section of the Institute's website: www.hkics.org.hk.

New Qualifying Programme (NQP)

With effect from 1 January 2020, the New Qualifying Programme (NQP) will replace the current IQS. The first examination of the NQP will be held in June 2020. The NQP will comprise seven modules with two electives:

1. Hong Kong Company Law
2. Corporate Governance
3. Corporate Secretaryship and Compliance
4. Interpreting Financial and Accounting Information
5. Strategic Management
6. Risk Management
7. Boardroom Dynamics or Hong Kong Taxation (electives)

The Institute will announce details of the syllabus, reading lists, study packs and pilot papers for all the modules in the NQP to students in the near future.

Students who successfully complete the NQP will be admitted as graduates of The Institute of Chartered Secretaries

and Administrators (ICSA) and The Hong Kong Institute of Chartered Secretaries (HKICS) and, upon eligibility to be elected as Associates, will be awarded the dual designation of Chartered Secretary and Chartered Governance Professional (see Note 1).

All students under the current IQS will be transited to NQP with effect from 1 January 2020 and will also be awarded the dual designation of Chartered Secretary and Chartered Governance Professional when elected as Associates after completing either the IQS or NQP, or a combination of

Studentship (continued)

both, and becoming graduates of the ICSA and HKICS.

Note 1: Disclaimer: Membership of ICSA, as referred to in this document, is conditional upon agreement and contractual relations between HKICS and ICSA. Such agreement and contracts are subject to change and/or termination by either party and therefore, notwithstanding anything to the contrary in this document, HKICS cannot provide any assurance that membership of HKICS will lead to automatic membership to the ICSA, or can HKICS be held responsible if

membership of ICSA is not granted even following completion of the IQS/NQP, and/or qualifying procedures being met.

Admission requirements

Similar to the IQS, only recognised degree and/or professional qualification holders will be eligible to apply for registration as new students under the NQP. Exemptions may be granted to relevant degree and/or professional qualification holders as appropriate. Further details of the Exemptions Policy under the NQP will be made available to all students in due course.

Examinations

From 1 January 2020, examinations will be held in the first week of June and the last week of November each year. The first examination for the NQP will be held in June 2020.

Existing students have two IQS examination diets (May 2019 and December 2019) to complete their outstanding papers under the IQS.

If you have any queries, please contact the Education and Examinations Section: 2881 6177, or email: student@hkics.org.hk.

Transitional arrangements

The last examination diet under the current IQS will be the December 2019 examinations. Students who have not completed their IQS examinations following the release of the IQS December 2019 examination results will be transited to the NQP.

The transitional arrangements from the existing IQS to the NQP are as follows:

IQS	NQP
Strategic and Operations Management	Strategic Management
Hong Kong Corporate Law	Hong Kong Company Law
Hong Kong Financial Accounting	Risk Management
Hong Kong Taxation	Hong Kong Taxation (elective)
Corporate Governance	Corporate Governance
Corporate Administration	Boardroom Dynamics (elective)
Corporate Secretaryship	Corporate Secretaryship and Compliance
Corporate Financial Management	Interpreting Financial and Accounting Information

The Institute will communicate with all students who will be transferred to the NQP on the outstanding module(s) that they will be required to complete under the new programme in January 2020.

Policy – payment reminder

Exemption fees

Students whose exemption was approved via confirmation letter in January 2019 are reminded to settle the exemption fee by Tuesday 23 April 2019.

Studentship renewal

Students whose studentship expired in January 2019 are reminded to settle the renewal payment by Saturday 23 March 2019.



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