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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 Chartered Secretary and Chartered Governance Professional in Hong Kong and throughout the Mainland. HKICS was first established in 1949 as an association of Hong Kong members of The Chartered Governance Institute – formerly known as The Institute of Chartered Secretaries and Administrators (ICSA) of London. It was a branch of The Chartered Governance Institute in 1990 before gaining local status in 1994 and has also been The Chartered Governance Institute's China Division since 2005. HKICS is a founder member of Corporate Secretaries International Association Limited (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.

Membership statistics update

As of 31 December 2019 membership statistics were as follows:
Students: 3,471
Graduates: 409
Associates: 5,672
Fellows: 714

The Hong Kong Institute of Chartered Secretaries

(Incorporated in Hong Kong with limited liability by guarantee)
3/F, Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong
Tel: (852) 2881 6177 Fax: (852) 2881 5050
Email: ask@hkics.org.hk (general) cpd@hkics.org.hk (professional development)
member@hkics.org.hk (member) student@hkics.org.hk (student)
Website: www.hkics.org.hk

Beijing Representative Office

Rm 15A04A, 15A/F, Dacheng Tower, No 127 Xuanwumen West Street
Xicheng District, Beijing, 100031, PRC
Tel: (86) 10 6641 9368 Fax: (86) 10 6641 9078 Email: bro@hkics.org.hk

The Chartered Governance Institute

Governance Institute of Australia
Level 10, 5 Hunter Street
Sydney, NSW 2000
Australia
Tel: (61) 2 9223 5744
Fax: (61) 2 9232 7174

The Chartered Governance Institute of Canada
202–300 March Road
Ottawa, ON, Canada K2K 2E2
Tel: (1) 613 595 1151
Fax: (1) 613 595 1155

MAICSA: The Chartered Governance Institute
No 57 The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel: (60) 3 2282 9276
Fax: (60) 3 2282 9281

Governance New Zealand
PO Box 444
Shortland Street
Auckland 1015
New Zealand
Tel: (64) 9 377 0130
Fax: (64) 9 366 3979

The Singapore Association of the Institute of Chartered Secretaries & Administrators
149 Rochor Road
#04-07 Fu Lu Shou Complex
Singapore 188425
Tel: (65) 6334 4302
Fax: (65) 6334 4669

Chartered Secretaries Southern Africa
PO Box 3146
Houghton 2041
Republic of South Africa
Tel: (27) 11 551 4000
Fax: (27) 11 551 4027

The Chartered Governance Institute
c/o MCI UK
Durford Mill, Petersfield
Hampshire, GU31 5AZ
United Kingdom
Tel: (44) 1730 821 969

ICSA: The Chartered Governance Institute
Saffron House, 6–10 Kirby Street
London EC1N 8TS
United Kingdom
Tel: (44) 20 7580 4741
Fax: (44) 20 7323 1132

The Institute of Chartered Secretaries & Administrators in Zimbabwe
PO Box CY172
Causeway Harare
Zimbabwe
Tel: (263) 4 702170
Fax: (263) 4 700624

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Credits

Kieran Colvert
Editor
Ester Wensing
Art Director
Harry Harrison
Illustrator (cover)
Images
123rf.com

Contributors to this edition

Tony Wong
Regina Tai
Alaya Consulting
Mark Parsons
Hogan Lovells
Alix Chan
BOCI Securities
Wendy Ho FCIS FCS (PE)
Tricor Services

Ninehills Media Ltd

12/F, Infinitus Plaza
199 Des Voeux Road
Sheung Wan
Hong Kong
Tel: (852) 3796 3060
Fax: (852) 3020 7442
Internet: www.ninehillsmedia.com
Email: enquiries@ninehillsmedia.com

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Cover Stories

ESG: the why and the how

I would like to wish all of our readers a very happy, prosperous and, most importantly at this time, healthy Year of the Rat. As this edition of *CSj* goes to print, Hong Kong is facing a new threat in the form of the coronavirus outbreak. Coming fast on the heels of the recent social unrest, the virus will pose social and economic challenges and will once more test our city's resilience. I appeal to you all to stay fit and healthy and to follow government guidelines to minimise the risk of infection. Please be assured that we will keep the Institute running as normally as possible through this challenging time.

Before turning to the theme of this month's journal, I would like to thank everyone involved in our Annual Dinner held last month at the JW Marriott Hotel. As regular attendees of our annual dinners will know, these events have been growing not only in terms of attendee numbers but also in their ambition. Last month's dinner was a magnificent demonstration of where this trend has taken us. I am sure all of you who joined us for the night enjoyed the good food, the good company and the excellent speech delivered by our Guest of Honour, Tim Lui Tim Leung, SBS JP, Chairman of the Securities and Futures Commission.

Our journal theme this month brings us back to a topic which has been climbing the agenda for members of our profession – environmental, social and governance (ESG) performance and reporting. Readers of this journal will be aware that our Institute has been promoting better management of ESG issues for some time. I am pleased to report that our latest guidance on this topic – 'Integrating ESG into your business: A step-by-step ESG guide for Hong Kong-listed issuers' – is now available on our website.

The guide was a collaboration with KPMG and CLP Holdings Ltd (CLP), and I would like to extend my thanks to everyone, both internal and external to our Institute, who contributed their time and expertise to this project. As our first cover story makes clear, the new guide is something of a one-stop-shop for organisations looking for assistance to raise their ESG game. It presents in clear and accessible terms the main reasons why the time for taking a 'wait-and-see' approach to ESG is long gone. Most obvious among these reasons is the new compliance imperative. Hong Kong Exchanges and Clearing Ltd (HKEX) has revised its 'ESG Reporting Guide' bringing in new requirements designed to, among other things, ensure that ESG risks and opportunities are properly considered by the board and that listed issuers report on their climate change adaptation measures. These requirements will be effective for listed issuers for financial years commencing on or after 1 July 2020.

Our Institute's promotion of ESG issues, however, is not solely focused on the compliance aspects. Put simply, companies that want to be around in the next decade need to address ESG issues as part of their licence to operate. The speakers at our joint seminar with KPMG last month, 'Redefining growth: integrating ESG into your business', pointed out that stakeholders are increasingly expecting corporate boards to maintain effective oversight of the environmental and social risks and opportunities impacting their businesses.

I believe that this message is now more widely understood by boards in Hong Kong, but the next step for many companies will be to more effectively integrate ESG concerns into governance systems and business strategies. This is a main focus of our new guide. As ever, the intention of our publications, research and advocacy work is to provide practical help on the governance issues of the day and this latest addition to our guidance publications certainly fulfils that remit. That remit also applies to this journal of course. Our cover stories this month will help prepare you for the incoming ESG regulatory regime in Hong Kong and for the longer-term strategic implications of environmental and social developments.

Before I go, I would also like to recommend this month's In Profile article. Edith Shih FCIS FCS(PE), International President, The Chartered Governance Institute, and Past President of our Institute, together with two interns – Rory Herbert (GradCG) from the UK and Kate Yuen from Hong Kong – discuss the London-Hong Kong Intern Exchange 2019. This inaugural programme was a collaboration involving our Institute and The Worshipful Company of Chartered Secretaries and Administrators (WCCSA) in London, but the hope is that it will be the first of many such programmes involving all of The Chartered Governance Institute divisions around the world. Our international institute is the only global qualifying body for governance professionals and our qualification is a global passport for members of our profession. It makes sense therefore for us to expand the internship opportunities available to trainee governance professionals on a global scale. Watch this space!

Gill Meller

Gillian Meller FCIS FCS

环境、社会及管治

恭祝各位读者鼠年快乐，事事顺利！在当前时刻，当然更重要的是祝愿大家身体健康。今期*CSj*付印之时，香港正面临新型冠状病毒爆发的威胁。病毒紧随半年多的社会动荡而至，将带来社会和经济上的挑战，再度考验香港应付逆境的能力。希望各位保持身体健康，遵守政府的指引，尽量降低感染风险。请大家放心，在这个困难时期，我们会尽量维持公会正常运作。

在讨论今期月刊的主题前，我首先感谢参与公会上月在香港JW万豪酒店举行的周年晚宴的所有嘉宾。经常出席公会周年晚宴的人士都知道，这类活动不仅参加者人数日增，而且其抱负也越来越高远。上月的晚宴清楚展现了这一趋势。我相信出席晚宴者除了享受当晚的美食之外，还与其他参加者尽欢，并且从当晚的主礼嘉宾、证券及期货事务监察委员会主席雷添良，铜紫荆星章、太平绅士的精彩演说中获益良多。

今期月刊的主题，是日渐受到特许秘书和公司治理专业人员关注的课题 — 环境、社会及管治（ESG)的业绩与报告。本刊读者都知道，公会很久之前已开始推动良好的ESG管理。我很高兴告诉大家，公会就这课题出版了最新指引：《环境、社会及管治与业务的整合：香港上市发行人的环境、社会及管治(ESG)分步实施指南》，可于公会网站：www.hkics.org.hk阅览。该指引是公会与毕马威中国和中电控股有限公司合作共同编撰的成果，我谨感谢公会内外为制订指引贡献时间与专业知识的人士。正如今期第一个封面故事所指，新指引提供一站式的解决方案，协助企业处理ESG事宜，以清晰易明的文字，说明以「观望」的态度看待ESG的时代已经过去。最显著的原因，是需要遵守新合规要求。香港交易及结算所有限公司（港交所）修订了《环境、社会及管治报告指引》，提出了新规定，其目的之一是确保董事会适当考虑ESG方面的风险与机遇，并确保上市公司报告应对气候变化的措施。自2020年7月1日或以后开始的财政年度起，上市公司便须遵守这些规定。

公会推动ESG的努力，并不限于合规范畴。简单地说，企业如有意在十年内继续经营，就有需要处理ESG事宜，视之为基本营运条件。上月公会与毕马威中国合办讲座，主题为「重新定义业务增长：在经营业务时融入ESG因素」，讲者指出持份者日益期望公司董事会有效地监察环境与社会对业务带来的风险与机遇。

我相信越来越多香港公司的董事会已明白该讯息；许多公司下一步要做的，是在订立治理制度和业务策略时，更有效地融入ESG因素。这是公会新指引的主要重点。一如既往，公会的刊物、研究和倡议工作的目的，是就当前普遍关注的治理议题提供实用的协助；最新的指引肯定能达到此目的，本刊当然也有同样目的。今期的封面故事将协助大家为香港即将实行的ESG监管制度，以及环境与社会事务的发展对长远策略的影响做好准备。

最后，我还想向大家推荐今期的人物专访。特许公司治理公会(The Chartered Governance Institute，国际公会)国际会长及公会前会长施熙德律师FCIS FCS(PE)与两名实习生，即英国的Rory Herbert (GradCG)和香港的Kate Yuen，讨论2019年伦敦香港实习生交换计划。该计划在2019年首度开展，是公会和伦敦The Worshipful Company of Chartered Secretaries and Administrators (WCCSA)的合作项目，日后希望能扩展至与国际公会在世界各地的分会合作。国际公会是全球唯一颁授公司治理专业资格的机构，该专业资格在世界各地通行，因此有必要在全球层面为接受公司治理专业培训的人士提供实习机会。请留意这方面的发展。

马琳 FCIS FCS

ESG: a governance perspective

With tougher environmental, social and governance (ESG) disclosure requirements on the way for listed companies in Hong Kong, a new joint report by KPMG China, CLP Holdings Ltd (CLP) and The Hong Kong Institute of Chartered Secretaries (the Institute) provides guidance to the market on how to integrate ESG performance into governance structures and business strategies.

Pressure from the investment community and regulators is driving ESG higher up board agendas globally and Hong Kong is no exception. Hong Kong Exchanges and Clearing Ltd (HKEX) has just brought in a new ESG regulatory regime that will be effective for listed issuers for financial years commencing on or after 1 July 2020.

This makes very timely the publication of a new guide on ESG – 'Integrating ESG into your business: A step-by-step ESG guide for Hong Kong-listed issuers' – by KPMG China, CLP and the Institute. The guide has a very practical focus. As the title suggests, it provides step-by-step guidance on bringing ESG from the periphery to the core of the board's agenda. The guide includes recommendations and insights from leading practitioners. It also brings together in one publication a wealth of reference information relating to ESG performance and reporting. This includes:

- a summary of the new requirements on ESG for listed issuers in Hong Kong following revisions to the HKEX 'ESG Reporting Guide'
- a brief introduction to the most commonly used international reporting standards and frameworks for ESG or sustainability reports, such as the Global Reporting Initiative (GRI) Standards, the Sustainability Accounting Standards Board (SASB) standards and the United Nations Sustainable Development Goals
- the enterprise risk management framework for ESG-related risks developed by the Committee of Sponsoring Organizations of the Treadway Commission and the World Business Council for Sustainable Development (WBCSD), and
- the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Each section of the guide ends with a selection of 'checklist questions' which will be useful for boards, as well as for governance professionals advising them, in keeping track of where they are in their implementation of effective ESG governance.

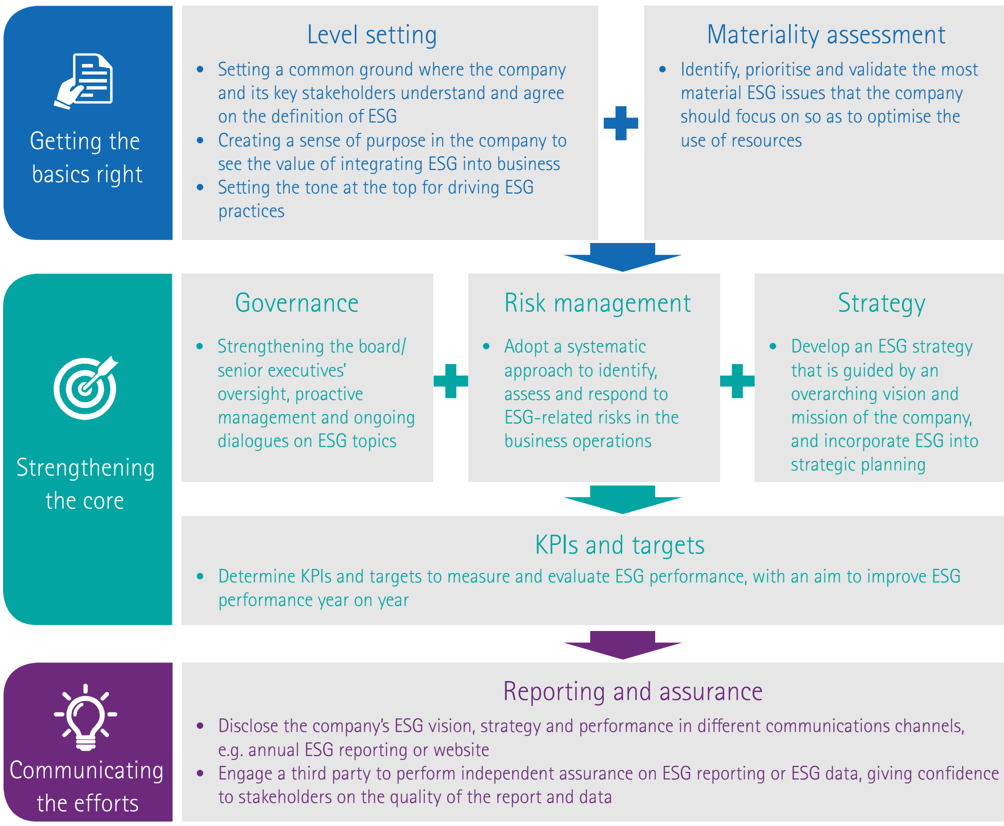
Mission critical

Speakers at a seminar held on 14 January 2020 after the launch of the new guide (see 'Credits'), chaired by Edith Shih FCIS FCS(PE), International President, The Chartered Governance Institute, and Institute Past President, and Executive

Highlights

- environmental risks are now topping the business agenda but ESG disclosure standards still lag behind investor expectations
- the majority of ESG reports still tend to be formulaic
- the new ESG guide by KPMG China, CLP Holdings Ltd and The Hong Kong Institute of Chartered Secretaries provides a pathway for businesses to up their game in ESG performance and reporting

ESG integration guide



Source: KPMG China

> **"Hong Kong's new ESG regime... emphasises, among other things, the board's leadership role and accountability in ESG"**

Director and Company Secretary, CK Hutchison Holdings Ltd, were in agreement about the seriousness of the ESG risks, in particular the environmental risks, that organisations globally are facing. These risks, such as the risks from extreme weather events, failure of climate change mitigation and adaptation, natural disasters, biodiversity loss and ecosystem collapse, were graphically illustrated in the presentation by Dr Niven Huang, Regional Leader, KPMG Sustainability Services Asia Pacific, KPMG, but a central issue discussed in the seminar was how far this message is getting through to boards.

Katherine Ng, Managing Director, Head of Policy and Secretariat Services, Listing Department, HKEX, pointed to the way environmental concerns have been climbing the rankings of global risks as published in the annual World Economic Forum (WEF) 'Global Risks Report' as a clear indicator of the increasing awareness and concern in wider society. The WEF 'Global Risks Perception Survey' questions over 1,000 global experts and decision-makers on their biggest concerns, in terms of likelihood and impact, over the next 10 years. In the 2020 report, in terms of likelihood, all of the top five global risks are environmental and, in terms of 'severity of impact', three of the top five risks are environmental. This is unprecedented in the survey's 10-year history. A slide in Ms Ng's presentation showed that, as recently as 2009, environmental concerns were completely absent from the top five.

Pat Nie Woo, Partner, Head of Sustainable Finance, Hong Kong, KPMG China, cited further evidence of the growing awareness of the seriousness of environmental risks. His presentation cited the latest KPMG Global CEO Outlook survey which shows that climate change now tops the risk agenda – in 2018 it was positioned fourth. He pointed out that the drivers of this are not limited to pressure from investors and regulators – employees, consumers and the growing body of environmental science are also playing a part.

He welcomed the fact that ESG is now getting the attention it deserves, but added that Hong Kong companies still lag behind when it comes to getting effective board oversight of ESG. KPMG data suggests that 63% of business leaders have not integrated ESG issues into their strategic planning. He hopes that the new guide by KPMG, CLP and the Institute will help companies move on from their current 'skin deep' approach to ESG. 'The box ticking, skin-deep approach has got to become obsolete,' he said. He added that the coming decade is going to be 'mission critical' in terms of determining whether we succeed in averting the worst case scenarios regarding climate change, biodiversity loss and other environmental threats.

Amar Gill, Managing Director and APAC Head of Investment Stewardship, BlackRock, pointed out that ESG disclosure standards still lag behind investor expectations. Asset owners have an investment horizon of as much as 50 years, so sustainability and ESG issues are critical to them. 'The majority of ESG reports still tend to be formulaic,' he said.

David Simmonds FCIS FCS, Institute Vice-President, Group General Counsel, Chief Administrative Officer & Company Secretary, CLP, addressed the physical impacts and transitional risks associated with the environment that businesses need to be aware of. The physical risks associated with climate change, he pointed out, are highly evident in the current catastrophic fire season in Australia. One of the bush fires threatened a power station run by CLP. The transitional risks could be even more devastating for businesses, he added – the shift to a low-carbon economy is already impacting companies in the power sector. As a result, and to shoulder its share of the responsibility to mitigate climate change, CLP has committed to: progressively phasing out coal-based assets by 2050; refraining from further investment in additional coal-fired generation assets; increasing renewable energy capacity; and focusing on opportunities in transmission and decentralised smart energy solutions.

While CLP has won recognition for its decarbonisation and clean energy targets, Mr Simmons pointed out that it was an appreciation of the seriousness of the risks that got the company started on its sustainability journey. 'We didn't set out to be a leader,' he said, 'but we knew we had to address the risks.'

Getting the board involved

Despite the rising awareness of the importance of ESG performance and reporting, one of the key elements still missing in the approach to this issue is board oversight. Ms Ng pointed out that many ESG reports included in the HKEX 'Analysis of Environment, Social and Governance Practice Disclosure 2018', contained little or no description of board involvement. The HKEX consultation proposals made in May 2019 therefore focused on ensuring that ESG risks and opportunities are properly considered by the board.

Hong Kong's new ESG regime, announced in December 2019 and to be implemented for financial years commencing 1 July 2020, emphasises, among other things, the board's leadership role and accountability in ESG. It mandates, for example, the disclosure of a statement from the board setting out the board's consideration of ESG issues. These board statements should include details of the board's oversight; the process used to identify, evaluate and manage ESG issues; and the board's review of progress.

The new regime also introduces a new 'aspect' relating to climate change (subject to comply or explain). Listed issuers will need to disclose their policies on identification and mitigation of significant climate-related issues that have impacted and may impact them, and key performance indicators (KPIs) related to significant climate-related issues that have impacted and may impact them, and the actions taken to manage them.

These new requirements are consistent with international best practice. They were formed by the approach pioneered by the TCFD. In 2017, the TCFD recommended that organisations adopt a framework for board evaluation of the risks and opportunities posed by climate change. It emphasises the need to disclose:

- the processes and frequency by which the board and/or board committees are informed about climate-related issues
- whether the board and/or board committees consider climate-related issues when reviewing business strategy and policies, and
- how the board monitors and oversees progress against goals and targets for addressing climate-related issues.

Raising your ESG game

The new ESG guide by KPMG/CLP and the Institute provides practical and accessible guidance that will help companies adapt to Hong Kong's new ESG regulatory

> “the guide makes a number of recommendations related to strengthening the board and senior executives’ capacity for oversight of ESG”

regime and, going beyond the compliance imperative, raise their ESG game. It is structured in three parts.

1. Getting the basics right

The guide points out that the first step in integrating ESG into a business is to set a common ground where the company and its key stakeholders can agree on the definition of ESG and its importance to the company. This exercise should start with the board and senior management understanding the values and relevance of ESG to their business. This should then be communicated across the company.

Apart from getting senior management and the board's buy-in for ESG, stakeholder support and engagement are also essential in making ESG integration possible. Discussions with key stakeholders are essential to gain a wider perspective about the ESG issues that are of concern and have an impact on business. Typically, stakeholder engagement will be part of the materiality assessment exercise. This will involve defining the purpose and scope of the exercise, identifying potential topics and collecting views from key stakeholders, internal and external to the business, about the impact and importance of topics through a variety of ways such as focus groups, interviews and surveys.

The guide provides a sample of the typical ‘materiality matrix’ used by businesses to represent the most material ESG issues that the company should focus on so as to optimise the use of resources.

2. Strengthening the core

The guide makes a number of recommendations related to strengthening the board and senior executives’ capacity for oversight of ESG. In particular, this will require ensuring that the board recruits directors with relevant ESG expertise and experience. The guide recommends therefore that ESG competencies be included in the criteria for selecting future candidates for the board.

In addition, some thought should be given to which activities should have the full board involved, and which should be delegated to a specific committee. The guide recommends that the ‘level setting’ stage (see ‘Getting the basics right’ above) is best done by the full board, while the assessment of specific ESG risks may be best addressed and dealt with by a committee. The guide stresses, however, that organisations need to set clear roles and responsibilities of board

Credits

The Instititue would like to thank everyone involved in the publication of the new guide – ‘Integrating ESG into your business: A step-by-step ESG guide for Hong Kong-listed issuers’ – by KPMG China, CLP Holdings Ltd (CLP) and The Hong Kong Institute of Chartered Secretaries (the Institute). The guide was launched at a press conference on 14 January 2020. This was followed by the seminar attended by the speakers listed below.

- Katherine Ng, Managing Director, Head of Policy and Secretariat Services, Listing Department, Hong Kong Exchanges and Clearing Ltd
- Dr Niven Huang, Regional Leader, KPMG Sustainability Services Asia Pacific, KPMG
- Pat Nie Woo, Partner, Head of Sustainable Finance, KPMG China
- David Simmonds FCIS FCS, Institute Vice-President, Group General Counsel, Chief Administrative Officer and Company Secretary, CLP Holdings Ltd, and
- Amar Gill, Managing Director and APAC Head of Investment Stewardship, BlackRock.

Thanks are also due to Edith Shih FCIS FCS(PE), International President, The Chartered Governance Institute and Institute Past President, and Executive Director and Company Secretary, CK Hutchison Holdings Ltd; April Chan FCIS FCS, Chair of the Institute’s Technical Consultation Panel; Gillian Meller FCIS FCS, Institute President; David Fu FCIS FCS(PE), Institute Past President; Eric Mok FCIS FCS, Company Secretary; and Samantha Suen FCIS FCS(PE), Institute Chief Executive

members, as well as committees, to clarify accountability and facilitate the overall development of ESG.

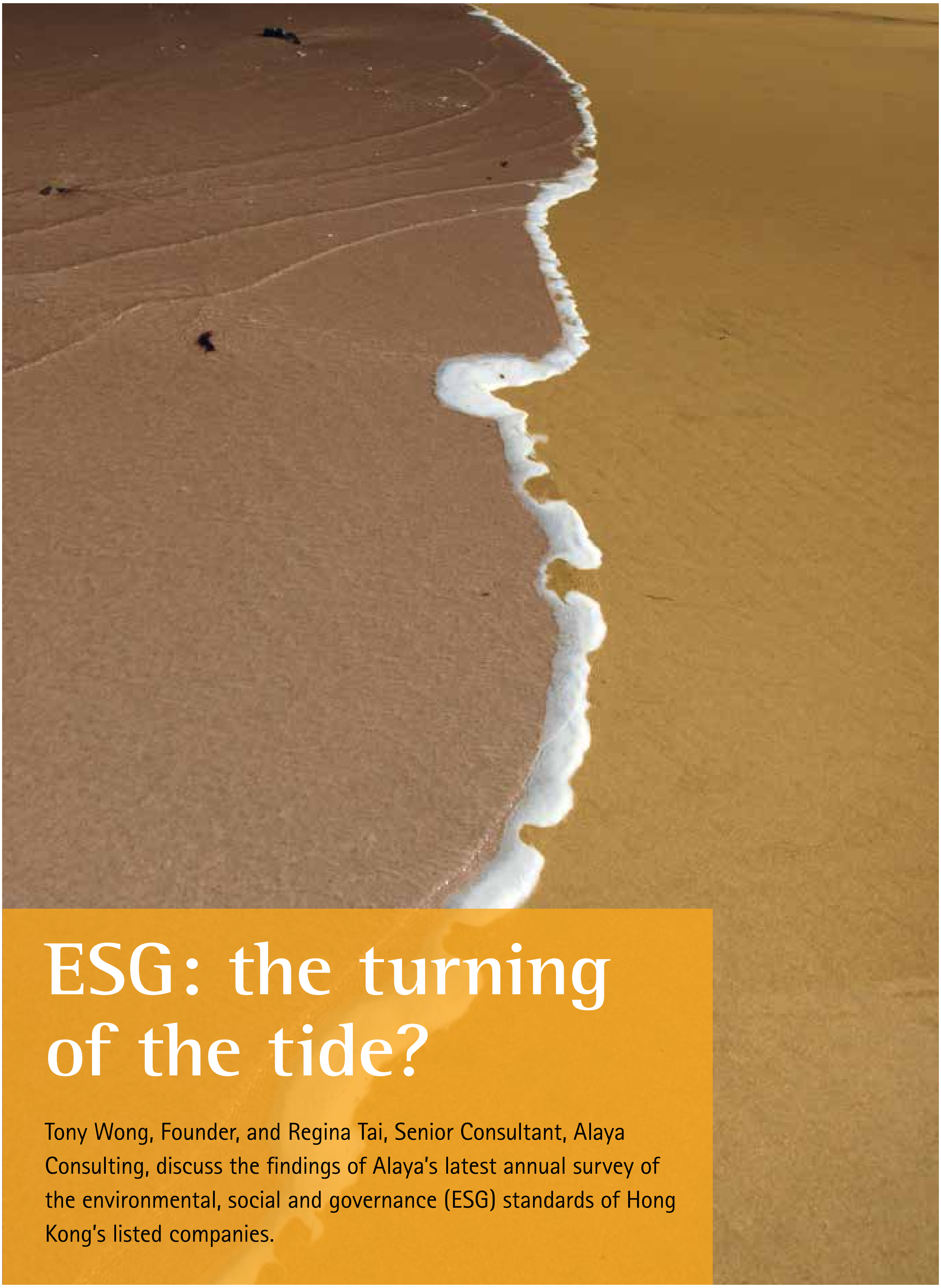
Clear guidance also needs to be given to management and business functions in effectively implementing ESG strategies. The board needs to work closely with senior management to decide on what types of information need to be reported to the board, such as KPIs, progress updates of certain ESG initiatives and how often the reporting cycle should be.

3. Communicating the efforts

Effective, open and regular channels of communication should be established to reach out to both internal and external stakeholders and keep them informed of all the organisation's sustainability visions, direction and progress. The guide highlights the new HKEX requirements relating to ESG disclosure described above, but makes the case for going beyond regulatory compliance. It gives a brief introduction to the most commonly used international reporting standards and frameworks for ESG or sustainability reports – such as the GRI Standards, the SASB standards and the United Nations Sustainable Development Goals. These enable organisations to align their standards with international best practice.

It also gives guidance on the issue of assurance. The guide recommends engaging a third party to perform independent assurance on ESG reports or ESG data, as this will give greater confidence to stakeholders on the credibility of the report and data. CSj

The seminar reviewed in this article was held on 14 January 2020 at the KPMG office in Central. The new ESG guide is available on the Institute's website: www.hkics.org.hk. Further guidance on ESG reporting is available on the HKEX website: www.hkex.com.hk.



ESG: the turning of the tide?

Tony Wong, Founder, and Regina Tai, Senior Consultant, Alaya Consulting, discuss the findings of Alaya's latest annual survey of the environmental, social and governance (ESG) standards of Hong Kong's listed companies.

Seven years after first implementing its ESG Reporting Guide, Hong Kong Exchanges and Clearing Ltd (HKEX) has made a bold, yet much anticipated, step to raise ESG disclosure requirements for issuers in Hong Kong.

In May 2019, HKEX published a consultation paper entitled 'Review of the Environmental, Social and Governance (ESG) Reporting Guide and Related Listing Rules'. The key focus of the consultation was to emphasise the board's leadership role and accountability in ESG matters. On 18 December 2019, HKEX published its conclusions to the consultation, announcing that it will implement the new requirements proposed by the consultation, with modifications reflecting comments received, effective for financial years commencing on or after 1 July 2020 (see Hong Kong's new ESG regime). The new requirements will significantly improve Hong Kong's regulatory framework for ESG governance and disclosure and position the Hong Kong bourse as a pioneer in driving ESG disclosure in Asia.

While most issuers have upped their game since ESG disclosures became a 'comply or explain' requirement of Hong Kong's listing rules, the name of the game may have been completely changed as a result of the consultation conclusions. Hong Kong is moving on from a stage of mere compliance to a stage where leveraging ESG is at least viewed as a tool for risk management, if not a stage where it is deemed to create value for operations. A successful migration to the new approach to ESG, however, hinges on company boards recognising the role they need to play in the sustainability journey.

The survey findings

According to our latest annual in-house ESG survey, less than half of the 80 listed companies surveyed have established a governance body for overseeing ESG performance and less than two-thirds say there is board oversight of ESG. These findings should not, perhaps, come as a surprise. A large proportion of the issuers we have been working with over the past five years have admitted that their board members do not even read their own ESG reports. Moreover, we have observed many directors more interested in their mobile phones during our ESG presentations. The sad fact is that, despite the efforts of HKEX, ESG has not been high on the agenda of many boards in Hong Kong.

There is good reason, though, to believe that the tide is turning. Starting in 2020, boards can no longer treat ESG as something outside the scope of governance. HKEX has made it mandatory for issuers to publish an annual statement detailing how the board oversees ESG management – in particular identifying ESG risks in operations and reviewing the performance in terms of targets established (see Hong Kong's new ESG regime).

Briefing the boards of our clients over the past six months about these looming requirements, we have noted a change in attitude among directors. Mobile devices are less in evidence and we have heard comments such as, 'Looks like we need to start reading our ESG reports'.

The first step towards getting more from the board is to demonstrate that the company's operations are vulnerable to ESG related risks – and can benefit from ESG opportunities – on a daily basis. An essential part of our work is therefore to identify topics critical to both ESG and the business. For example, a key supplier of a global brand might be busy expanding operations and allocating less resources to labour conditions, waste management and other material environmental and social topics – posing higher risk to not only the supplier but also the global brand. Any evidence of non-compliance from the supplier side could have major ramifications, including reputational damage, short-seller reports, losing contracts and regulatory penalties.

When we advise a board, we have to be very specific about the risks and opportunities that they are or will be facing, as not all ESG topics are of

Highlights

- Hong Kong's new environmental, social and governance (ESG) regulatory regime positions the Hong Kong bourse as a pioneer in driving ESG disclosure in Asia
- many Hong Kong listed issuers still have a long way to go to meet the new standards
- less than two-thirds of the 80 listed companies in the Alaya survey say there is board oversight of ESG

equal importance from an individual industry perspective. Some ESG topics are more 'material' in certain industries than in other industries. For example, emissions and waste management is in general more critical in a manufacturing operation than in an office-based environment. That's how investors look at it and that's how we have structured our latest in-house ESG study.

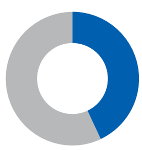
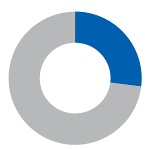
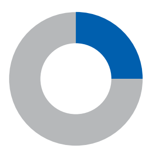
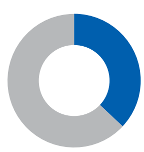
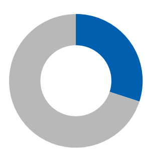
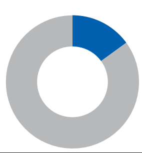
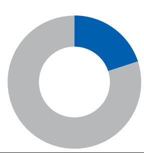
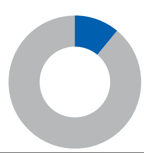
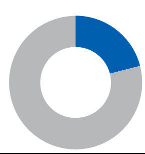
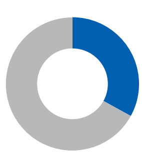
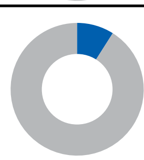
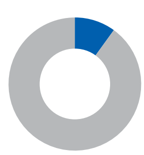
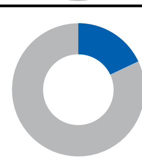
Financials lead in adopting TCFD recommendations

Alaya looked at a total of 80 listed companies in Hong Kong from four pillar industries, namely, finance, real estate, transportation and hospitality. We studied the three major risks associated with these industries, including climate change, supply chain management and cybersecurity (see Table 1: Average disclosure performance by industry).

Globally in the past few years one of the top risk issues for multinational corporations has been climate change. Cited as one of the more prevalent global risks that needs to be managed, climate change has also been gaining traction in the investment community. In particular, the recommendations of the investor-backed organisation, the Task Force on Climate-related Financial Disclosure (TCFD), has received increasing attention in the past few years. HKEX has accordingly added a requirement, subject to 'comply or explain', for issuers to disclose the significant climate-related issues which have impacted, or which may impact, them. This essentially requests issuers to align their management approach and disclosure practices with the TCFD recommendations.

The TCFD recommendations require companies to establish a governance body to oversee climate-related risks, and to disclose metrics and related targets. Our study shows that half of the companies studied in the financial sector have identified climate change as a material topic and 35% have started aligning with the TCFD recommendations. Most of the companies in other industries are yet to adopt the framework – only less than one-third of them recognise climate change as a material risk. In terms of setting carbon reduction targets, the percentage is around 20% to 35%, led

Table 1: Average disclosure performance by industry

	Finance	Real estate	Transportation	Hospitality
Sustainability governance				
Climate change				
Supply chain management				
Cybersecurity				

Source: Alaya Consulting

by the transportation industry, among which four companies have established science-based targets with approval from the Science Based Targets initiative.

Supply chain risk remains generally ignored

After a number of high-profile scandals involving unethical practices and mismanagement of subcontractors and suppliers in Hong Kong over the past two years, supply chain risk has become a growing concern for customers, regulators and even the general public. As a substantial part of companies' environmental and social compliance lies in the supply chain, which is outside of a company's direct control, identifying and managing these risks is increasingly critical for developing a company's strategic necessities.

To promote better management of supply chain risk, HKEX has introduced two new KPIs in the Supply Chain Management Aspect and raised these KPIs, among other social KPIs, from 'recommended disclosure' to 'comply or explain'. The new supply chain KPIs require disclosure of:

- practices followed in identifying environmental and social risks along the supply chain, and
- promoting environmentally preferable products and services.

On one hand, the majority of the companies surveyed are far from ready for reporting their supply chain risks. Among the 24% of companies that mentioned supply chain risks, vague and general statements are commonly found in their reports, without disclosure of the specific risks identified, how the company is impacted by those risks and the related management approach. On the other hand, sourcing environmentally friendly products has been gradually integrating into procurement practices. 43% of the companies surveyed have implemented relevant policies on this. Two of them reported that they even conduct reviews of product life cycles when considering suppliers' selection.

Engaging with sub-tier suppliers has always been an important yet challenging task for companies with complex multi-tier supply chain networks, as companies do not have direct relationships with them. Companies need to identify and focus on particular products and services that have significant impact on their respective operations, or certain types of supplier with high ESG risks – this might involve suppliers who have access to conflict minerals or who have labour-intensive or heavily polluting manufacturing processes. There have been a couple of short-seller reports in recent

> “starting in 2020, boards can no longer treat ESG as something outside the scope of governance”

Hong Kong's new ESG regime

The consultation conclusions published by Hong Kong Exchanges and Clearing Ltd (HKEX) on 18 December 2019 contain a number of significant improvements to Hong Kong's regulatory framework for ESG governance and disclosure.

- Introducing mandatory disclosure requirements to include:
  - a board statement setting out the board's consideration of ESG matters
  - the application of the reporting principles 'materiality', 'quantitative' and 'consistency', and
  - an explanation of the reporting boundaries used by ESG reports.
- Requiring disclosure of significant climate-related issues which have impacted, and may impact, the issuer.
- Amending the Environmental key performance indicators (KPIs) to require disclosure of relevant targets.
- Upgrading the disclosure obligation of all Social KPIs to 'comply or explain'.
- Shortening the deadline for publication of ESG reports to within five months after the financial year-end.

The above requirements will be effective for financial years commencing on or after 1 July 2020. More information on the latest HKEX requirements is available on: www.hkex.com.

years that have built their cases on non-compliant operating practices along the supply chain.

The nature and magnitude of supply chain risks vary in different industries. Companies should consider the entire supply chain in their risk assessments so as to include the high-risk sub-tier suppliers in the scope of supply chain management. For example, hotel groups may identify types of food or products with high environmental or safety risks and introduce controls to monitor their suppliers and raw material providers. Property developers may prioritise safety management conditions of subcontracted workers in their health hazard mitigation plans.

Only 18% of the companies surveyed have a suppliers' code of conduct stipulating ESG requirements. Such requirements act as the basis of evaluation and monitoring, as well as disclosure of appropriate KPIs, such as subcontractor injury rate and percentage of green products procured. Supply chain risk cannot be managed without collective efforts within the industry. Let sustainability be part of the dialogue not only with suppliers, but also with peers and industry actors. Acting together through committing to industry or international sustainability standards can help foster more effective change both internally and externally.

Cybersecurity is out of the spotlight

Cybersecurity risks are acknowledged in the financial industry, with a relatively higher level of disclosure of risk management approaches to these risks. The majority of companies in the other three industries surveyed, however, simply ignore the entire topic in their ESG and annual reports, let alone disclosing any board oversight of the issue, or related risk management strategies and policies.

> "a large proportion of the issuers we have been working with over the past five years have admitted that their board members do not even read their own ESG reports"

While some recent cyber attacks have resulted in data leakage from banks and airlines, they are not the only industries that are vulnerable to cyber threats. The rise of smart living and hospitality services has triggered a wave of informationalisation of business operations. Hotel groups and real estates companies will soon find themselves managing complex computer systems and handling large volumes of data that are prone to various types of attack such as malware and denial-of-service (DoS) attacks.

Cyber attacks are diverse, unstructured and mostly unpredictable. Moreover, the impacts of cyber attacks are not limited to data loss, but can also lead to suspension of operations and loss of digital and physical assets. A single breach may have inestimable consequences for a company's operations. This is not a mere IT issue and cannot be solved simply by hardware upgrades or firewalls. Companies need to raise their overall preparedness, from short, mid- and long-term strategies to employee awareness.

Disclosure should include whether simulation exercises are conducted with cyber attack scenarios, whether awareness-building campaigns are held and whether international standards are being followed when communicating with investors and other stakeholders. All this information is currently lacking in the majority of the companies surveyed, except a few leading financial services groups.

Conclusion

Our latest annual ESG survey confirms that, in general, larger companies tend to be better prepared for ESG risks and consequentially take earlier action to measure and manage these risks – that is one of the the reasons that they are able to maintain their competitive advantages. The hope is that these lessons will be learned more widely in the market. Hong Kong listed companies need to recognise that ESG is no longer about compliance, it is an approach to management thinking that helps companies stay ahead of their peers, creating a strategic 'differentiator' and bringing sustainable returns to stakeholders.

Tony Wong, Founder, and Regina Tai, Senior Consultant
Alaya Consulting

Alaya Consulting is a Hong Kong-based firm that advises companies on non-financial reporting and sustainability process improvement. For the full research report discussed in this article, please contact Regina Tai: reginatai@alayaconsulting.com.hk.

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Internship goes global

Last year Rory Herbert (GradCG) from the UK and Kate Yuen from Hong Kong were selected to participate in the London-Hong Kong Intern Exchange 2019. They talk to *CSj*, along with Edith Shih FCIS FCS(PE), International President, The Chartered Governance Institute, and Past President, The Hong Kong Institute of Chartered Secretaries (the Institute), about this new initiative to expand the internship opportunities available to trainee governance professionals.

Can we start by discussing how this internship programme came about?

Edith: 'Samantha Suen FCIS FCS(PE), Chief Executive of the Institute here in Hong Kong, and I got to know Christina Parry, who was the 2018-2019 Master of The Worshipful Company of Chartered Secretaries and Administrators (WCCSA) in London, a few years ago on a visit to London for a Council meeting of The Chartered Governance Institute. When Christina visited Hong Kong in 2018, we organised a breakfast meeting for her to meet Institute members. We sat down to discuss future collaboration and I mentioned the possibility of doing an international intern exchange. She was really very keen on this idea so we started to work on it. This inaugural London-Hong Kong exchange is only the beginning; I would like to expand this opportunity to all divisions of The Chartered Governance Institute. This idea has the support of The Chartered Governance Institute Council and we are already working on making this multi-jurisdictional.'

Rory: 'I'd like to add to that since when you are studying you can forget how international the world of business is. One day, during my internship with CK Hutchison Holdings (CKH), the fact that it was a public holiday in a European jurisdiction was creating a huge headache for the company secretarial team. It was interesting to see the ripple effect from one small country in Europe going on holiday. That gave me a new perspective on how the business world operates and that's not the sort of thing you would learn in a classroom.'

Kate and Rory, could you give readers a brief introduction to your own backgrounds and why you chose to join the profession?

Kate: 'Actually I majored in Japanese many years ago and am now studying for a master's degree in corporate governance with The Open University of Hong Kong. I will graduate in 2020 and since my course grants full exemption to the Institute's qualifying examinations I hope to become a member of the Institute soon. I am currently working in a private equity company doing fund administration, so my work is very similar to that of a company secretary. Membership of the Institute will help me in my work and career.'

Rory: 'As a student I had no idea what a Chartered Secretary was. I majored in history and after I graduated I was looking at my options – I wasn't sure what I wanted to do. Then I learned that my university offers a master's degree in corporate governance and law. I have just completed that degree and have come to appreciate the diversity of the profession – the varied workload just captured me. I knew then that this was something I wanted to pursue.'

Highlights

- the intention is to expand global internship opportunities to all divisions of The Chartered Governance Institute
- governance professionals need more than technical knowledge in compliance and administration – they need to have the ability to interact with others and to think independently
- internship and mentorship provide an ideal opportunity for students to get the soft skills they need

> "you can study risk management but it becomes very real when you need to come up with contingency plans in a crisis"

Kate Yuen, Hong Kong intern

Could you also tell us something about your experiences as an intern away from your home jurisdiction?
Edith: 'I should explain here that Kate has so far undertaken the first part of the programme, an internship with my company here in Hong Kong. The idea was that she would go to London for the second part, but visa problems have meant that we are now working on getting her an internship in one of the divisions such as Singapore, Malaysia or Australia.'

Rory: 'It was quite scary at first because I had never been outside Europe. So coming so far away was quite intimidating, everything was so new and alien to me, but it was really easy to adjust because everyone has been so welcoming. I was particularly worried about making mistakes but I have been guided every step of the way, which has really helped me to ground myself and acclimatise to the new environment.'

What have been your impressions in terms of how different the regulatory and governance environment is here in Hong Kong?
Rory: 'In terms of regulation, the UK and Hong Kong are quite similar so that helped me because it has been quite easy to apply my knowledge here. I'd say Hong Kong is stricter in some aspects but the UK is now introducing more regulations and more guidance for companies.'

Do you think we are heading towards a world where there will be increased convergence of governance standards?
Edith: 'The basic governance concepts are similar around the world but the local environment in different jurisdictions – such as the market rules and even the education system – has a huge influence. In the UK, for example, there have been a number of major company collapses. That led to loss of trust of large companies among the public, which then fuelled stricter levels of corporate governance and new governance and stewardship codes. Of course, this happens in many other countries.'

Has the internship helped you in terms of your personal and career development?
Kate: 'The internship has helped me to apply what I am learning in my master's degree. You can study risk management but it becomes very real when you need to come up with contingency plans in a crisis. During my internship there were days when it was difficult to plan anything but the staff stayed calm and followed procedures. The internship also made me realise how detailed you need to be. This is one of the things I learned from the Hutchison staff; they were very detailed, writing down everything for me to follow step by step. This was useful and will help me apply this to my own work.'

Rory: 'Yes, the level of detail also surprised me. If the team were working on a document, not only the content but all the formatting had to be exactly right; that's not something you are likely to think about when you're studying. I think the theoretical knowledge you get when studying a corporate governance degree only becomes useful when you are in a situation that requires it. When I started the internship I felt so unprepared, but working here helped me understand and contextualise the information I have learned. It has also given me the foundation I need for the next step in my career. I am very excited to get back home and start working as a company secretary.'

What do you think are the key components of good governance and has anything in your internship experience changed your views?
Kate: 'This internship has certainly made me aware of the importance of good risk management. The core of good governance is all about implementing internal controls and procedures that help to reduce or deal with risks and that is very important in the kind of situation we have been facing in Hong Kong.'

Rory: 'I think, in addition to risk management, good governance is about having transparency and accountability. If you are transparent and accountable, you've inherently got checks and balances in place and you can be flexible when you're dealing with problems as they arise. I also think that governance professionals have to lead by example. This is something that both Edith and Samantha Suen have said to me – you want to be at the forefront of governance because then everything follows. In the UK we are moving towards corporate governance codes that are stakeholder-focused and that look at the impacts of company actions on the environment and society. Company secretaries are the gatekeepers.

“the beauty of mentorship is that, while one is still alive and is able, one can help young people reach their full potential”

Edith Shih FCIS FCS(PE), International President, The Chartered Governance Institute; Past President, The Hong Kong Institute of Chartered Secretaries; and Executive Director and Company Secretary, CK Hutchison Holdings Ltd

You can't let anything slip by you because you're the last line of defence for the company. When you're working here you get a sense of that – any mistake that slips by you is inherently on you.'

Kate: 'But you also need to influence your team members to have the same level of integrity and that might be quite difficult.'

Do you like that aspect of the profession – the requirement to be a gatekeeper for ethics and good governance, because that of course puts a lot of responsibility on you?

Kate: 'That is one of the reasons I am attracted to the profession – I want to be the gatekeeper and to have the right training and knowledge to perform this role.'

Do you think you'd have the courage to speak up in board meetings on questions of ethics?

Rory: 'That's the challenge and I think that's why company secretaries love their jobs. Sometimes it might be a question of using soft power – raising your voice and just saying no might not be the best option. That's what encapsulates the profession and makes it so interesting, you have to think about how to present your case. Sometimes the board won't listen to your advice, but at the end of the day you are the gatekeeper and if the board chooses not to listen at least you've tried your best. You also have the backing of the Institute, so if you feel something's not right you can contact them for advice.'

Was there anything in your internship that changed your views on governance?

Kate: 'I haven't done the overseas part of the internship yet, but I hope to find that the governance principles I have learned about are basically the same in whatever jurisdiction I work in.'

Rory: 'Yes, I think that's important. If there's a country that has weak governance rules, leading to weak transparency and accountability, there are some companies that will go and exploit that. If we don't have international cooperation when it comes to governance, then it will only be as strong as the weakest link.'

Edith: 'I would add that ethics is closely linked to governance. We have to instill an ethical mindset in governance professionals – this will be the foundation of their conscience. Where people are trying to sidestep the rules and laws without a true sense of what's right and what's wrong, it will always be an uphill battle. In that scenario, whatever rules and laws you have in place, you will always be very busy trying to police people. It is a lot easier when you educate people when they are young to differentiate between the right and the wrong. When I was young we had a subject called "civic duties". Unfortunately this subject seems to have disappeared from the syllabus.'

Do you feel that the younger generation is more focused on good ethics? It's often said that millennials are looking

> “I think the theoretical knowledge you get when studying a corporate governance degree only becomes useful when you are in a situation that requires it”

Rory Herbert, UK intern

for employers that respect their own values.

Kate: ‘I am not a millennial but I think my generation needs to understand the next generation better. The next generation in Hong Kong have a mindset that is very different and there is a gap between their values and those of the older generations. So I think we need to communicate better with them. That means understanding what they are thinking, as well as sharing our experience and our point of view and values with them.’

Edith: ‘Of course people come to us with different backgrounds and values, but I hope that they can learn the standards we require in this company and conduct themselves accordingly. We may be operating in a country where the standards are very different – I don't mean necessarily lower standards – but we have a set system and when we go to a new country the whole system goes with us. Our system also requires that head office gets to review everything relevant to the governance arena, so we are able to set the requirements and ensure that our company standards are being complied with by our colleagues everywhere.’

Rory: ‘I think globally we are taking a step in the right direction because many countries are looking at corporate governance as a way to fix a lot of business and social issues that have arisen in the modern age. A lot of countries around the world are reviewing their corporate governance systems and introducing more transparency and more accountability because they know the benefits this will bring to their economies and reputations.’

Edith: ‘And that dovetails with what The Chartered Governance Institute is doing. We are promoting our roles not only as company secretaries but as governance professionals. Our role is not limited to filling in and filing forms or keeping records, it is also about ensuring compliance and good governance practices – this is a higher level in terms of the value we bring to organisations. So the profession needs to be seen with a wider angle now.’

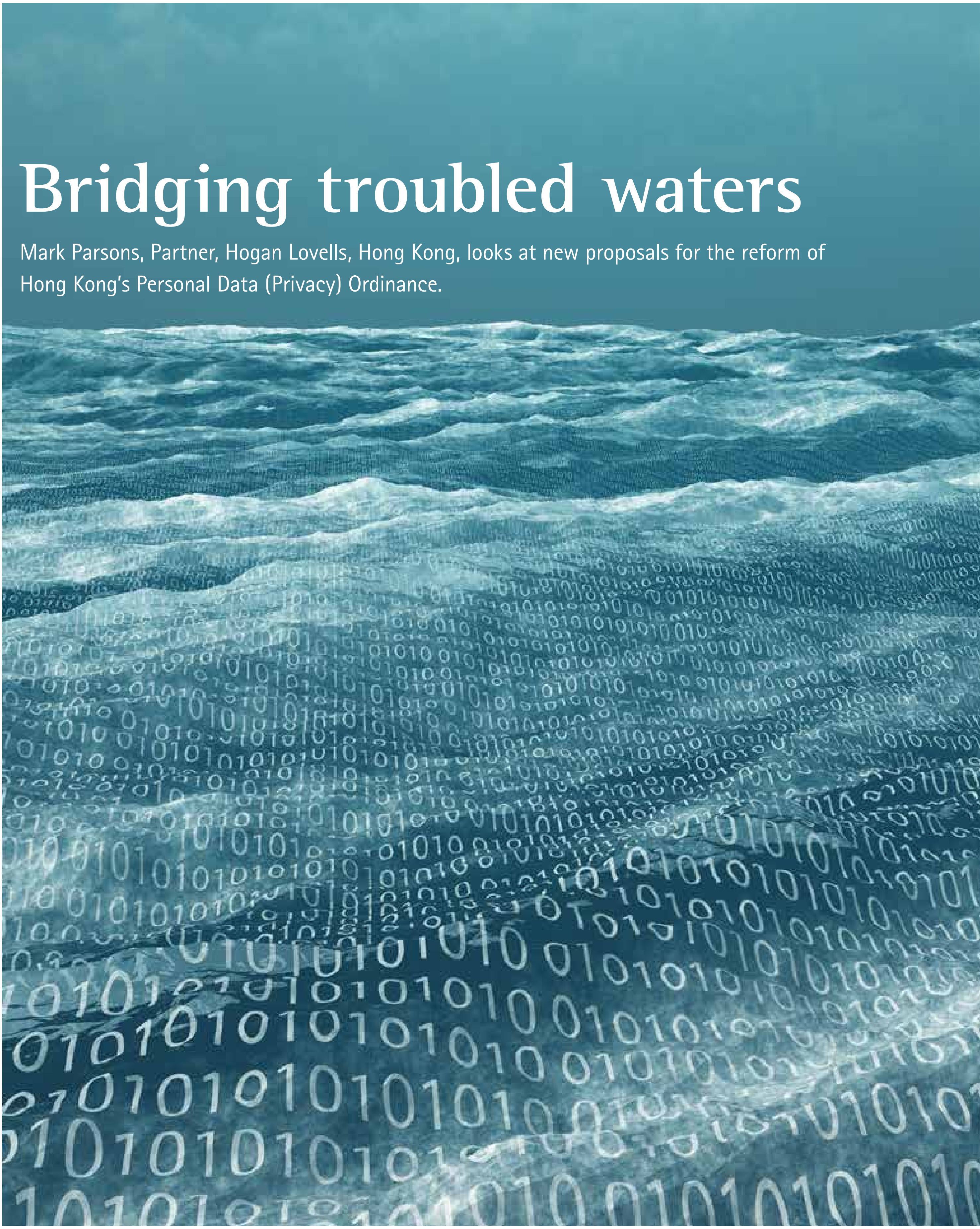
One last question, Edith. Can you share your views on the wider implications of this intern exchange? What role do you think internship and mentorship can play in the training governance professionals need?

Edith: ‘We need to have the ability to interact with others and to deal with issues as they arise. As Kate mentioned, Hong Kong has been facing a political crisis since summer 2019. On some days our staff had to leave the office and go home earlier to stay safe. We have a Whatsapp group to account for the last colleague to arrive home – we keep an eye on each other. I think internship and mentorship provide an ideal opportunity for students to get the soft skills they need.

I do quite a lot of mentoring for my university, Columbia University. Columbia sends undergraduate students from New York to Hong Kong every summer to spend two months here working for various employers. I also work with mentees from the Institute here in Hong Kong in the summer. So the summer months are a very good opportunity for local mentees and those from New York to work, learn and socialise together.

I feel it is important to have the time to interact with mentees. There's no point taking on interns if you are not going to be working with them or your colleagues cannot spare time to work with them. I like to spend as much time with them as possible. It is also rewarding for mentors. The beauty of mentorship is that, while one is still alive and is able, one can help young people reach their full potential. Providing funds or scholarship after one has passed away does not generate the same rapport or benefits. I think senior people in our profession should try to do as much mentoring as possible. I still have mentees from six or seven years ago, sending me questions about their work. Sometimes I know the answers, sometimes I don't – so I go and find the answers and then I have learned something too. I believe in passing the torch and continuing learning.’

Edith, Kate and Rory were interviewed by Kieran Colvert, CSJ Editor, at the CK Hutchison Holdings Ltd headquarters in Hong Kong in December 2019. More information on the London-Hong Kong Intern Exchange 2019 is available on: www.hkics.org.hk and www.wccsa.org.uk.



Bridging troubled waters

Mark Parsons, Partner, Hogan Lovells, Hong Kong, looks at new proposals for the reform of Hong Kong's Personal Data (Privacy) Ordinance.

On Monday 20 January 2020, the Constitutional and Mainland Affairs Bureau (CMAB), jointly with the Privacy Commissioner for Personal Data (PCPD), presented a paper outlining topics for review of the Personal Data (Privacy) Ordinance (PDPO) to the members of the Legislative Council Panel on Constitutional Affairs (PDPO Review Paper). The CMAB and the PCPD are expected to take panel members' feedback on the PDPO Review Paper and undertake further in-depth study of the issues with a view to making specific proposals for legislative reform in due course.

Background and context

The PDPO stands as one of the Asia-Pacific region's longest standing comprehensive data protection laws. Enacted in 1995, the PDPO has only had one substantial set of reforms since, the principal reform being the introduction in 2013 of new direct marketing controls. It goes without saying that the data protection regulatory landscape, both globally and regionally, has changed significantly since then. The specific proposals discussed in the PDPO Review Paper target a few key areas of reform that would do much to bring Hong Kong's data protection law closer to international norms. The PDPO Review Paper makes specific reference to international legislative developments, such as the European Union's General Data Protection Regulation (GDPR), as well as legislative developments in Australia, Canada, New Zealand and Singapore.

Keeping pace with international developments is, however, only part of the agenda. Equally important is the PDPO Review Paper's focus on Hong Kong's particular challenge with 'doxxing' – the unauthorised public disclosure of personal information with the intent to intimidate or encourage acts of vigilantism. Described by constitutional affairs minister Patrick Nip Tak Kuen as the weaponisation of personal data, doxxing became a widely used tactic during Hong Kong's recent political unrest, with the PCPD reporting that his office received close to 5,000 complaints and enquiries from individuals who reported being the victims of doxxing.

In this context, the review of the PDPO is a critical area of legislative focus for Hong Kong, reflecting both the importance of strong data protection regulation to Hong Kong's efforts to maintain its status as a leading regional financial hub and to the need to set boundaries for principled political debate.

Proposed amendments to the PDPO

The PDPO Review Paper focuses on the areas highlighted below.

Mandatory breach notification

The PDPO does not include a mandatory data breach notification obligation. Data Protection Principle 4 of the PDPO requires data users to take all practicable steps to prevent unauthorised or accidental access of personal data, but if this provision is breached, there is no obligation to notify the PCPD or impacted data subjects.

In the PDPO Review Paper, the CMAB suggests that the introduction of a mandatory breach notification would enable the PCPD to: (a) monitor the handling of data breaches more effectively; and (b) follow up with the data users regarding further actions to mitigate the consequences of such breaches.

The PDPO Review Paper identifies the issues below as key considerations to the formulation of a mandatory breach notification obligation.

- **How 'personal data breach' should be defined**: the CMAB suggests that this definition could mirror the very broad definition in Article 4(12) of the GDPR, which refers to a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data transmitted, stored or otherwise processed.
- **The threshold for notification**: the CMAB recommends that a data breach having 'a real risk of significant harm' should be reported to the PCPD and to affected data subjects, and is considering: (i) whether the same threshold would

Highlights

The reform proposals include:

- making it mandatory for organisations to notify the Privacy Commissioner for Personal Data of data breaches
- considering whether or not the Personal Data (Privacy) Ordinance should be amended to address the 'doxxing' phenomenon that has plagued Hong Kong in recent months, and
- regulating data processors as well as data users.

apply to notifications to the PCPD and to affected data subjects; and (ii) what factors the data user should take into consideration when determining if the notification threshold has been met.

- **The timeframe for notification**: the CMAB recommends that: (i) when the data user becomes aware of a data breach, it should notify the PCPD within a specified timeframe; and (ii) the PCPD should be empowered to direct the data user to notify the affected data subjects, and is considering whether a specified investigation/verification period for suspected data breaches should be permitted before a notification needs to be made.

- **The method of notification**: the CMAB is considering: (i) allowing various methods for data users to notify the PCPD (including by email, fax or post); and (ii) what information should be provided in the notification, which may include a description of the breach, the cause of the breach, the type and amount of personal data involved, an assessment of the risk of harm and the remedial actions to be taken by the data user. The PCPD is also proposing to develop templates and guidelines on this notification mechanism process.

Mandatory data breach notification obligations are in force in the EU and Canada, under numerous state laws in the US and in the Asia-Pacific region in Australia, Mainland China, Indonesia, South Korea, Taiwan and Thailand. Mandatory breach notification regimes are likely to be introduced in India, New Zealand and Singapore in the near future. As mandatory breach notification requirements have essentially become the norm for comprehensive data protection regimes internationally, it is no surprise that Hong Kong is re-evaluating its current position. The PCPD's investigation of a substantial data breach by Cathay Pacific Airways placed a spotlight locally on the increasing regularity of data breach incidents. Incidents such as these provide ample evidence that mandatory data breach notification obligations would serve as a means of achieving better data protection compliance and enable data subjects to take steps to protect themselves from the consequences of a breach.

The key practical challenges for implementing an effective breach notification obligation include the issues noted by the CMAB in the PDPO Review Paper. There is a legitimate concern that fixing the threshold for notification too low would result in 'notification fatigue', whereby the PCPD's scarce resources could be spread too thin responding to breaches which pose no practical risk of harm, and so do little to advance the cause of data protection. Here the approach taken in the EU, where the notification threshold was not specifically linked to any risk of actual harm to impacted data subjects, may provide important lessons learned. In the wake of the introduction of the GDPR, the UK deputy information commissioner, overwhelmed by the sheer volume of notifications, made a plea to businesses to not over-report. Setting a clear materiality threshold for notification would better advance the aims of breach notification, allowing authorities and data subjects to focus on the incidents that matter. Clear guidance on the notification threshold will also be key to ensuring efficient compliance by organisations seeking to comply with the law.

Similarly, the timeframe required for notification also has critical practical importance. In most data breach scenarios, it takes time for the organisation to gather information to assess and contain the breach. Premature notifications add to the risk of 'notification fatigue' and increase the administrative burden for the PCPD. Fixing a specific timeframe for notification brings clarity to the obligation, but may not achieve the obligation's objective.

Data retention

DPP2 of the PDPO requires data users to take all practicable steps to ensure that personal data is not kept longer than is necessary for the fulfilment of the purpose. In line with other data protection laws internationally, DPP2, however, does not specify when such personal data is 'no longer necessary'.

In light of the diverse nature of different organisations and their differing personal data practices, the CMAB considers that it is, in practical terms, inappropriate to mandate uniform retention periods for different categories of personal data. Accordingly, the CMAB recommends amending the PDPO to require data users to develop clear personal data retention policies, which would cover, among other things: (a) the maximum retention periods for different types of personal data; (b) the legal requirements that may affect those retention periods; and (c) how those retention periods are calculated.

At this stage, then, the CMAB's proposal does not appear to be to prescribe specific retention periods for retaining personal

> the proposals... target a few key areas of reform that would do much to bring Hong Kong's data protection law closer to international norms

data by regulation, but instead to impose an accountability requirement on data users to assess their personal data holdings and formulate data retention procedures directed at ensuring that DPP2 is complied with in substance.

Fines and sanctions

At present, fines under the PDPO are set at Level 3 (HK$10,000), Level 5 (HK$50,000) and Level 6 (HK$100,000) of the statutory guidelines. The PCPD may issue an enforcement notice requiring a data user to remediate its breach of the DPPs. Breach of an enforcement notice may result in a Level 5 fine and imprisonment for two years on first conviction.

To reflect the severity of the offences and to improve the deterrent effect of the PDPO, the CMAB is considering increases to these fines. The CMAB notes that data protection authorities in other jurisdictions may issue administrative fines for data protection–related breaches, which the CMAB is also considering introducing.

In particular, the CMAB is considering the following issues in relation to such administrative fines: (a) the threshold for imposing such fines; (b) the level of those administrative fines, which may be linked to the data user's annual turnover; and (c) the mechanism for imposing such a fine, including what information would need to be set out in the administrative fine notice.

It goes without saying that the fines being assessed under the EU GDPR have been a game-changer for organisational focus on data protection compliance. Fines under the GDPR may reach up to 4% of an organisation's worldwide turnover and this has, in many cases, led to a substantial increase in organisations' budgeting for data protection compliance work. There is a widespread perception that the current levels of fine under the PDPO are well within the cost of doing business, except for in relation to the smallest of businesses, and so the risk of a fine does not serve as an effective deterrent. While an increase in the potential fines appears to be long overdue, it will be important, however, to ensure that the potential scale and the approach to the administration of fines be structured in such a way that preserves the important role that the PCPD has in guiding organisations to advance compliance. The PCPD is constitutionally an independent authority and it has a well-deserved reputation for working constructively with organisations to advance PDPO compliance.

Regulation of data processors

At present, the PDPO only regulates data users – organisations that control the collection, holding, processing or use of personal data. Data processors – organisations processing personal data on behalf of data users – have no obligations under the PDPO. The PDPO does require a data user to ensure that its data processors adopt measures to protect personal data, but CMAB suggests that this is inadequate. The absence of any direct regulation may result in data processors neglecting the importance of protecting personal data.

In the PDPO Review Paper, the CMAB refers to the position adopted by overseas regulatory authorities, many of which impose obligations directly on data processors.

The complexity of modern data processing arrangements, and the sheer volume of personal data that organisations now process through cloud services and other third-party data processing arrangements, has resulted in a shift towards the regulation of data processors under data protection laws in many jurisdictions. To leave data processors out of the compliance matrix leaves a critical gap.

There are, however, a number of important practical considerations to bear in mind. In many cases, data processors will have little or no awareness of the nature of the personal data they process on data users' behalf and whether or not, for example, the data has been collected in a compliant manner. To impose the full set of data protection compliance obligations on data processors would introduce a compliance cost which, in many cases, will not be appropriate to the commercial realities of the data processing arrangements, which focus on cost-effective, efficient and secure data storage and processing. Data processing obligations would be best focused on the compliance risk areas that data processors can meaningfully control, such as complying with contracted data security requirements, ensuring secure transfer and disposal of personal data and making data breach notifications where they are known to the processor.

> "by placing the doxxing issue into the basket of reforms, the CMAB has highlighted a very sensitive point of data protection compliance for Hong Kongers"

Definition of personal data

'Personal data' under the PDPO is defined by reference to information that relates to an 'identified' natural person. The CMAB is considering expanding this definition to include data that relates to an 'identifiable' natural person. The PDPO Review Paper does not go into detail as to the basis for review other than to refer to the use of tracking and data analytics technology as a justification for the change. The practical context alluded to is that 'big data' analytics can involve processing of large datasets of information that do not include the specific identity of any of the individuals concerned. These datasets may readily be combined with publicly available information to establish the identity of the data subject, raising data protection concerns.

Noting that part (b) of the definition of 'personal data' under the PDPO requires that data will only be personal data if it is data 'from which it is practicable for the identity of the individual to be directly or *indirectly* ascertained' [emphasis added], there is already some implication that the PDPO regulates the linking of non-personally identifiable information to personal data. Clarification may well be useful, but the language will need to be carefully considered. The boundary between, for example, the processing of personal data and the beneficial use of data that has been subject to appropriate anonymisation should be carefully maintained.

Regulating the disclosure of personal data relating to other data subjects

The final area of reform highlighted in the PDPO Review Paper is consideration of whether or not the PDPO should be amended to address the 'doxxing' phenomenon that has plagued Hong Kong in recent months.

The PDPO Review Paper notes that as at 31 December 2019, the PCPD had made over 140 approaches to the operators of websites, online social networks and discussion forums urging them to remove some 2,500 weblinks apparently relating to doxxing activities. The PCPD reports that close to 70% of the offending links have been removed.

The PDPO Review Paper also notes that the PCPD has requested the platforms concerned to publish warnings stating that doxxing or cyberbullying may violate Section 64 of the PDPO, which makes an offence of disclosure of personal data without consent where: (i) the intent is to gain money or cause the data subject financial loss, or (ii) the disclosure has the effect of causing psychological harm.

The PDPO Review Paper reports that as of 31 December 2019, eight persons had been arrested by the police on charges relating to this provision.

At present, the HKSAR Government is considering how the PDPO may be amended to address doxxing more directly. Proposals under consideration include legislative changes to address doxxing specifically and conferring statutory powers on the PCPD to require the removal of doxxing-related content from social media platforms or websites and to carry out criminal investigations and prosecutions.

Conclusions

The PDPO Review Paper sets out some important proposals for modernising the PDPO, including by making changes that have been widely adopted internationally. At the same time, these issues involve critical nuance and merit careful consideration, so as to ensure the changes are implemented in a way that works best to benefit Hong Kong's status as a thriving regional business hub.

By placing the doxxing issue into the basket of reforms, the CMAB has highlighted a very sensitive point of data protection compliance for Hong Kongers. Doxxing is an issue that must be addressed. However, it is clear that this move risks drawing a political debate that is focused as much on Hong Kong's political and social unrest of recent months as on data protection policy. Above all else, the PDPO Review Paper highlights the need for legislative development of the PDPO, targeting key points of reform that Hong Kong would do well to pursue to ensure that its data protection laws are responsive to international regulatory developments and the increasing demands placed on data protection laws by digital economies.

Mark Parsons, Partner
Hogan Lovells, Hong Kong

Is it the right time for ESOPs?

Given the market turbulence in Hong Kong, is the timing right for Employee Share Ownership Plans (ESOPs)?

ESOPs were first introduced by Peninsula Newspapers in the US in 1956. Since then, ESOPs have been regarded as one of the classic methods to invigorate businesses and induce impetus for growth.

Put simply, ESOPs give part of the shareholding of the company to employees whose work is closely related to the development of the company. The purpose is to give employees a sense of ownership, thereby promoting the sustainable development of the company. ESOPs may take various forms, such as share options, restricted shares, or employee share purchase plans. Share options give employees the right to buy a certain amount of shares of the company within a future period of time at a predetermined price and under predetermined conditions, and the difference between the option exercise price and the market price is the value of the incentive. Restricted shares allot a certain amount of shares to employees, which will be vested in the employees by a specific date in future, and the market price of the vested shares is the value of the incentive. Employee share purchase plans give employees the right to purchase shares of the company in accordance with certain conditions, and the difference between the market price and the purchase price is the value of the incentive.

Crisis or opportunity?

So no matter which type of incentive scheme is offered, employees can only benefit if the share price goes up. But throughout the first three quarters of 2019, the Hong Kong stock market remained volatile. The Hang Seng Index rose steadily from early 2019 to April, accumulating a growth of 20%. It then tumbled after April. The US, Hong Kong and the Mainland of China (the Mainland) are leaders in the global IPO market, but IPOs in Hong Kong shrank both in volume and in value. Some to-be-listed companies, in particular large ones, have faced the challenges of a reduction in IPO price, a reduction in their capacity to raise capital and delays in their listing plans. Going forward, in view of the trade war between the Mainland and the US, the development trends of the renminbi and social events in Hong Kong, the outlook for the Hong Kong IPO and secondary markets remains uncertain. Under such circumstances, should listed companies still implement ESOPs?

With the increase in the number of listed companies in Hong Kong and the growing popularity of the concept of share ownership incentives, the demand for ESOPs among companies and employees is still strong despite the volatility of the market. In particular, with mixed-ownership reforms going on in state-owned enterprises in the Mainland, the offering of effective incentive schemes has become a key subject for consideration. The 'Notice on Matters Related to Effective Implementation of Stock Ownership

Highlights

- Employee Share Ownership Plans (ESOPs) are one of the classic methods to invigorate businesses and induce impetus for growth
- in the current economic situation, ESOPs can help to enhance the personal development of employees and facilitate the long-term growth of the company
- setting the exercise price of share options at a time when the share price is low means greater potential for future gain

> "the demand for ESOPs among companies and employees is still strong despite the volatility of the market"

Incentives of Listed Companies Controlled by Central Enterprises' issued by the State-owned Assets Supervision and Administration Commission in November 2019 brings in major improvements to the requirements regarding the form and method of share ownership incentives, offering price, amount of offer and approval procedures. Under the circumstances, I believe offering ESOPs will remain the trend.

When the economic situation is unfavourable and there is a lack of impetus for business growth, employees are easily disincentivised, and the problem of brain drain tends to arise. Under such circumstances, the introduction of appropriate ESOPs to set clear direction for corporate and personal development and provide benefits to core employees is a good therapy to give assurance and incentives to employees and facilitate the long-term growth of the company.

Cost and benefit

From the perspective of costs to the company, offering ESOPs at a time when the share price is low means relatively low cost. Take share options as an example. Current share price is the key factor affecting the value of the option and the cost to the company. The cost of ESOPs is determined and amortised on the basis of the average share price on the day of granting the option. So the offering of options at a time when the share price is low would mean a relatively low cost to be determined and amortised. Regarding restricted shares plans, the shares granted are usually shares bought on the market or new allotment. At a time of low share price, the cost of share buyback would be low, and the buyback is positive news that could enhance market confidence in the company's shares.

From the perspective of the long-term benefits to the employees, rewards obtained at a time of low share price represent greater potential in value growth. For example, the benefits of share options to employees comes from the difference between the market price and the exercise price of the option. According to Chapter 17 of the Listing Rules of the Stock Exchange of Hong Kong, the exercise price of options must be at least the higher of:

- the closing price of the securities as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day, or
- the average closing price of the securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding and including the date of grant.

Therefore setting the exercise price at a time when the share price is low means a relatively low exercise price and greater potential for future gain.

Start planning early

Introducing an ESOP is no easy task. It involves the design of the plan, tax planning, setting up of a trust, reporting to the foreign exchange administration authorities, establishment of a platform for information management and exercise of options by and sale of shares to employees, as well as the final inflow of funds. The parties involved include the company itself, human resources consultants, accounting firms, law firms, trust companies and securities firms. Therefore companies should start planning and preparatory work early.

Currently, the market is volatile and the economic situation is unfavourable, but ESOPs remain indispensable. Offering ESOPs at this time means attracting and retaining staff at lower cost and offering greater room for asset appreciation to employees. Moreover, offering ESOPs is the general trend. This is an important tool to invigorate businesses and promote sustainable development.

Alix Chan, Director
BOCI Securities Ltd

Wendy Ho FCIS FCS(PE),
Executive Director, Corporate Services
Tricor, Hong Kong
(Provision of Professional Trustee Services)

股权激励时机如何？

香港市场动荡，现在是实施股权激励机制的适当时机吗？

自从1956年美国的Peninsula Newspapers拉开员工股权激励序幕后，股权激励一直被视为激发企业干劲与活力的经典法则之一。

员工股权激励（ESOP）简单来说就是将公司的部分股权给到与企业发展息息相关的员工，增强员工的主人翁意识，从而推动企业可持续发展。员工股权激励的方式有股票期权，限制性股票，员工股票购买计划等。股票期权是授予员工在未来一定期限内以预先确定的价格和条件购买本公司一定数量股份的权利，行权价与市价之间的差价就是奖励员工所能得到的收益；限制性股票是授予员工一定数量的股票，于指定时间归属至员工名下，归属股份的市价就是获奖励员工所能得到的收益；员工股票购买计划是员工按照规定条件购入公司股票，市价与购买价之间的差价就是奖励员工所能够得到的收益。

危或机？

综合上面介绍，无论哪种奖励计划，股票价格上涨员工才会获得收益。但是纵观2019年前三个季度，港股市场的"不确定性"贯穿始终。恒生指数从年初至4月份稳步上涨，累积上涨20%，4月之后开始震荡下跌。全球的IPO市场由美国，中国香港，中国内地"三辆马车"拉动；但是香港IPO市场现"量价齐跌"，部分企业特别是大型企业上市时面临下调招股价、缩减集资规模、甚至推迟上市等挑战。未来受中美贸易战、人民币走势以及本地社会运动影响，港股二级市场以及IPO市场走势仍然不明朗。这种形势下，上市企业是否还应落实员工股权激励计划？

虽然市场震荡，但是随着上市企业数量的增加以及股权激励概念的普及，企业以及员工对股权激励的需求依然旺盛。特别是随着中国内地国有企业混合所有制改革的推进，建立行之有效的激励约束机制成为重大课题。2019年11月国资委发布的《关于进一步做好中央企业控股上市公司股权激励工作有关事项的通知》对股权激励的方式与方法、授予价格、授予数量、审批程序等方面的要求都有不小的突破。因此笔者相信现时情形下股权激励依旧是大势所趋。

在经济低迷，企业增长乏力的状态下，容易发生员工积极性受挫，人才流失等问题。因此在此时机下，实行适当的股权激励机制，明确公司以及个人发展目标，绑定核心人员的利益，是稳定军心，激发干劲，实现企业长远发展的一剂良药。

成本与效益

从企业的成本角度考虑，股价低迷的时候实行股权激励计划产生的费用相对低廉。以期权为例，股票现价是影响期权价值以及企业成本的重要因素。股权激励计划的成本是按照授予日股份平均价拟定、摊销。因此在股价处于低位时授予期权需要拟定以及摊销的费用会相对较低。对于限制性股票计划，多数授予的股票是来源于上市公司于市场上购买股份或认购新股份，一方面在股价低迷

Highlights

- 股权激励是激发企业干劲与活力的经典法则之一
- 在目前的经济状况下，股权激励有助员工个人发展，并实现企业长远发展
- 股价处于低位的时候期权行使价格的设置相对较低，从而使得未来收益潜力更大

的时候购买股份则成本相对较低；另一方面回购作为正面消息，亦可以提振市场对该公司股票的信心。

从员工长远收益角度考虑，股价低迷时取得的奖励更加具有增值潜力。以期权为例，员工的收益是市场价格与期权行使价格之间的差额。根据香港联交所上市规则第十七章，期权行使价格须至少为下列两者中的较高者：

i. 有关证券在期权授予日期（必须为营业日）的收市价（以交易所日报表所载者为准）；及

ii. 该等证券在期权授予日期前5个营业日的平均收市价（包括授予日；收市价同样以交易所日报表所载者为准）。

因此股价处于低位的时候行使价格的设置相对较低，从而使得未来收益潜力更大。

及早筹划

股权激励是一个系统性的庞大工程，一方面涉及激励计划设计、税务筹划、信托设立、外管报备、资料管理平台建立、员工行权/出售和资金回流等环节；另一方面也涉及企业自身、人力咨询机构、会计事务所、律师事务所、信托机构、券商等机构。因此企业亦需尽早筹划，提前布局。

以限制性股票计划为例，虽然并没有如股票期权般有上市规则第十七章规范，上市公司在执行上仍然需要注意符合其他上市规则规定。例如，给予资金予受托人购买股份、授予限制性股票均不可在禁止买卖期进行。又例如以发行新股去满足股份归属至董事，会构成关连交易而引致需要独立股东批准等等。因此，选对上述专业服务机构，尤为重要。

现时市场动荡，经济低迷，但是股权激励依然必不可少。一方面股权激励使得企业可以利用较低的成本吸引以及留住员工，并且给予员工更大的财富升值空间。另外一方面股权激励是大势所趋，是激发企业活力，推进企业实现可持续发展的重要工具。

陈晓兰, 董事
中银国际证券有限公司

何咏紫FCIS FCS (PE), 企业服务执行董事
卓佳・香港
(提供专业受托人服务)

Professional Development

Seminars: December 2019

3 December
HKICS guidelines on practices of inside information disclosure of A+H companies

Chair: Mohan Datwani FCIS FCS(PE), Institute Senior Director and Head of Technical & Research
Speaker: P H Chik, Solicitor, Institute Legal Adviser of Mainland China Technical Consultation Panel

4 December
2019 AGM review and e-voting technologies for shareholder meetings

Chair: Alberta Sie FCIS FCS(PE), Institute Professional Services Panel member, and Company Secretary & Director, Reanda EFA Secretarial Ltd
Speakers: Richard Houng, Managing Director, Head of Operations; and Adrian Choi, Assistant Vice President of Corporate Services; Computershare Asia

10 December
Key updates of environmental, social and governance (ESG) reporting and corporate governance

Chair: Christine Chung FCIS FCS, Institute Professional Development Committee member, and Company Secretary, Virtual Banking by Standard Chartered Bank
Speakers: Gloria So, Principal, ShineWing Risk Services Ltd; and Dr Josie Deng, Manager, ShineWing Sustainability Advisory Services Ltd

12 December
Communication skills workshop — 5 tools for effective communication in business

Speaker: Oliver Williams, Performance Coach & Trainer, RBP Group Ltd

17 December
How technological risk and cybersecurity affect corporate governance

Chair: Mohan Datwani FCIS FCS(PE), Institute Senior Director and Head of Technical & Research
Speaker: Jason Yau CPA(US), Head of Technology and Management Consulting, RSM

18 December
Sexual harassment in the workplace

Chair: Polly Wong FCIS FCS(PE), Institute Qualification Development Panel Vice-Chairman, and Company Secretary and Financial Controller, Dynamic Holdings Ltd
Speaker: Beverley Cheung, Training Officer, Equal Opportunities Commission

ECPD forthcoming seminars

Date	Time	Topic	ECPD points
20 February 2020	6.45pm–8.45pm	Hybrid AGM (virtual attendance only)	2
27 February 2020	6.45pm–8.45pm	IRD's latest practice on reviewing charitable organisations (webinar)	2
28 February 2020	4.00pm–5.30pm	Enhancing compliance and efficiency with digital transformation (webinar)	1.5

Due to the outbreak of COVID-19, some seminars in February will be held in webinar mode and physical attendance is NOT required. For details, please visit the CPD section of the Institute's website: www.hkics.org.hk.

Online 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: cpd@hkics.org.hk.

Membership

New graduates

Congratulations to our new graduates listed below.

Au Yeung Sze Ngar, Anthea
Chak Po Fong
Chan Kui Ming
Chan Lok Yan
Chan Pik Ling
Chan Wai Ha
Cheng Yan
Cheung Yan Ting
Choi Yuen Wa
Chu Ka Ying
Chung Kit Ting
Fung Sau Laam, Susanna
Han Yu
Ho Meei Yng
Hor Pik Yee
Hui Wai Chun
Hung Sai Kit
Ku Ka Wai
Kwong Wai Yi
Lai Kuen
Lai Man Pun
Lam Hiu Shun, Hilda
Lam Ka Yi
Lam Ming Hei, Maggie
Lau Cheuk On, Jason Philip
Lau Chun Long
Lau Ho Yin, Eric
Lau Ka Ki, Klare
Lau Oi Mei
Lau Yuk Yan
Lee Ethan Yu
Lee Hang Siu
Lee Hiu Man
Lee Ka Yin
Lee King Fung
Lee Man Ha
Lee Yuen Sze
Lei Ching Yin, Emily
Leung Cheuk Yu
Leung Chi Kin
Leung Ching Man
Leung Wai Mun
Li Lu
Li Xiaowen
Li Zhenxiu
Lin Haizhou
Lo Pui Ling, Mandy
Ng Yuen Lam
Pang Mei Yee
Pang Wing Yin
Poon Ping Yeung
Shukla Pooja
So Kai Ming, Eric
Suen Wing Lam
Tam Hang Yin
Tang Chi Shing
Tang Sze Wan
Tsang Wing Yan
Wong Chi Yeung, William
Wong Kam Chuen
Wong Kwok Tung
Wong Nga Chung
Wong Pui
Yang Liu
Yang Xueyan
Yung Miu Chuen
Zhang Wenyu
Zheng Xuqian

Membership (continued)

New Fellows

The Institute would like to congratulate the following Fellows elected in November 2019.

Choi Wah Man FCIS FCS

Ms Choi is currently the Company Secretary of Vershold Group, responsible for overseeing a full spectrum of the group's company secretarial, regulatory compliance and corporate communication functions. She has over 15 years of experience in company secretarial, corporate banking and commercial IP matters.

Han Lei FCIS FCS

Ms Han is the Founder and Managing Director of GIL and has over 15 years of experience in corporate governance, long-term business strategies, compliance enhancement and workflow optimisation. Ms Han holds a master's degree in corporate governance and a bachelor's degree in material physics from Northeastern University.

Dr Ng Chun Pang FCIS FCS

Dr Ng is the Chief Financial Officer of Soundwill Holding Ltd, a well-known property developer listed on The Stock Exchange of Hong Kong (Stock Code: 878). He leads the company's finance team to manage all mergers and acquisitions (M&As), investor and shareholder relations and financial reviews for the company. Dr Ng has more than 20 years of experience in company secretaryship, corporate governance, internal restructuring, professional services, M&A, financial investment, financial reporting, internal auditing and risk management.

Dr Ng holds a doctoral degree in business administration from the University of Newcastle, Australia, and a master's degree in corporate governance from The Hong Kong Polytechnic University. He has also obtained professional qualifications as a Chartered Accountant, Chartered Surveyor, Chartered Arbitrator and Chartered Banker.

Xue Peng FCIS FCS

Mr Xue is the Executive Director, Joint Company Secretary and General Manager of SITC International Holdings Company Ltd (Stock Code: 1308) and is a member of the disclosure, sustainable development and risk management committees of SITC International Holdings Company Ltd. He also serves as an Independent Non-Executive Director of China Beststudy Education Group (Stock Code: 3978). Mr Xue obtained a bachelors degree in accounting from Renmin University of China and an MBA from China Europe International Business School.

Zhang Xiaoqi FCIS FCS

Ms Zhang is the Chairman of the board of supervisors of China Jingu International Trust Company Ltd, a holding subsidiary of China Cinda Asset Management Company Ltd (Stock Code: 1359). She leads a professional team to promote the board of supervisors to constantly improve corporate governance, monitor the company's financial status and supervise the directors and senior executives in the performance of their duties. Ms Zhang holds a PhD in law from The Chinese Academy of Social Science and is a qualificated certificate lawyer, board secretary, independent non-executive director and securities practitioner.

Au Yeung Yiu Chung FCIS FCS

Company Secretary
Code Agriculture (Holdings) Ltd (Stock Code: 8153)

Chow Choi Han FCIS FCS(PE)

Assistant Company Secretary
Mingfa Group (International) Company Ltd (Stock code: 846)

Chun Ka Wing FCIS FCS

Director, Marketing & Customer Services
Chong Hing Securities Ltd

Fung Hau Yan FCIS FCS

Company Secretarial Manager
China Renewable Energy Investment Ltd (Stock Code: 987)

Ho Ming Yan Zona FCIS FCS

Company Secretary
Quartermain Ltd

Lee Oi Tung FCIS FCS

Deputy Head, Risk Management
Bank of Communications Company Ltd (Stock Code: 3328)

Ng Sau Mei FCIS FCS

Associate Director, Listing Services
TMF Hong Kong Ltd

Tang Lai Ping FCIS FCS

Associate Director
PwC Corporate Services Ltd

Tsang Yuet Kwai FCIS FCS

Director, PLC Compliance and Advisory Services, Corporate Services Division
Tricor Services Ltd

Wan Sau Kwan FCIS FCS(PE)
Compliance Director
Fosun International Ltd (Stock Code: 656)

Wong Bing Ni FCIS FCS
Company Secretary
Capital Environment Holdings Ltd (Stock Code: 3989)

Wong Sau Ping FCIS FCS
Associate Director, Listing Services
TMF Group Ltd

Yee Shuk Wan Michelle FCIS FCS(PE)

Membership/graduateship removal due to non-payment of 2019/2020 subscription

Subscription payments for the year 2019/2020 were due on 30 September 2019. Under Byelaw 14 of The Chartered Governance Institute's Charter and Byelaws and Article 17 of the Institute's Articles of Association, all fees shall be payable at such times as the Council may from time to time determine. Members/graduates who fail to pay the subscription within the grace period given by the Council will be removed from membership and his/her name will be removed from both membership registers of The Chartered Governance Institute and HKICS.

For the year 2019/2020, 115 members and graduates were removed from the membership registers of The Chartered Governance Institute and HKICS. In order to reinstate membership or graduateship with The Chartered Governance Institute and HKICS, former members and graduates are required to apply for re-election and settle the outstanding subscription plus a re-election fee. All applications for re-election are subject to the review and approval of the Institute's Membership Committee.

Re-issue of certificates of The Chartered Governance Institute

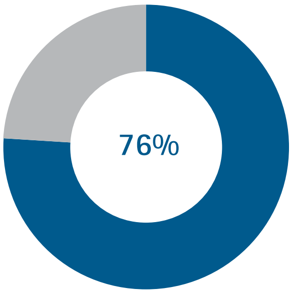
Due to the change of name from The Institute of Chartered Secretaries and Administrators to The Chartered Governance Institute, new certificates under the name of The Chartered Governance Institute will be issued to all its members and graduates commencing from June 2020.

Details will be announced via the Institute's usual communication channels in due course.

Grandfathering of Chartered Governance Professional designation

The Council has agreed to the 'grandfathering' policy for conferring the Chartered Governance Professional designation to members on a quarterly basis.

As at 31 December 2019, 4,876 (76%) out of the total membership of 6,386, were awarded the Chartered Governance Professional designation.



Advocacy

HKICS Annual Dinner 2020

The Institute held its Annual Dinner on 16 January 2020 at the JW Marriott Hotel Hong Kong, attended by over 550 guests from the HKSAR Government, regulatory bodies, the Liaison Office of the Central People's Government in the Hong Kong SAR, professional bodies, academia and corporate sponsors, as well as Institute members, graduates, students and friends. The Institute was honoured to welcome the Chairman of the Securities and Futures Commission, Mr Tim Lui Tim Leung SBS JP, as the Guest of Honour and who delivered the keynote address at this special occasion.

At the beginning of the occasion, the passing of the President's medal ceremony was held. Institute President for 2019 David Fu FCIS FCS(PE) passed the President's medal to Gillian Meller FCIS FCS, the President for 2020. Mr Fu, as the Immediate Past President, then received a Past President's medal from Ms Meller.

Under the theme 'A Party for Governance Professionals', Institute President Gillian Meller FCIS FCS addressed attendees with a review of the Institute's major achievements in 2019 and how the Institute is gaining better and wider recognition in Hong Kong, Mainland China, Macau, Taiwan and internationally. Ms Meller also addressed how the Institute, as a governance institute, is working closely with The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators or ICSA) in launching the new Chartered Governance Qualifying Programme.

As a leading professional institute in governance and a firm believer in giving back to the community in which we live and grow, the Institute continues to promote its corporate social responsibility (CSR) initiatives to all members, graduates and students, and organises programmes to serve our community.

The Institute's 'Design for Community Service' competition for members, graduates, students and friends was concluded at the Annual Dinner. Contestants had created their personalised 'Eyeglasses Cleaning Cloth' and/or 'Drinks Coaster' for the competition. The first round of assessment was conducted by a panel of three judges: Institute Past Presidents April Chan FCIS FCS, Edwin Ing FCIS FCS and Neil McNamara FCIS FCS, who short-listed three finalists. The second round of voting was held with all the guests at the Annual Dinner casting their votes for the best design. Congratulations to the winners:

Champion: Daniel Chow FCIS FCS(PE)

First runner-up: Carmen Ng

Second runner-up: Rachel Ng ACIS ACS

The guests at the Annual Dinner also donated funds to The Hong Kong Institute of Chartered Secretaries Foundation Ltd (the Foundation), which aims to promote company secretaryship and governance to the general public. Some guests also donated the eyeglass cleaning cloths and/or drinks coasters that they designed to the Institute to give out as gifts at future community service events. The Foundation received a total donation of HK$3,140 from the guests at the event.

The Institute would like to thank all members, graduates, students and friends who attended the Annual Dinner, as well as the corporate table and lucky draw sponsors, and everyone who helped organise the event.

Guests (in alphabetical order)

April Chan FCIS FCS
Past President and Chairman of the Technical Consultation Panel, The Hong Kong Institute of Chartered Secretaries

Bonnie Chan
Head of Listing, Hong Kong Exchanges and Clearing Ltd

Natalie Chan
Immediate Past Chairman and Council Member, Association of Chartered Certified Accountants Hong Kong

Dr June Cheng
Associate Professor, Team Leader of Accounting & Law, School of Accounting and Finance, The Hong Kong Polytechnic University

Dr Moses Cheng GBM GBS OBE JP
Chairman, Insurance Authority

Rebecca Chow FCIS FCS
Past President, The Hong Kong Institute of Chartered Secretaries

Ricky Chu Man Kin IDS
Chairperson, Equal Opportunities Commission

Ada Chung JP
Registrar of Companies, Companies Registry

Sean Debow
Chairman, CPA Canada Hong Kong Chapter

Michael Duignan
Senior Director, Enforcement Division, Market Surveillance Team, Securities and Futures Commission

Anthony Fan
President, The Hong Kong Independent Non-executive Director Association

David Graham
Former Head of Listing, Hong Kong Exchanges and Clearing Ltd

Patti Ho
Business Development Manager, Hong Kong and Emerging Markets, Chartered Institute of Management Accountants

Advocacy (continued)

Grace Hui
Managing Director and Chief Operating Officer, Listing Department, Hong Kong Exchanges and Clearing Ltd

Wallace Hui
General Manager, Professional Competence & Business Development, The Hong Kong Institute of Bankers

Edwin Ing FCIS FCS
Past President, The Hong Kong Institute of Chartered Secretaries

Gordon Jones FCIS FCS
Senior Member, The Hong Kong Institute of Chartered Secretaries

Christine Kan
Managing Director, Listing and Regulatory Affairs Division, Hong Kong Exchanges and Clearing Ltd

Johnson Kong
President, Hong Kong Institute of Certified Public Accountants

Wincey Lam
Deputy CEO, Financial Reporting Council

Alan Lau
Honorary Secretary, Hong Kong Institute of Planners

Dr Lau Mun Yee Irene FCIS FCS
Executive Committee, Hong Kong Professionals and Senior Executives Association

Sr Lau Ping Cheung
Chairman, The Hong Kong Coalition of Professional Services

Joey Lee
Associate Head, Department of Accountancy, The Hang Seng University of Hong Kong

Professor Matthew Lee Kwok On
Chairman, Hong Kong Committee for Pacific Economic Cooperation

The Honourable Kenneth Leung
Legislative Councillor (Accountancy), Legislative Council of the HKSAR

Richard Leung FCIS FCS
Past President, The Hong Kong Institute of Chartered Secretaries

Neil M McNamara FCIS FCS
Past President, The Hong Kong Institute of Chartered Secretaries

Frank R Mullens FCIS FCS
Past Chairman, The Association of The Institute of Chartered Secretaries and Administrators in Hong Kong (former body of HKICS)

Dr Maurice Ngai FCIS FCS(PE)
Past President, The Hong Kong Institute of Chartered Secretaries

Melissa Pang
President, The Law Society of Hong Kong

Edith Shih FCIS FCS(PE)
International President, The Chartered Governance Institute & Past President, The Hong Kong Institute of Chartered Secretaries

Bosco So
Honorary Secretary, The Hong Kong Institute of Landscape Architects

Ir Dr So Kwok Sang
Secretary General, Hong Kong Examinations and Assessment Authority

Stephen Sun

Dr Irelan Tam
Vice Chairman, Hong Kong Branch Committee, Association of International Certified Professional Accountants

Sr Edwin Tang
Senior Vice-President, The Hong Kong Institute of Surveyors

Dr Century Tsang
President, Hong Kong Dental Association Ltd

Herman Tse
Head of Business and Professional Services, InvestHK

Caesar Wong
Vice-President, The Taxation Institute of Hong Kong

Wong Chun Sek Edmund FCIS FCS
President, The Society of Chinese Accountants & Auditors

Dixon Wong
Head of Financial Services, InvestHK

Duffy Wong BBS JP FCIS FCS
Past Chairman, The Association of The Institute of Chartered Secretaries and Administrators in Hong Kong (former body of HKICS)

Horace Wong FCIS FCS
Past President, The Hong Kong Institute of Chartered Secretaries

Dr Raymond Wong
Associate Dean, College of Business; Associate Professor, Department of Accountancy, City University of Hong Kong

Stephen Wong Kai Yi
Privacy Commissioner for Personal Data, Office of the Privacy Commissioner for Personal Data

Dr Davy Wu
Programme Director, MSc in Corporate Governance and Compliance; Programme & Senior Lecturer, Department of Accountancy and Law, Hong Kong Baptist University

Ronald Yam
Past Divisional President, Greater China, CPA Australia – Hong Kong Division

Benny Yeung
President, Association of China-Appointed Attesting Officers Ltd

Dr Yeung Hip Wo Victor
Honorary Secretary, The Hong Kong Medical Association

Paul Yeung
Senior Director, Commission Secretary, Securities and Futures Commission

Professor Susana Yuen ACIS ACS
Dean, School of Business and Hospitality Management, Caritas Institute of Higher Education

张强
中央人民政府驻香港特别行政区联络办公室 协调部副部长

赵金光
中央人民政府驻香港特别行政区联络办公室 协调部副调研员

HKICS Prize 2019 Award

The Hong Kong Institute of Chartered Secretaries Prize (HKICS Prize) celebrates the achievements of the leaders of the chartered secretarial and governance profession. The 2019 HKICS Prize was awarded to International President of The Chartered Governance Institute and Institute Past President Edith Shih FCIS FCS(PE). Ms Shih has extensive experience and expertise in corporate governance and has made tremendous contributions to the Institute and our profession in Hong Kong, the region and internationally. Ms Shih is still serving as Chairman of the Institute's Nomination Committee and the HKICS Name Change Working Group. Ms Shih is also an Executive Director and Company Secretary of CK Hutchison Holdings Ltd.

Look out for the interview with Ms Shih in a forthcoming edition of CSj.

Advocacy (continued)

Regional Board Secretaries Panel (RBSP) Roundtable in Hong Kong

The 2020 Company Secretary and Board Secretary Roundtable meeting was held in Hong Kong on 16 January 2020. The meeting was attended by over 35 participants of whom 13 came from the Mainland. The aim of the meeting was to provide a communication platform for company secretaries in Hong Kong and board secretaries in the Mainland to share their practical experiences and explore best practices for enhancing corporate governance standards. Institute Vice-President Dr Gao Wai FCIS FCS(PE) delivered the welcome remarks. Other speakers included Rex Man of Hong Kong Exchange and Clearing Ltd, Tom Chau of Herbert Smith Freehills and Lawrence Wang of Fangda Partners, who shared their insights on the 'Practice of Amendments of Articles of Association and Coordination of Shareholders' Meeting'. Kenneth Jiang FCIS FCS(PE), Chief Representative of the Institute's Beijing Representative Office, chaired the meeting.

Recruitment of team members for the HKICS Dragon Boat Team 2020

Formed in 2006, the HKICS dragon boat team comprises members, graduates and students who are passionate about the sport of dragon boating. Apart from building a great team spirit, the team provides a valuable opportunity for members' networking and friendship, as well as the satisfaction of achieving personal challenges. The HKICS dragon boat team is recruiting new team members. The Institute will sponsor the training by a professional coach and cover race entry fees. Practice sessions will be held at Shing Mun River on Saturdays commencing in April 2020. All interested members, graduates and students are welcome to join.

For enrolment, please visit the Events section of the Institute's website: www.hkics.org.hk.

For enquiries, please contact Rose Yeung: 2830 6051.

Studentship

December 2019 examination

Students can now check their examination results from their own login account on the Institute's website. Starting from the December 2019 examination diet onwards, all examination results will be made available on each candidate's own login account only. The examination results will no longer be sent to the candidates by mail.

Chartered Governance Qualifying Programme (CGQP)

June 2020 examination diet timetable

Date	AM Session Reading time: 9.15–9.30 Examination time: 9.30–12.30	PM Session Reading time: 1.30–1.45 Examination time: 1.45–4.45
2 Jun 2020 (Tue)	Corporate Governance	Hong Kong Taxation
3 Jun 2020 (Wed)	Interpreting Financial and Accounting Information	Risk Management
4 Jun 2020 (Thu)	Hong Kong Company Law	Strategic Management
5 Jun 2020 (Fri)	Corporate Secretaryship and Compliance	Boardroom Dynamics

Examination enrolment period: 18 February 2020 to 31 March 2020

HKICS CGQP Examinations Preparatory Programme

The HKICS CGQP Examinations Preparatory Programme conducted by HKU SPACE is re-scheduled to commence on Monday 2 March 2020. For enrolment details, please refer to the Studentship section of the Institute's website: www.hkics.org.hk.

For enquiries, please contact HKU SPACE: 2867 8317, or hkics@hkuspace.hku.hk.

Second Student Gathering: Update on the New Qualifying Programme

On 13 January 2020, the Institute organised the second Student Gathering to provide updates on the Chartered Governance Qualifying Programme (CGQP) with over 75 of the Institute's students and guests in attendance. Institute Council member and Education Committee member Professor CK Low FCIS FCS and Institute Chief Executive Samantha Suen FCIS FCS(PE) shared information on the CGQP, as well as career prospects for Chartered Secretaries and Chartered Governance Professionals with the participants. In addition, about 30 students obtained guidance on their individual issues, including the transition from the International Qualifying Scheme to CGQP, CGQP syllabus changes, preparation on the CGQP examinations, student support and services, registration policies and membership application matters. The individual consultation session was valuable for the Institute to know more about students' concerns so as to plan for further support and services to Institute students.

Chartered Governance Qualifying Programme (CGQP) (continued)

Promotion activities

Two promotional talks were held in December 2019 and January 2020.

14 December 2019

OUHK Part-time and Postgraduate Programmes Information Day

23 January 2020

Professional Seminar at The Hang Seng University of Hong Kong

Forthcoming activities in March 2020

Date	Event
5 March 2020	Student Gatherings: Session 1 - How to use HKICS PrimeLaw (webinar)
9 March 2020	Student Gatherings: Session 2 - Updates on CGQP examinations (Management/ Accounting/ Finance modules) (webinar)
10 March 2020	Student Gatherings: Session 3 - Updates on CGQP examinations (Law modules) (webinar)
17 March 2020	Governance Professionals Information Session (webinar)
Re-scheduled to 27 June 2020	HKICS Governance Professionals Career Day 2020

Student Ambassadors Programme

Summer Internship – call for vacancies

The Institute invites companies and organisations to offer summer internship positions to local undergraduates under its Student Ambassadors Programme with the aim of promoting the Chartered Secretary and Chartered Governance Professional qualification to the younger generation in Hong Kong. The internship period is usually from June to August 2020 for a maximum period of eight weeks.

Members who are interested in offering summer internship positions this year, please visit the Events section of the Institute's website: www.hkics.org.hk. For details, please contact Louisa Lau: 2881 6177 or student@hkics.org.hk.

Notice:

Policy – payment reminder

Studentship renewal

Students whose studentship expired in December 2019 are reminded to settle the renewal payment by Sunday 23 February 2020.

Exemption fees

Students who received exemption confirmation notice issued in December 2019 are reminded to settle the exemption fees on or before the due date, that is by March 2020. Please refer to your exemption confirmation email for the payment deadline.

Featured job openings

Company name	Position
Hauzen Services Ltd	Company Secretarial Assistant
Jardine Matheson Ltd	Company Secretarial Assistant

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

New survey report on information disclosure in the Mainland and Hong Kong

A new survey report to be published by the Hong Kong Institute of Chartered Secretaries (the Institute) looks at the differences in the information disclosure systems of the Mainland and Hong Kong markets with a view to help optimise the integration of these systems and facilitate better protection for investors in the Shanghai-Hong Kong Stock Connect (Shanghai Connect) and the Shenzhen-Hong Kong Stock Connect (Shenzhen Connect).

The 'Survey Report of Regulatory Practices in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect' is being prepared by a survey group set up under the Institute's Mainland China Technical Consultation Panel. The survey was based on questionnaire responses from target enterprises under Shanghai Connect and Shenzhen Connect (mainly A+H share companies, H-share companies, A-share companies). The survey report seeks to provide regulators with a better sense of practical approaches to information disclosure in the context of the Stock Connect for reference.

While Shanghai Connect and Shenzhen Connect have brought new opportunities to the stock markets in the Mainland and Hong Kong, there are still problems pending resolution, in particular relating to the differences in the information disclosure practices and regimes in the Mainland and Hong Kong. The survey report will make specific recommendations to assist regulators to better align the information disclosure platforms and the regulatory regimes in the two markets. The report will also make recommendations to encourage more voting participation by Stock Connect shareholders.

Exchange publishes consultation paper on corporate WVR beneficiaries

On 31 January, The Stock Exchange of Hong Kong Ltd (the Exchange), a wholly owned subsidiary of Hong Kong Exchanges and Clearing Ltd (HKEX), published a consultation paper seeking public feedback on a proposal to allow corporate entities to benefit from weighted voting rights (WVR), subject to additional conditions and investor safeguards (Corporate WVR Consultation). The Corporate WVR Consultation builds on reforms to the Hong Kong listing regime that were implemented in April 2018 through the publication of the Exchange's 'Consultation Conclusions Paper on a Listing Regime for Companies from Emerging and Innovative Sectors' (Rule Chapters Conclusions Paper). It fulfils the Exchange's commitment in the Rule Chapters Conclusions Paper to separately consult on a proposal to allow corporate entities to benefit from WVR.

The new corporate WVR regime would enable issuers to grant WVR to both individual and corporate beneficiaries provided that each is able to meet the suitability and eligibility requirements applicable to it. To be eligible, a corporate WVR beneficiary must:

- be primary listed on the Exchange or on a Qualifying Exchange (NYSE, NASDAQ or the Main Market of the London Stock Exchange and belonging to the UK Financial Conduct Authority's 'Premium Listing' segment), and have a minimum market capitalisation of at least HK$200 billion, and
- be either the company that meets the proposed requirements to benefit from WVR itself or be a wholly owned subsidiary of that company.

The listing applicant must not represent more than 30% of the corporate WVR beneficiary in terms of market capitalisation at the time of listing.

The suitability requirements would include those set out below.

- A corporate WVR beneficiary must either be an innovative company itself or have business experience in one or more emerging and innovative sectors, as well as a track record of investments in, and contributions to, innovative companies.
- A corporate WVR beneficiary must have held an economic interest of at least 10% and must have had a material involvement in the management or the business of the listing applicant for at least two financial years prior to its listing application. At listing, and thereafter, the corporate WVR beneficiary must hold an economic interest of at least 30% in the listing applicant.
- A corporate WVR beneficiary must meet the minimum 10% economic interest

requirement for at least two financial years and any stub period up to the date on which it increases its stake in the applicant to meet the minimum 30% economic interest requirement. A corporate WVR beneficiary may increase its economic stake to meet this requirement in compliance with existing listing rules and guidance on pre-IPO investments and placing to existing shareholders.

- The contribution of the corporate WVR beneficiary to the listing applicant must be of a nature that cannot be easily replicated or substituted by other means. Accordingly, a financial investment or an ordinary non-financial contribution (for example know-how or strategic advice) will not constitute sufficient basis for a corporate shareholder to be entitled to WVR.

To benefit from WVR a corporate must demonstrate that it owns and operates an 'ecosystem' at listing (and on an ongoing basis) that benefits the listing applicant. The 'ecosystem' must have the characteristics set out below.

- There is a community of companies (which includes the listing applicant) and other components (which may be non-legal entities such as business units of the corporate shareholder, user or customer bases, applications, programs or other technological applications) that has grown and co-evolved around a technology or know-how platform or a set of core products or services, owned or operated by the prospective corporate WVR beneficiary (for the avoidance of doubt, such platform or products or services do not need to represent the main business of the prospective corporate WVR beneficiary).
- The components within the ecosystem (including the listing applicant) both benefit from, and contribute to, the ecosystem by sharing certain data, users and/or technology (for example, software, applications, proprietary know-how or patents).
- The ecosystem must have attained meaningful scale, which will normally be measured by reference to indicators such as the number and technological sophistication of the components connected to the ecosystem, the size of its (combined) user base, or the frequency and extent of cross-interaction between the users or customers of different components.
- The core components within the ecosystem, and the listing applicant, are in substance controlled by the corporate WVR beneficiary.
- The growth and success of the listing applicant was materially attributable to its participation in and co-evolvement with the ecosystem; and the applicant is expected to continue to benefit materially from being part of that ecosystem.

The following additional ongoing requirements would also be imposed.

- The WVRs of a corporate beneficiary must carry no more than five times the voting power of ordinary shares.
- A corporate WVR beneficiary must own at least 30% of the economic interest of the listed issuer on a continuing basis (a mechanism will be introduced to allow the corporate WVR beneficiary to subscribe for ordinary shares to prevent dilution below 30%.
- A corporate WVR beneficiary must have at least one corporate representative on the board of directors of the listed issuer.
- A corporate WVR beneficiary must remain listed on the Exchange or a Qualifying Exchange.
- The WVR attached to a corporate WVR beneficiary's shares must lapse permanently if the corporate's contribution to the WVR issuer is substantially terminated or materially disrupted or suspended for a period exceeding 12 months.

In addition the WVRs held by a corporate beneficiary must have a time-defined 'sunset' period of not more than 10 years for the WVR of a corporate WVR beneficiary, which may then be renewed for successive periods of not more than five years with the approval of independent shareholders.

The consultation paper is available on the HKEX website: www.hkex.com.hk. The public comment period ends on 1 May 2020.

SFC announces proceedings for suspected market manipulation

On 22 January, the Securities and Futures Commission (SFC) took the unusual step of announcing the launch of proceedings against a number of individuals for suspected market manipulation. The SFC's 'Policy Statement on Disclosure of Certain Information to the Public' enables it to make an announcement in relation to an inquiry or investigation where, amongst other circumstances, it is desirable to protect members of the public and in order to maintain public confidence in the securities and futures market in Hong Kong. The announcement of the SFC's decision to commence proceedings for suspected market manipulation against a number of individuals, including one or more officers of China Ding Yi Feng Holdings Ltd (China Ding Yi Feng), was made in accordance with this policy. The SFC also decided to lift the suspension of the trading in the company's shares that was directed by the SFC on 8 March 2019.

More information is available on the webistes of the SFC: www.sfc.hk, and the HKEX news website: www.hkexnews.hk.

THE HONG KONG POLYTECHNIC UNIVERSITY
香港理工大學

School of ACCOUNTING & FINANCE
會計及金融學院

IDEAS
Innovation-driven Education and Scholarship

Faculty of Business
工商管理學院

PolyU Master of
Corporate Governance

Information Seminar
23 February 2020
2:15 pm - 3:00 pm
Rm N002, PolyU

- The curriculum is a combination of cutting-edge theories and up-to-date professional practices.
- Students comprehend and appreciate the legal aspects involved in company matters and the corporate governance systems of Hong Kong and PRC companies.
- Graduates may be eligible for full exemption from the examination requirements for the Chartered Secretary of The Institute of Chartered Secretaries and Administrators (ICSA), and The Hong Kong Institute of Chartered Secretaries (HKICS). Graduates may also be eligible for professional examination exemption in respect of other professional bodies, such as ACCA and CPA Australia.

Early applications are strongly encouraged due to limited quota.

Apply Now!

Enquiries
Tel: (852) 3400 3232
Email: afmcg@polyu.edu.hk
Website: af.polyu.edu.hk/study/master-programmes/mcg
Online application: www.polyu.edu.hk/admission

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