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March 2021

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The journal of The Hong Kong
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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 of China (the Mainland). HKICS was first established in 1949 as an association of Hong Kong members of The Chartered Governance Institute (CGI) – formerly known as The Institute of Chartered Secretaries and Administrators (ICSA) of London. It was a branch of CGI 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.

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March 2021

CSj, the journal of The Hong Kong Institute of Chartered Secretaries, is published 12 times a year by Ninehills Media and is sent to members and students of The Hong Kong Institute of Chartered Secretaries and to certain senior executives in the public and private sectors.

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Circulation: 8,200
 Annual subscription: HK\$2,600 (US\$340)
 To subscribe call: (852) 3796 3060 or
 email: enquiries@ninehillsmedia.com

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 ISSN 1023-4128

Contents

Cover Stories

Gender diversity on Hong Kong boards: taking the next step 06

Over a decade of increasing regulatory requirements and lobbying by advocacy groups has failed to significantly improve the gender diversity of Hong Kong boards. A new report published by The Hong Kong Institute of Chartered Secretaries proposes a way to upgrade the regulatory response to this problem without resorting to mandatory quotas.

Diversity of thought 10

Sharan Gill, writer, lawyer and *CSj* contributor, reviews a thought leadership paper published by The Chartered Governance Institute that proposes a new approach to bringing the full benefits of diverse thinking to boards of directors.

In Focus

Digitalisation of the AGM 16

Gabriele Limonta, Sales Manager, North Asia at Lumi Global, argues that the format for AGMs is changing, and while virtual meeting technology is fit for purpose, regulatory requirements have largely failed to keep pace with rapid digitalisation.

D&O insurance in Hong Kong 20

Timothy Loh, Managing Partner, and Gavin Cumming, Partner, Timothy Loh LLP, provide an overview of liability insurance policies for directors and other officers of Hong Kong listed companies against potential enforcement action by the Securities and Futures Commission.

Technical Update

Ransomware: prevention and response 26

Donna Wacker, Partner, and William Wong, Consultant, Clifford Chance, examine the increased risk of ransomware attacks, and provide guidance on preventing and preparing for an attack, as well as how to mitigate any damage.

Careers in Governance

Kenny Luo and Flora Wong 32

Our Careers in Governance column this month offers personal and professional profiles of Kenny Luo FCG FCS and Flora Wong ACG ACS.

HKICS News

President's Message 04

Institute News 36

Student News 42

Bulletin Board 48





Gender diversity – a governance perspective

This month's journal looks at an issue that is highly relevant to our Institute, our profession and our work as governance professionals – the diversity of Hong Kong boards, with a specific focus on gender diversity.

Our Institute has been a pioneer advocate for diversity on Hong Kong boards, primarily via our education and CPD training, and our research and advocacy work. Our first report to address this issue – Diversity on the Boards of Hong Kong Main Board Listed Companies – was published back in 2012. Last month, we published another review report – Missing Opportunities? A Review of Gender Diversity on Hong Kong Boards (the Review) – which honed in on gender diversity. Our Institute believes that if progress in relation to one of the most obvious aspects of diversity, that is gender diversity, has stagnated, we cannot expect any real change on diversity more generally. This is a global issue. Diversity is important as it brings differing perspectives to board discussions, making them less prone to the distortions of 'groupthink'. This makes it a value proposition for businesses, not only as a way to improve the effectiveness of board decision-making, but also because its value is now recognised by many investors.

Sadly, despite over a decade of advocacy by the Institute and the many stakeholder

groups working on this issue, including the 30% Club, The Women's Foundation and Community Business, gender diversity in Hong Kong remains low (only one in seven directors of listed companies in Hong Kong, or around 14%, are women) and is barely improving. Our Review argues that the time has come to upgrade Hong Kong's regulatory regime in this area. It calls for Hong Kong's Corporate Governance Code to be amended to include a target of a minimum 30% female representation on boards within a six-year transition period.

Crucially, this target will be voluntary, but subject to a 'comply or explain' disclosure regime. We hope that this steers the right course between the top-down imposition of mandatory quotas and the current regulatory approach, which focuses on the disclosure of diversity policies rather than the achievement of results. The latter is clearly not having the desired impact on board recruitment policies, but the former runs the risk of alienating the very players whose buy-in will be essential to making a success of the transition to more diverse boards.

Our Institute believes that any solution to the current low levels of gender diversity on Hong Kong boards will need to have broad-based support in the market. There are many players involved in changing the composition of boards and certainly our members will continue to do their part. Diversity of board composition – whether in terms of gender, age, ethnicity, skill sets, etc – will always be a key ingredient of effective decision-making. On this score, I highly recommend our second cover story in

this edition of CSj, which reviews a new thought leadership paper published by our international body, The Chartered Governance Institute (CGI).

The paper – Diversity of Thought: How You Can Prepare Your Board for Complex Decisions – suggests that regulators and stakeholders will increasingly expect an appropriate degree of 'diversity of thought' on boards in the future. Interestingly, the paper points out that this diversity of thought will not automatically follow from diverse board composition – just as relevant is having a boardroom culture that emphasises inclusion in decision-making, psychological safety and independence of thought.

Finally, I would like to add that our members can be part of the solution not only in our work as governance professionals but also through the development of a pipeline of well-qualified female board candidates. Over two-thirds of our members are female, and their skills and training make them very well-qualified candidates for board roles – whether executive or independent non-executive. As many contributors to our Review point out, the lack of gender diversity on Hong Kong boards is not due to the lack of suitably qualified women to take on board roles. In fact, our Institute is living proof that the candidates are out there, it only requires boards to start thinking outside the narrow confines of the 'director' mould.

A handwritten signature in blue ink that reads "Gillian Meller".

Gillian Meller FCG FCS

董事会成员性别多样化：治理视角

本期月刊我们将探讨一个与公会及其专业和治理专业人员的工作息息相关的议题：香港董事会成员的多元化，尤其是性别多样化。

一直以来，公会是倡导香港董事会成员的多元化的先锋。公会主要通过教育活动、持续专业发展培训，以及进行相关研究和宣传工作来开展这一倡导工作。早在2012年，公会就针对这一议题发布了第一份报告：《香港主板上市公司董事会成员多元化》。上个月，公会发表了另一篇评估报告：《错失机遇——论香港董事会成员性别多样化》（以下简称《评估报告》），主要探讨性别多样化。公会认为，作为最有代表性的一个方面，如果性别多样化都未能取得任何进展，其他方面的变革则更无从谈起，并且这一问题在全球普遍存在。一个多元化的董事会在决策时可以拥有多元化视角，不易受“群体思维”的影响。董事会多元化这一理念也逐渐成为企业的价值主张，不仅提高了董事会的决策效率，还得到了众多投资者的认可。

遗憾的是，尽管近十余年中公会和30% Club、妇女基金会、社商贤汇等众多团体大力倡导解决性别多样化缺失的问题，但香港企业的性别多样化程度仍然处于较低水平（香港上市公司中女性董事只占七分之一，约

14%），且进展极为缓慢。评估报告认为，香港亟待提升性别多样化的监管制度。评估报告呼吁修改《香港企业管治守则》，将女性董事比例下限设定为30%并设定六年的过渡期。

重要的是，这一规定将是自愿性的，实行“不遵守就解释”的原则。制定这一规定的宗旨是为了在自上而下实施强制性指标与当前的监管机制（强调多样化政策的披露而非最终结果的实现）之间提供正确的引导。当前的监管机制显然没有对董事会的招聘政策产生预期影响，但盲目实施强制指标有可能对市场参与者产生负面影响，他们对这一规定的接受程度是成功实现董事会多元化的关键。

公会认为，要解决当前香港董事会成员性别多样化缺失的问题，需要来自各界的广泛支持。许多机构已对此付诸行动，公会会员也将继续尽自己的一份力量。董事会成员的多元化包括性别、年龄、种族、技能等，对决策有效性至关重要。因此，我强烈推荐大家阅读本期月刊的第二篇封面故事，这篇文章对国际公会 - 特许公司治理公会 (CGI) 发表的一份思想引领性的文章进行了阐述与探讨。

国际公会发表的这篇文章题为《思想多元化：如何让董事会有效应对复杂决策》，文章指出，监管机构和利益相

关者未来对董事会“思想多元化”的期望越来越高。有趣的是，该文指出思想的多元化并不会单纯地通过董事会成员的多元化实现，同时还强调一种具备决策包容性、心理安全和思想独立性的董事会文化。

最后，我想补充一点，对于实现董事会成员性别多样化，公会会员不仅可以在从事的治理工作中提供支持，还可以通过培养合格的女性董事会候选人来实现这一目标做出贡献。公会中女性会员超过三分之二，她们所拥有的技能和接受的培训使其能够胜任董事会的职位，无论是担任执行董事还是独立非执行董事。正如许多专业人士在评估报告中指出，香港董事会缺乏性别多样化，并不是因为缺乏符合要求的女性担任董事职务。因此董事们只需要跳出固有的思维局限，就会发现有很多符合条件的女性有能力担任董事。



马琳 FCG FCS

Gender diversity on Hong Kong boards: taking the next step



Over a decade of increasing regulatory requirements and lobbying by advocacy groups has failed to significantly improve the gender diversity of Hong Kong boards. A new report published by The Hong Kong Institute of Chartered Secretaries proposes a way to upgrade the regulatory response to this problem without resorting to mandatory quotas.

When it comes to the issue of gender diversity on Hong Kong boards, there are two areas of broad agreement. Firstly, the statistics, both in terms of the current level of female representation on boards and the rate at which gender diversity is improving, are appalling. Currently, only one in seven directors of listed companies in Hong Kong, or around 14%, are women, and nearly one-third of listed company boards include no women at all. Moreover, the proportion of female directors on Hong Kong boards has barely increased with each passing year – since 2011, from a low base, female board representation has risen by only around 4%.

The second area of agreement is that the absence of female participation on Hong Kong boards is not a good thing, not only for the boards concerned but also for the women being overlooked in the talent pool and for Hong Kong itself – particularly its reputation as an international financial centre with high standards of corporate governance.

Given this broad consensus, it might seem strange that board gender diversity remains so low in Hong Kong. This has not been for a lack of effort on the part of regulators, professional bodies such as The Hong Kong Institute of Chartered Secretaries (the Institute), institutional investors and the many advocacy groups working to change mindsets on this issue. While the regulatory measures adopted by Hong Kong Exchanges and Clearing Ltd (HKEX), especially in relation

to new initial public offerings (IPOs), and the advocacy of stakeholders have certainly raised awareness of the need for change, it has not had the desired impact on board recruitment practices.

Into this picture comes a new review report, published by the Institute on 9 February – *Missing Opportunities? A Review of Gender Diversity on Hong Kong Boards* (the Review) – authored by Institute Technical Consultation Panel member Peter Greenwood FCG FCS and Institute Deputy Chief Executive Mohan Datwani FCG FCS(PE). This article highlights the findings and recommendations of the Review – in particular the case it makes for gender diversity, its assessment of the reasons for the persistence of male-dominated boards and its recommended way forward for Hong Kong.

The case for gender diversity

The Institute is well placed to be a forceful advocate for gender diversity on Hong

Kong boards. The Review points out that women are strongly represented, both as members and amongst the leadership of the Institute and, as Hong Kong's only qualifying body for Chartered Secretaries and Chartered Governance Professionals, the Institute has promoted gender diversity both on the grounds of general fairness and equality of opportunity, and also in terms of good governance.

Put simply, greater board diversity contributes to better decision-making by the board. Amar Gill, Managing Director and Head of Investment Stewardship, APAC, BlackRock, points out in the Review that outdated notions of what a board is and does still persist and contribute to the persistence of male-dominated boards in Hong Kong. 'The archaic concept of the board is as a group of friendly faces whose primary responsibility is to serve as ambassadors in reaching out to other groups to expand business opportunities,' he says.

Highlights

- the fact that Hong Kong has made so little progress over the last decade in improving board gender diversity indicates that it is time to consider upgrading the regulatory response to this problem
- the Review hopes to build momentum around its proposal to impose a target of 30% female representation on listed company boards within six years
- the target would be voluntary but backed up by a 'comply or explain' regime – companies that do not comply would be obliged to disclose the specific reasons for this and the steps they intend to take to achieve compliance

This concept of the role of the board represents a major red flag for investors. Investors need to have confidence that the board will effectively carry out its key functions – setting strategy, overseeing management and identifying, addressing and monitoring risk. A board is much more likely to be effective in these roles if it includes a diversity of perspectives. This not only guards against the dangers of 'groupthink' and 'tunnel vision', but a board comprising individuals that fairly represent the diversity of the organisations' stakeholders and the community in which it operates will also be better able to remain in touch with the interests of its stakeholders and the wider community.

'The inadequate representation of women on Hong Kong boards means that our companies are missing the opportunities for enhanced board effectiveness that greater diversity would bring,' Institute President Gillian Meller FCG FCS points out in her foreword to the Review. She adds that the 'missing opportunities' of the Review's title also refers to the fact that women being passed over in the talent pool are missing the opportunity to develop their careers and serve the Hong Kong corporate community, and that Hong Kong itself is missing the opportunity to boost its credentials as an international financial centre with high standards of corporate governance. 'We are lagging conspicuously behind global governance standards and the gap is widening,' Ms Meller points out.

This is not just a question of status and reputation – international and institutional investors are increasingly taking board diversity into account in their investment decisions, so perceptions of Hong Kong's standing

in this respect have direct consequences for the stability and liquidity of its financial markets.

The barriers to increased gender diversity

Many local stakeholder groups have been highly vocal on the need for greater female representation on Hong Kong boards. These groups, including the 30% Club, The Women's Foundation, Community Business and The Board Diversity Hong Kong Investors' Initiative, have endorsed and contributed to the Institute's Review.

This advocacy has certainly raised awareness of the issue. 'Few shareholders, chairmen, directors, senior managers or policy makers would now contend (and perhaps none publicly) that more women on boards was a bad thing', the Review points out. Nevertheless, male-dominated boards persist in Hong Kong and the Review acknowledges that there continues to be wider societal reasons for this. In common with many other jurisdictions around the world for example, women are not attaining the same proportion of higher-level positions as men. To combat this, the Institute, along with other advocacy groups, have been actively supporting initiatives to build the pipeline of women in executive and non-executive roles.

Many contributors to the Review, however, cast doubt on the argument that the lack of gender diversity on Hong Kong boards is due to the lack of suitably qualified women to take on board roles. 'There are many women in very senior leadership roles in Hong Kong and yet we continue to hear that there is a lack of suitable, qualified women when it comes to board positions. This is simply

not true,' Pru Bennett, Partner, Brunswick Group, points out in the Review. She believes the problem is not so much the dearth of potential female directors but the need for a different approach to the identification of suitable candidates.

The way forward for Hong Kong The regulatory response so far

The regulatory approach taken in Hong Kong to promote greater female representation on boards has followed a path seen in many other jurisdictions. As the Review points out, 'a requirement for public disclosure of diversity levels has been a common first step, sometimes or later accompanied by an obligation to explain a company's underlying diversity policies and objectives'.

This is largely where we are currently in Hong Kong. The code provision in Hong Kong's Corporate Governance Code requiring (subject to comply or explain) issuers to disclose their diversity policies became effective in September 2013 and was upgraded to the status of a Listing Rule, and therefore a mandatory requirement, in 2018. Since 2019, companies with a single-gender board planning an IPO need to disclose and explain:

- how and when gender diversity of the board will be achieved after listing
- what measurable objectives have been set for implementing gender diversity, and
- what measures the company has adopted to develop a pipeline of potential successors to the board that could ensure its gender diversity.



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”

Gillian Meller FCG FCS, President, The Hong Kong
Institute of Chartered Secretaries

The HKEX Guidance for Boards and Directors, issued in July 2018, also emphasises the importance of gender diversity and makes it clear that a listed company's diversity policy and the progress made to meeting measurable objectives, which that policy must include, must be disclosed in the annual Corporate Governance Report.

The Review's recommendation

The fact that Hong Kong has made so little progress on board gender diversity over the last decade, despite the above regulatory measures, indicates that it is time to consider upgrading the regulatory response to this problem. The Review assesses the different regulatory measures Hong Kong might consider going forward.

Should it follow the example of jurisdictions that have set mandatory quotas for gender diversity? Norway and France set quotas of 40%. Germany and Italy have quotas of 30% and 33%, respectively, and India mandates that at

least one board seat should be held by a woman. One contributor to the Review, Teresa Ko BBS JP, Former Chairman of the Listing Committee of The Hong Kong Stock Exchange, Partner and China Chairman of Freshfields Bruckhaus Deringer, supports the imposition of a 40% quota within six years.

The Review concedes that this would certainly be the fastest way to raise the percentage of women on boards, but it also highlights the potential downside of taking this route. Previous consultations on the issue of board gender diversity by HKEX indicate that the imposition of mandatory quotas would not have widespread support in the market. Moreover, experience overseas indicates that progress can be made through a voluntary approach. The Review cites the Hampton–Alexander Review of 2019 in the UK. 'There remains a question to be answered with the passage of time, as to the trade-off between a swifter pace of change, over arguably slower, but more sustainable change which seeks to educate

and embed learnings in the business,' the Hampton–Alexander Review states.

The Institute's Review emphasises that, to be successful, any solution must have the broadest possible support. It therefore attempts to steer a course between potentially unpopular mandatory quotas and voluntary targets that are largely ignored. It calls for Hong Kong's Corporate Governance Code be amended to include a target of a minimum 30% female representation on boards. To allow boards to adjust to this target a six-year transition period would be set. The target would be voluntary but subject to a 'comply or explain' regime – companies that do not comply would be obliged to disclose the specific reasons for this and the steps they intend to take to achieve compliance.

The Review believes that this proposal will have a good chance of getting broad-based stakeholder consensus in Hong Kong. It emphasises that a greater role for women in Hong Kong boardrooms is not something that can be successfully introduced and implemented through a purely top-down process of direction and compulsion. 'In the end, the way forward will be paved by a shared consensus, common goals and collective action,' the Review states.

It adds that the imposition of such a target should not be regarded as a silver bullet to the problem of low gender diversity on Hong Kong boards. It emphasises that whatever regime emerges from further debate on this issue will require the contribution of all stakeholders in order to achieve meaningful success, both in meeting targets and in building a greater pool and a sustained pipeline of well-qualified female board candidates. [CSj](#)

Diversity of thought

Considerations for boards and governance professionals

Sharan Gill, writer, lawyer and *CSj* contributor, reviews a thought leadership paper published by The Chartered Governance Institute that proposes a new approach to bringing the full benefits of diverse thinking to boards of directors.



The issue of diversity in the boardroom has taken on a new dimension since the publication of the paper entitled, *Diversity of Thought: How You Can Prepare Your Board for Complex Decisions*, by the Thought Leadership Committee of The Chartered Governance Institute (CGI) in December 2020. Backed with hard data collated on board practices, it proposes a novel approach to a concept rapidly growing in prominence – diversity of thought.

There is little argument that diversity holds the potential to improve both the composition of boards, by bringing together different perspectives, and the way that boards address complex challenges. However, much of the emphasis has been on external or visible barometers, measuring diversity of thought processes or how boards think individually or collectively seemed too vague to measure in real and practical terms. And yet the importance of the diversity of such thought processes cannot be understated. The paper, authored by Lloyd Mander, puts forward a compelling argument for defining the concept of diversity of thought. It then goes further to propose a unique formula for measuring diversity of thought within the boardroom.

What are the key elements of diversity of thought?

The paper starts off by proposing a clearer way of defining diversity of thought, quite simply by identifying two key elements: firstly, the potential of individual group members to think differently from each other, and secondly, the group dynamics that influence whether group members are open to sharing their thoughts.

1. Individual group members

The paper emphasises the inherent potential of individual group members who think differently from each other. Boards containing individuals who think differently will be able to 'conceptualise problems in new ways and increase the number of potential solutions available to them,' the paper says. Boards comprised of individuals with varied backgrounds will also be more likely to promote decisions based on facts rather than influence, authority or group allegiance. Their decision-making process is also likely to be more focused and less prone to the distortions of 'groupthink'. Stakeholders will be the ultimate beneficiaries as diverse groups are more likely to address their differing interests.

The paper points out, however, that a diverse board will not necessarily lead to diversity of thought. As Peter Turnbull, International President, CGI, points out in his foreword to the paper, 'diversity of thought is often conflated with diversity of membership'. Though it is generally accepted that boards benefit from having members who differ in their experience, functional skill and/or network connection, this will not necessarily increase diverse thinking because 'experiences, perspectives and

thought preferences may actually be similar across the group,' the paper says. It gives a striking example of a female accountant on an all-male board of accountants. While this one perceptibly different member may provide diversity of thought on a gender-based issue, as a fellow accountant she is quite likely to approach issues in the same way as her fellow members on the board.

2. The dynamics of group culture

Assuming then that an organisation has taken pains to ensure sufficient diversity in the composition of its board, what should the next step be? The paper's approach is unequivocal: psychological safety in the boardroom is critical. The board must have a culture that supports individuals prepared to share what they are thinking, 'all board members should not only have a seat at the table but a genuine voice too,' the paper says. Board members should avoid forming alliances with one another, actively seek out information from reliable sources and, most importantly, share with the board members what they have been thinking at the designated time of the meeting.

Highlights

- boards should not assume that diversity in board composition will inevitably translate into diverse thinking
- boards need to focus on developing a boardroom culture that emphasises inclusion in decision-making, psychological safety and independence of thought
- regulators and stakeholders are likely to increasingly expect an appropriate degree of diversity of thought on boards

Which issues benefit most from diversity of thought?

The paper emphasises that it is important at the outset to establish which issues would benefit most from diversity of thought. Borrowing from the 'Cynefin framework' introduced by David Snowden and Mary Boone in a 2007 article in the Harvard Business Review, the paper distinguishes between issues of a 'complicated' and 'complex' nature. Complicated issues are those where there is a clear relationship between cause and effect. Such issues may have many interacting parts but as long as the input can be understood the output can be reliably predicted. Preparing financial statements is an example of a complicated issue and the paper points out that the people best placed to handle this task are individuals with the relevant expertise.

'Complex' issues, by contrast, are less predictable and there may often be no definitive 'best solution' to them. Many issues facing organisations tend to be complex in nature, such as predicting changes in markets, selecting a new CEO, or deciding where to allocate resources. Deliberations of a 'complex' nature will benefit most from a decision-making group with wide-ranging diversity of thought.

Can diversity of thought be measured?

The paper's author, Lloyd Mander, has developed a formula for evaluating the potential of a particular board to achieve diversity of thought – the Diversity of Thought (DOT) Scorecard.

Evaluating group potential for diverse thinking

Group members complete an online questionnaire where they self-report on the experiences, perspectives and thought preferences that underlie their mindset. A

proprietary algorithm then evaluates their responses and determines a score for the group on an index from 0 to 100. A higher score would indicate greater potential for diversity of thought.

Measuring group realisation of diverse thinking

Potential is not always realised, however, hence the next step involves filling in a further questionnaire that will aid in understanding the group's decision-making culture in terms of inclusion in decision-making, psychological safety and independence. The responses are converted into an overall group decision-making culture score between +100 and -100. Higher positive scores indicate the group is more likely to actually realise the potential for diversity of thought.

Conclusions drawn from the New Zealand study

The paper highlights the scores from a study sample consisting of 28 New Zealand boards from both commercial and non-profit organisations. The size of the board groups ranged from 5 to 15 members, with the CEO included in each board evaluated. Using the sample data, the paper attempts to draw general conclusions on the extent to which diversity of thought is present within boards. Interestingly though, it also sheds light on factors that may encourage or otherwise skewer the process.

Scores in the study sample ranged from the 20s to the 70s (out of 100) indicating substantial differences in the degree to which diversity of thought was present. Board size seems to matter; larger boards had higher diversity of thought with a correlation of 0.6 between group size and score. Nevertheless, though larger groups are more likely to include

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boards need a good decision-making culture to fully realise their potential for diversity of thought
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individuals with differing perspectives, the scores showed a 'very strong' negative relationship (-0.9 correlation) between increased board size and the average 'culture' score. This would seem to indicate that the bigger the board, the more reluctant individual members would be to present dissenting views.

Measuring board committees

The study also evaluated different board committees, using parallel methods. While both composition and functioning of these committees had a 'critical impact' on diversity of thought, it is particularly interesting to note that those addressing issues of complexity had a lower average diversity of thought score than those dealing with complicated issues, such as audit or finance. This would appear to indicate that perhaps boards should look more closely at which members to allocate to the different committees.

Are boards realising their full potential for diverse thinking?

One of the key themes of the paper is that boards need a good decision-making culture to fully realise their potential for diversity of thought. Results from the New Zealand study reveal that over half of the boards contained between one and five board members who perceive that they are not

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Questions for boards and governance professionals

Is your board getting the full benefits of diverse thinking? The paper reviewed in this article proposes a number of questions that boards, and the governance professionals advising them, should be considering when addressing this issue.

- Are you assuming that diversity in one or a few dimensions – perhaps age, ethnicity or gender – will inevitably translate into diverse thinking in other dimensions?
- Is there 'psychological safety' in the boardroom?
- Is your board delegating complicated decisions and bringing its full potential for diverse thinking to bear on important complex matters?
- When allocating board members to a committee that addresses more complex issues, do you consider whether they increase the potential for diverse thinking on that committee?
- Does your board think about the impact on wide-ranging diversity of thought when current board members retire, or when it is considering candidates for board appointments?
- Do you actively work towards creating an inclusive environment and monitor your board's decision-making culture?

appropriately included in decision-making. These results suggest that, even where boards have a high inherent potential for wide-ranging diversity, they face a material risk of not realising this potential.

Moreover, the paper suggests that boards tend as a whole to have a more positive decision-making culture than executive teams. This may be because boards are more likely to be established as unified decision-making groups with less of a hierarchical structure and directors face less of a removal risk than executive team members. This suggests that the author's DOT Scorecard algorithm would be particularly effective within executive committees in assessing whether lower scores indicate a reluctance to go against the flow, or indeed the CEO, within management teams.

Proposals for the future

The board is the ultimate decision-making group for an organisation. The paper makes the pertinent point that the most progressive boards of today are already including diversity of thought as a key component of their board recruitment strategy. Moreover, it suggests that regulators and stakeholders are likely to increasingly expect an appropriate degree of diversity of thought on boards in the future.

The need for an organisation to manage and report on its board's diversity of thought, alongside other metrics, is also emphasised. Evidence for a board's current diversity of thought status, along with its progress and commitment to a positive decision-making culture, needs to be provided through routine 'external monitoring, evaluation and formal training in decision-making,' the paper suggests.

The paper proposes that board chairs and other board members may be held more directly accountable for developing and maintaining an effective decision-making culture. Within the context of board dynamics today however, questions naturally arise as to whether the board is actively seeking the diversity of thought that is required, and whether steps are being taken to ensure that approaches to diversity of thought are not blinkered. To ensure that these questions are in the forefront of directors' minds would be a start, and board chairmen, governance professionals and external consultants, for example search firms, will play a key role in addressing these questions. It is all too easy to fall into the default mode of selecting new board members from among the controlling directors' circle of friends, with just an outward semblance of diversity.

As for the future, the paper makes the succinct point, 'boards have an incredible opportunity to apply diversity of thought so that they can make the best possible decisions'. This paper has provided a workable formula to measure diversity of thought on boards, and it is for organisations to decide how they intend to meet the ever-increasing expectations of regulators and stakeholders in this regard.

Sharan Gill

Sharan Gill is a lawyer and writer based in Hong Kong. Her review of another CGI thought leadership paper – Enhancing Individual Director Accountability – was published in the September 2020 edition of CSj, available on the e-CSj website: <http://csj.hkics.org.hk>. The paper reviewed in this article is available on The Chartered Governance Institute website: www.cgiglobal.org.



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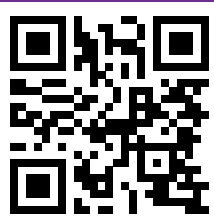
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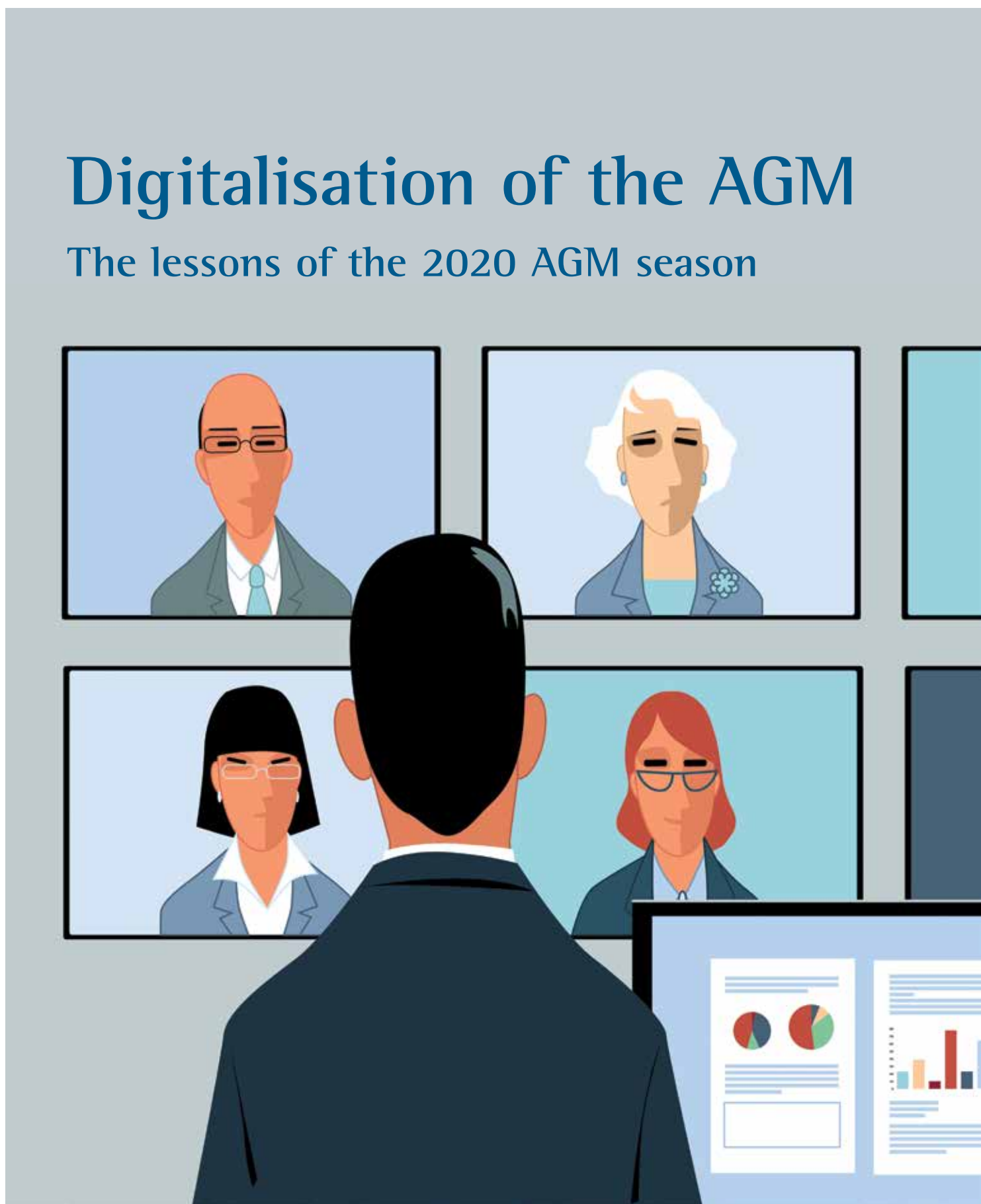


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Digitalisation of the AGM

The lessons of the 2020 AGM season



Gabriele Limonta, Sales Manager, North Asia at Lumi Global, argues that the format for annual general meetings (AGMs) is changing, and while virtual meeting technology is fit for purpose, regulatory requirements have largely failed to keep pace with rapid digitalisation.



Over the course of 18 months, listed companies across the world have been presented with unprecedented challenges to their modes of operation because of the pandemic. Corporate governance has been tested and shareholder meetings have been profoundly impacted. While the pandemic brought up new issues for businesses, Covid-19 highlighted what many experts already knew to be true – that the format for AGMs is changing and that regulatory requirements in this area have largely failed to keep pace with rapid digitalisation.

As the pandemic spread and restrictions on in-person gatherings became more severe, running a physical AGM became not only irresponsible but, in many places, illegal. As a result, many companies looked to regulators and government for guidance and to alleviate the pressure

presented by antiquated articles of association and ordinances.

We have seen great variance between the global regions, as guidance has fluctuated enormously depending broadly on custom and regulatory lethargy. This has created a profound dichotomy between areas with reactive regulators and those with unresponsive ones. In the former, AGM innovation and digitalisation has flourished, meanwhile the latter have been anchored to old and archaic rules.

Developments worldwide

The US and Canada

The most dramatic change in the format of the AGM was witnessed in the US and Canada where most listed organisations held a virtual AGM in 2020. This trend extended out into the non-listed sector, with associations, professional bodies, trade unions and other membership

Highlights

- as the pandemic spread and restrictions on in-person gatherings became more severe, running a physical AGM became not only irresponsible but, in many places, illegal
- it should now be clear to regulators, and detractors of the format, that virtual meeting technology is robust enough to support complex organisations worldwide
- jurisdictions around the world need to build a legal and regulatory framework that is robust, and to define best practice for organisations, institutional investors and retail shareholders to be held accountable to

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groups also taking their meetings entirely online. In May 2020, Institutional Shareholder Services (ISS) stated that only 10 AGMs in the whole of North America had been cancelled. The success of minimal cancellations has been attributed to the swift action of the Securities and Exchange Commission, which issued guidance in early March to provide issuers with the necessary reassurance and flexibility to hold online meetings.

Europe

Conversely, Europe saw a huge mix of regulatory responses. In France for instance, the French Financial Markets Authority (AMF) issued recommendations regarding AGMs, encouraging shareholders to vote remotely, either by proxy or using an online platform if provided for by the issuer's articles of association. Such recommendations did not go far enough to reconcile shareholders' rights to attend an AGM, meaning shareholders have largely been excluded from AGMs this year with most meetings held behind closed doors.

In Germany and Austria, dates were extended to give issuers more time to hold their meetings. Legislation was passed in Germany on 27 March to allow virtual meetings, and Bayer became the

first Dax-listed company to do so. In Switzerland, FINMA (The Swiss Financial Market Supervisory Authority) announced it wouldn't allow extensions to convening AGMs beyond the traditional 30 June deadline, but did permit virtual meetings to take place, albeit with very little uptake from issuers.

Lastly, in the UK, guidance around AGMs was slow to be published. On 17 March, UK regulators endorsed hybrid meetings but stopped short of allowing virtual AGMs, warning that they 'may not constitute valid meetings'. Alok Sharma, former Business Secretary, later announced measures to give companies greater flexibility, including postponing, or holding the AGM online or by phone using only proxy voting. The Financial Reporting Council, together with the Department for Business, Energy and Industrial Strategy (BEIS), published a Q&A document which many companies interpreted to mean that a behind-closed-doors AGM was permissible, providing a quorum was reached.

Despite the lack of clear guidance from BEIS, some organisations took the opportunity to conduct their AGM in a new way. Marks and Spencer (M&S) switched from a successful hybrid AGM in 2019 to a fully virtual meeting, which

was well attended by shareholders. Archie Norman, Chairman of M&S was quoted in the Financial Times as saying the AGM reflected the company's determination to become a digital-first business. 'The crisis has shown us how we can drive this part of our transformation faster', he said. Outside the listed market, large membership organisations with a constitutional obligation to hold an annual meeting of their members embraced the opportunity to extend their governance reach.

The United Arab Emirates

Moving East, in the United Arab Emirates the local Securities and Commodities Authority (SCA) acted decisively to ensure that companies could fulfil their obligations to hold their AGM and to ensure good corporate governance was maintained. Their speed of response in removing the obstacle of legal uncertainty sets a great example to other markets, where a virtual AGM is the best method to preserve the right of shareholders to hold the board to account if they are unable to attend in person. The SCA supported the launch of an online portal, which facilitated registration and acted as a gateway to the live meeting. Shareholders joined the meeting virtually, and watched and heard the proceedings while being able to ask questions and vote.

Asia Pacific

Swift regulatory development in the APAC regions was quite significant and, in many cases, an excellent example of good governance. In Malaysia, Singapore and Australia, regulatory guidance and temporary legislation permitting virtual attendance at an AGM was issued expeditiously and clearly, providing companies with the confidence needed to reorganise their meetings into a virtual or hybrid format.

Specifically, Malaysia and Australia issued 'no action policies' whereby companies could leverage technology to aid the delivery of an AGM in a hybrid or virtual format, notwithstanding their articles of associations. In similar fashion, in Singapore temporary legislation was introduced which effectively banned physical AGMs, and permitted virtual AGMs, but with no voting in absentia during the meeting. Absentee voting through the Chair was allowed, and questions were also allowed to be submitted in advance.

Whilst Hong Kong regulators were quick to release guidance in mid-March permitting companies some flexibility to alter the format of their meetings, they also underlined that 'issuers should ensure the conduct of its shareholder meetings are in compliance with the company laws and its own articles of association, where applicable'. With many companies yet to amend their articles of association to permit remote meetings and to allow voting in absentia, most issuers were forced to hold physical meetings with restricted attendance. Some did provide a simple webcast of the proceedings for shareholders, but attendees were unable to ask questions or cast their votes in a live environment.

The result of this policy disparity was that more than 1,000 virtual or hybrid AGMs were held in Malaysia, Singapore and Australia, while Hong Kong only hosted a handful.

Looking ahead

Overall, the regulatory guidance issued in 2020, even for the most conservative regions, helped build momentum for lobbyists encouraging companies to promote large shareholder participation with virtual technologies. Increasingly, pressure is mounting on regulators to build a legal and regulatory framework that is robust, and to define best practice for organisations to be held accountable to in a hybrid or virtual meeting format.

From conversations with listed companies and our partners in the region, it is clear that many more organisations will hold a hybrid or virtual AGM in the future. In a survey conducted by Proxy Insight, over 80% of governance professionals expect AGMs to move to hybrid or even pure virtual models, assuming that shareholder rights are protected. For governance professionals and boards looking to drive through a digitalisation agenda, the backdrop of the global pandemic has certainly enabled change and accelerated an already growing appetite for going digital.

The confidence shown by governance professionals is supported by the technological reliability of hybrid and virtual AGM platforms which were used in thousands of meetings in 2020 alone. Over the course of that year, over 85% of Lumi meetings were totally virtual, with the remaining 15% choosing to conduct a hybrid meeting. The technology to facilitate this type of AGMs has been around for several years. By the time

2020 arrived, Lumi had already run hundreds of virtual and hybrid AGMs and with 2020 that number skyrocketed to almost 4,000. The technology has authenticated tens of thousands of shareholders, has accurately counted millions of votes and has handled thousands of questions put to hundreds of boards. It should now be clear to regulators, and detractors of the format, that virtual meeting technology is robust enough to support complex organisations worldwide, and accessible enough to support thousands of shareholders and facilitate transparency in ways that enhance corporate governance.

Shareholder engagement and representation, inclusivity and transparency are compelling reasons for the advancement of hybrid AGMs as the new normal, even without factoring in the additional environmental drivers. The key is to ensure that in the short term, legal constraints are removed to prevent a repeat of behind-closed-doors meetings. Then jurisdictions around the world need to build a legal and regulatory framework that is robust, and to define best practice for organisations, institutional investors and retail shareholders to be held accountable to. While Covid-19 may have been an immediate, short-term reason to utilise virtual meeting technology, it is clear that there is only one direction of travel – the future AGM is going to be increasingly digital.

**Gabriele Limonta, Sales Manager,
North Asia**

Lumi Global

Lumi Global runs virtual AGM meetings in more than 28 countries globally.

D&O insurance in Hong Kong

What to know in the event of SFC enforcement action



Timothy Loh, Managing Partner, and Gavin Cumming, Partner, Timothy Loh LLP, provide an overview of liability insurance policies for directors and other officers of Hong Kong listed companies against potential enforcement action by the Securities and Futures Commission.

Directors and officers liability insurance (D&O insurance) can help to ensure that directors and other officers of companies listed on The Stock Exchange of Hong Kong (HKSE listed companies) have the resources to defend themselves against enforcement action by the Securities and Futures Commission (SFC). With corporate misfeasance a top priority for SFC enforcement, it is not uncommon for directors of HKSE listed companies to receive enquiries from the SFC to determine whether they have properly handled price sensitive information or have otherwise carried out their duties to ensure proper supervision of their companies. In this article, we provide an overview of D&O insurance policies (D&O policies) in the context of coverage for directors and other officers of HKSE listed companies in the event of SFC enforcement action.

Introduction

The financial burdens faced personally by officers of HKSE listed companies in the event of SFC enforcement action can be substantial. The cost to a director in defending himself or herself from the pre-investigation stage through to proceedings in a court, or before the Market Misconduct Tribunal (MMT), can easily run into the millions of dollars. In this environment, it is timely for directors and other senior executives of HKSE listed companies to consider whether the D&O policies that they may have in place will cover SFC enforcement action taken against them.

AIG, the largest underwriter of D&O policies in the world, indicated that in

2016 it paid over HK\$62 million in claims under such policies in Hong Kong, a 141% increase compared with 2012. It noted that about 90% of claims resulted from regulatory investigations and predicted a continuation of this upward trend due to increased focus by the SFC on enforcement action.

Indemnity from the company

HKSE listed companies may pay directly for the costs of dealing with SFC investigations or defending their directors and other officers from SFC enforcement actions. However, depending on the laws of the place where the company was formed, indemnities from companies may be subject to statutory limitations, which can significantly limit the level of protection. Hong Kong law restricts a company from indemnifying its directors but not other officers.

A company may not indemnify a director against:

- liability to the company or any associated company in connection with any negligence, default, breach of duty or breach of trust ('default')
- liability to pay any fine imposed in criminal proceedings or for non-compliance with any regulatory requirement, and
- liability incurred by the director in defending criminal proceedings in which the director is convicted, or civil proceedings brought by the company itself (or an associated company or a shareholder) in which judgment is given against the director. The latter is a risk particularly because a court may order that an HKSE listed company bring proceedings in its own name against a director or former director.

One consequence of these restrictions is that a Hong Kong company cannot

Highlights

- the financial burdens faced by Hong Kong listed company officers in the event of Securities and Futures Commission (SFC) enforcement actions can run into the millions of dollars
- given the upward trend of regulatory investigations and enforcement actions, directors and senior executives should carefully consider whether their liability insurance policies are adequate to cover any SFC action taken against them
- it is important to understand the range of perils and what losses can be covered by different director and officer insurance indemnities

indemnify its director against legal costs incurred to defend himself or herself in criminal proceedings, or civil proceedings brought by the company, until the director has been exonerated. Otherwise, if there is ultimately a judgment against the director, any indemnity already provided would have been unlawful. This means that the director will himself/herself typically need to pay legal bills as they are incurred.

Indemnity through a D&O policy

Some of these restrictions may be overcome through insurance. First, Hong Kong company law specifically permits a company to take out a D&O policy indemnifying its directors for liability to any person incurred in connection with any default in relation to the company, except for fraud.

Secondly, Hong Kong company law specifically permits a company to take out a D&O policy indemnifying its directors for liability incurred in defending criminal or civil proceedings alleging any default (including fraud) in relation to the company. In other words, even though a Hong Kong company cannot itself advance defence costs to a director in respect of criminal proceedings (or civil proceedings brought by the company), the company may take out a D&O policy which would do so.

The ability to take out a D&O policy for liability incurred in defending civil and criminal proceedings is particularly significant because SFC investigations are often open-ended. This open-ended nature gives optionality for the SFC to pursue criminal prosecution, as well as or in lieu of civil remedies. An allegation of the failure of an HKSE listed company to properly disclose inside information

may, for example, result in a criminal prosecution for market misconduct (disclosure of false or misleading information) or civil proceedings through the MMT. In the absence of the statutory provisions permitting indemnification for costs of criminal as well as civil proceedings, the company arguably could not indemnify a director for costs incurred in connection with any SFC investigation related to that allegation, as these costs might amount to liability incurred by the director in defending criminal proceedings in which the director is subsequently convicted.

Insured perils

Though contractual language will vary, a D&O policy will typically provide indemnity for a 'loss'. The definition of 'loss' will then set out the types of claims the policy will cover.

For example, the policy might provide coverage for:

- civil proceedings, whether through the courts or an administrative tribunal or agency, as well as criminal proceedings
- investigations, which may be defined as being formal investigations that (i) are conducted by a regulatory body or law enforcement authority, and (ii) name a specific officer as a person under investigation, and
- pre-investigation enquiries which fall short of an investigation as defined in those policies.

The range of perils insured is important given the wide range of options available to the SFC to pursue its enforcement objectives. Under the Securities and

Futures Ordinance (SFO), for example, the SFC may require an HKSE listed company to provide documents and, in that connection, require a past or present officer of that company to provide an explanation or statement in respect of those documents. Whether the requirement for an officer to provide such an explanation or statement constitutes an investigation may be significant for the purposes of determining D&O insurance coverage and will depend upon the particular language of the D&O policy.

On the other hand, the SFC may make enquiries without invoking its statutory powers. An officer of a company responding to such an enquiry does so voluntarily, but under the unstated threat that a failure to respond may result in an escalation of enforcement action. A D&O policy which covers investigations may not regard such an enquiry as being an investigation and, as a result, may not cover the cost of legal representation in responding.

Losses covered

A D&O policy may provide coverage not only for legal costs of a director to defend himself or herself against civil and criminal proceedings, but also for liability for breach of any duty.

D&O policies often exclude coverage for regulatory fines. Some D&O policies contain express exclusions to this effect. Others contain express inclusions subject to applicable law. In many jurisdictions, applicable law prohibits companies formed in that jurisdiction from taking out such coverage, and the company is also prohibited from indemnifying its officers directly.

“ Hong Kong law restricts a company from indemnifying its directors but not other officers ”



Where a company formed in a jurisdiction that does not prohibit coverage for regulatory fines takes out a policy which does not expressly exclude such coverage, the position is unclear. If the policy is governed by Hong Kong law, newer case law suggests that mere negligence resulting in the fine may be sufficient to annul coverage.

In the context of regulatory fines, the SFC typically does not settle enforcement actions without an admission of liability. Consequently, officers who seek to settle with the SFC may find themselves liable to pay the settlement amount without the benefit of D&O insurance coverage, as such an amount may constitute a regulatory fine.

Form of coverage

In broad terms, coverage under a D&O policy is offered in three forms, commonly referred to as Side A, Side B and Side C coverage. Side B and Side C coverage provide coverage to the HKSE listed company itself, rather than to its officers. In Side B, the insurer reimburses the company for sums paid by the company to indemnify its officers from liabilities

personally incurred by them. In effect, Side B enables companies to transfer to an insurer the financial burden of any contractual liability they may have to indemnify their own officers. In Side C, the insurer indemnifies the company from its own liability.

Side A provides direct coverage to officers for any loss suffered by them where indemnification from the company is unavailable because (i) the company will not provide indemnity (for example, because the company is insolvent), or (ii) the company is not permitted to provide indemnity. As noted above, Hong Kong company law restricts the indemnification of directors. As a result, directors of Hong Kong companies may need to rely on Side A coverage instead.

Assured parties

Generally, the policy holder of a D&O policy is the HKSE listed company itself, with directors and other officers being named as assured parties. Where the policy also provides coverage for officers of the company's subsidiaries, there may be an issue as to whether such coverage extends to officers of

subsidiaries which were not subsidiaries at the time coverage was effected. Officers of newly acquired or newly formed subsidiaries should enquire whether they are covered under a D&O policy and, if not, what steps need to be taken to effect coverage.

Some D&O policies define who is an 'officer'. Typically, coverage will extend only to persons acting in a supervisory capacity.

Standing to enforce

Though it is often assumed that the officers named as assured parties under a D&O policy may themselves enforce the policy, this is not necessarily the case. The officers may be regarded as third parties to the D&O policy, particularly where their terms of employment do not oblige the company to maintain the policy, and thus officers may have no standing to enforce the policy themselves. This may be particularly significant where the officer is no longer on good terms with the company.

In Hong Kong, the Contracts (Rights of Third Parties) Ordinance (Cap 623) would

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 considering the real and unpredictable risks of enforcement action, directors and other officers of [Hong Kong] listed companies would be well advised to seek specialised legal advice
 ”



not give the officer standing if the D&O policy is intended to be only enforceable by the company rather than the assured parties. Accordingly, officers may wish to satisfy themselves that if relations with their company become hostile, they will nevertheless be able to rely upon a D&O policy.

Claims made

D&O policies are generally written on a 'claims made' basis, meaning claims may only be made during the currency of the policy. By contrast, a 'losses occurring' policy provides coverage so long as the claim relates to an event during the currency of the policy.

Under a 'claims made' policy, the assured parties should include present and past officers of the company. SFC enforcement action typically focuses on past conduct and by the time the SFC investigates a particular individual, he or she may have ceased to be an officer.

Claims procedure

Where the SFC invokes its statutory powers to compel cooperation in the context of an SFC enforcement action,

the secrecy provisions of the SFO will likely apply. That will prohibit a person from disclosing any matter coming to his or her knowledge by reason of assisting the SFC in its enforcement process, unless otherwise exempted. An officer may breach the SFO where, in filing a claim, he or she notifies the insurer of the enforcement action.

However, the SFC has given standing consent to notify an indemnity insurer of the general nature of the enforcement action. If the insurer requires specific details of the action, the officer will need to seek specific consent from the SFC.

Limits

Like all liabilities policies, D&O policies are subject to monetary limits. The limits are normally shared between all the assured parties. Where the SFC takes enforcement action, it is not uncommon for the action to be taken against a company, as well as some of its officers. In this case, if the D&O policy provides for Side A and Side C coverage, the company and its directors and other officers will all be drawing down on the policy. As the company and each officer

may be unaware of the extent to which the others are drawing down on the policy, there may be some uncertainty as to how long coverage will last.

Conclusion

Considering the real and unpredictable risks of enforcement action, directors and other officers of HKSE listed companies would be well advised to seek specialised legal advice to ensure that they understand the extent of any indemnity afforded to them by the company, and to consider whether their D&O policies provide sufficient coverage.

**Timothy Loh, Managing Partner, and
 Gavin Cumming, Partner**

Timothy Loh LLP

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For more information, see a related article by the same authors, entitled 'Guide to SFC Enforcement Action: From SFC Investigation Notice to Disciplinary Action, Prosecution & Appeal', available in the Insights section of the Timothy Loh LLP website: www.timothyloh.com.



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Ransomware: prevention and response

Donna Wacker, Partner, and William Wong, Consultant, Clifford Chance, examine the increased risk of ransomware attacks, and provide guidance on preventing and preparing for such an attack, as well as how to mitigate any damage.



Ransomware attacks have drastically increased and become more sophisticated in the wake of the Covid-19 pandemic. Even before this uptick, cybersecurity professionals had predicted global damages from ransomware to reach US\$20 billion in 2021, over 50 times higher than the cost in 2015. In a survey conducted in early 2020 of 5,000 IT managers employed by a range of organisations across 26 countries, over half reported being the target of a ransomware attack – and 75% reported that attackers were successfully able to infect their systems.

Spotlight: first ransomware-related death in 2020

Ransomware doesn't just threaten a company's operational and financial health – the ripple effects of ransomware attacks can have life-or-death consequences. In the autumn of 2020, a ransomware attack caused the failure of IT systems at the Düsseldorf University Clinic, a major hospital affiliated with Heinrich Heine University in Germany. The ransomware attack was directed towards the university, but it infected the hospital's IT systems, forcing staffers to redirect emergency patients as the clinic worked to restore operations. Düsseldorf police eventually established contact with the hackers, who withdrew their ransom demand and provided a digital key to decrypt the data when they learned the attack was affecting patients. But the damage had already been done – on 17 September, a woman who needed urgent care died en route to another hospital, after being redirected as a result of the attack.

In addition to costing companies millions of dollars, ransomware attacks have also become a significant source of regulatory and reputational risk. As privacy and data security issues increasingly penetrate the global zeitgeist, reports of ransomware attacks have become regular fixtures in international news publications across the globe.

This article aims to help companies understand and address the risk of a ransomware attack. It provides guidance on how to prevent and prepare for ransomware attacks, what to do if and when a company is the victim of such an attack, and outlines important legal considerations for companies with operations in Hong Kong.

Anatomy of an attack

A ransomware attack combines malicious software (malware) with extortion. Attackers infect devices or systems with malware to block access, demanding payment to restore access and sometimes to avoid dissemination of exfiltrated data.

Stage 1: infection

A ransomware attack begins with malware. Attackers exploit vulnerabilities in order to

gain access to a device or system. This can be accomplished in a number of different ways. In some cases, attackers can crack weak security defences and gain direct access to devices or systems, remotely installing malware. Other attackers may exploit system software vulnerabilities to find back doors into a targeted system.

One means of attack that has become increasingly popular among ransomware groups is spear phishing. Spear phishing involves targeting key employees – such as IT staff – and using social engineering tactics to acquire credentials or access. For example, attackers may send a targeted email purporting to be a family member, attaching a picture file with malicious code. Or they may masquerade as a senior executive needing to 'reset' their password due to a security incident. In these instances, attackers will often study their targets in advance to increase the chance of success.

Stage 2: attack

Once malware has been installed, the actual ransomware attack proceeds. Sometimes malware will stay dormant for a period to avoid detection. Eventually, however, the malware

Highlights

- the recent uptick in the number and sophistication of ransomware attacks is costing companies millions of dollars, as well as increasing regulatory and reputational risks
- research has found that the average cost to a victim of a ransomware attack almost doubles when ransom is paid
- while Hong Kong law does not currently prohibit ransom payments, ransomware victims should consider whether payments would violate sanctions or money laundering laws – including the obligation to notify authorised officers of any suspected dealings with proceeds of crime

“
 the best way to defend
 against ransomware is
 to prevent the attack in
 the first place and to be
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 an attack does occur
 ”



goes to work, crippling the system. In addition, ransomware perpetrators have increasingly begun to exfiltrate data prior to issuing an extortion demand and then seek payment as a condition for returning (and not further disseminating) that data.

Stage 3: extort

Once the device or system becomes fully disrupted, the attackers will make their demands. Most of the time this will be a demand for payment. Typically, these demands seek payment in untraceable cryptocurrency (such as Bitcoin).

Stage 4: spread

Ransomware attackers have become increasingly organised, forming 'groups' and conducting repeated attacks over

a sustained period of time. Accordingly, ransomware attackers will often look to leverage successful attacks to identify new victims – or continue exploiting existing victims. For example, malware can be designed to lie dormant before it is activated again months or years later. Attackers can also use their access into one company to attack clients or service providers of that first victim.

Prevention and preparation

The best way to defend against ransomware is to prevent the attack in the first place and to be prepared to respond if an attack does occur.

Strong cybersecurity measures

Most companies are required by law to have reasonable cybersecurity measures in place to protect personal information. Such measures should help prevent ransomware infections. These measures include:

- network security (for example, firewalls, antivirus software and network traffic monitoring) to prevent and identify intrusions and suspicious activity
- software patch management to eliminate software vulnerabilities

- remote access security measures (for example, virtual private networks (VPNs) or multifactor authentication) to ensure secure work-from-home capability, and
- segmented networks to limit the spread of malware.

Training

Training is critical to preventing attacks. As discussed in the 'Anatomy of an attack' section above, one of the most common means of introducing malware into a system is through spear phishing. As attackers become more sophisticated, it is more important than ever for companies to train all staff – and in particular key

Get down with IOCs

An indicator of compromise (IOC) is a piece of forensic computer data that identifies potential malicious activity on a system or device. These could be things like system log entries, network traffic patterns, or IP addresses of known attackers. Law enforcement, IT professionals and others use IOCs to detect and prevent cyber attacks.

Types of ransomware

'Locker' ransomware attacks directly block access to a device or system. In such an attack, the underlying data remains intact.

'Crypto' ransomware attacks encrypt data, rendering it unreadable. Devices or systems remain accessible, but data cannot be processed without a decryption key.

employees such as IT, finance and human resources personnel – to identify potential attacks. This includes 'testing' employees by sending simulated spear phishing emails and training employees on the measures they should take if they suspect an attack, such as immediately reporting the incident and isolating and segmenting devices suspected to be infected.

Backup and disaster recovery

All companies should have an established backup and disaster recovery policy. Where complete system backups are not feasible, backups should be maintained for business-critical data and processes. Backups should be segmented from primary systems to prevent any malware from spreading to such backups.

Incident response plans

In addition to disaster recovery, companies should have in place robust incident response plans. The specific elements that should be part of such plans are discussed below, but it is important to understand that such policies and procedures must be well established before an incident occurs. Relevant personnel should be trained on the incident response plan and disaster recovery procedures. Tabletop exercises will help ensure that procedures are effective and efficient, so that staff will be prepared in the event of an actual incident.

Responding to an attack

Ransomware attacks can happen to even the most well-protected company, so companies must be prepared to quickly mitigate and remedy any damage.

Immediate response

A robust incident response plan will help companies prioritise key actions they will need to take immediately after discovering a ransomware attack. These include:

- establishing an internal steering group to oversee incident response
- segregating and isolating the malware infection to limit its spread
- developing an external communication strategy to control information flow
- establishing internal communication protocols to ensure staff are informed
- implementing backup and disaster recovery plans to permit business to continue (if appropriate and safe to do so)
- engaging key external advisers, including legal and forensic advisers
- taking care to maximise legal privilege protection over internal communications and (where possible) the work of forensic teams
- determining regulatory reporting obligations and timelines, and
- examining contractual notification obligations to key counterparties.

Many of these elements can be prepared in advance (for example, template press releases or approved preselected vendors).

Payment

One of the obvious immediate issues that victims of a ransomware attack must consider is whether to pay the ransom. There is no 'correct' answer to this question, but companies should consider:

- whether there are alternatives to payment (such as backups)

- legal ramifications of payment (see the 'Legal considerations in Hong Kong' section below regarding sanctions risk), and
- the company's specific reputational concerns.

Notably, research has found that the average cost to a victim of a ransomware attack almost doubles when ransom is paid. And while most companies who pay are able to recover their data, payment of a ransom does not excuse regulatory notification obligations, nor does it guarantee that exfiltrated data will not be further disseminated.

Investigation and remediation

While some of the most critical work in responding to a ransomware attack will

Spotlight: attackers increase pressure to pay by threatening publication

In recent years, companies have become more sophisticated in their IT security, implementing protective measures against ransomware attacks such as system backups and rollback technology. In response to this increasing resistance, the Maze ransomware group introduced a new extortion technique in 2019 – actually exfiltrating data and threatening to publish it. This technique is particularly devastating for companies that possess sensitive personal data about customers, clients or other third parties. Since this technique was introduced, a number of major ransomware groups have also incorporated the tactic into their playbooks.

“ although there is no cross-sector cybersecurity legislation in Hong Kong, industry-specific notification requirements may be relevant ”



occur in the days immediately following the incident, much of the work will continue for weeks and months following the attack in the investigation and remediation phase. Key considerations for this process include:

- analysing exfiltrated data (if any) to determine notification obligations
- addressing customer concerns (for example, by providing identity monitoring services)
- eliminating the vulnerability (for example, by enhancing security systems, conducting training and so on), and
- responding to regulator enquiries.

In addition, once the incident has been fully remediated, the company should review its incident response policies and procedures, and address any deficiencies that it observed with regards to these procedures in practice.

Legal considerations in Hong Kong

There is currently no law in Hong Kong prohibiting the payment of ransoms. While such payment could potentially be caught under Section 25 of the Organized and Serious Crimes Ordinance (Cap 455)

(since the victim will have reasonable grounds to believe, or even know, that the ransom payment represents the attacker's proceeds of an indictable offence), Section 25A provides a defence if the victim notifies an 'authorised officer' (for example, the Hong Kong police) of the payment in advance and obtains consent, or if the victim notifies an authorised officer as soon as it is reasonable to do so after making the payment. In addition, victims should be mindful of the offences under the United Nations Sanctions Ordinance (Cap 537) and the Weapons of Mass Destruction (Control of Provision of Services) Ordinance (Cap 526), in the unlikely event that a victim suspects or knows that the attacker is a sanctioned person, or is related to any

act of production of weapons of mass destruction.

Although there is no cross-sector cybersecurity legislation in Hong Kong, industry-specific notification requirements may be relevant – for example regulated financial institutions are expected to notify their regulators (the Securities and Futures Commission, the Hong Kong Monetary Authority or the Insurance Authority) in the event of a major cyber incident. To the extent that personal data of customers is compromised, the Privacy Commissioner for Personal Data in Hong Kong also encourages companies to self-report and to notify the affected customers.

Donna Wacker, Partner, and William Wong, Consultant
Clifford Chance

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Cyber insurance

As ransomware and other cyber attacks become more prevalent, cyber insurance has become crucial. Just as with any other insurance policy, however, coverage will vary. For example, not all policies cover actual ransom payments. Understanding these policies in advance will help ensure companies are not caught by surprise if and when a ransomware attack does occur.

This article was adapted from a briefing with a global perspective spearheaded by Daniel Silver and Megan Gordon, Partners of Clifford Chance US, entitled 'Ransomware: Prevention & Response', which can be found on the Clifford Chance website: www.cliffordchance.com.



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“
digitalisation will
enable organisations
to improve their
governance capabilities
and efficiencies
”

Kenny Luo FCG FCS, Board Secretary,
Company Secretary and General
Manager, Board Secretariat, Bank of
China (Hong Kong) Holdings Ltd

Careers in Governance

Kenny Luo FCG FCS

What is your role as a governance professional?

'I serve as the Board Secretary and Company Secretary of Bank of China (Hong Kong) Holdings Ltd (BOCHK). In addition to BOCHK being the Bank of China Ltd (BOC) headquarters for its ASEAN operations, BOCHK is the second largest banking group, one of the three note-issuing banks and the exclusive RMB clearing bank in Hong Kong. I have three major roles – as a servant of the board responsible for the smooth operation of board and general meetings, as a compliance adviser providing corporate governance advice to directors and managers, and dealing with compliance formalities. I also serve as a bridge connecting the board, senior management, the parent company and subsidiary, and the listed company and its shareholders.'

What was your career path to your current role?

'I started working for BOC as a management trainee in 1996. The first-year apprentice work in a small city in central China gave me a unique opportunity to learn about banking operations at the grassroot level. After three years in BOC's overseas business management department in Beijing, I was selected to be a member of the IPO team for BOCHK's listing in 2000 and then for BOC in 2004. After the successful IPO of BOC in 2006, I worked as the Listing Affairs Representative and Head of Investor Relations at the Board Secretariat Department of BOC for 10 years, and became Board Secretary and Company Secretary of BOCHK in 2016. I then became a member of HKICS by attending a part-time MCG programme outside of office hours.'

What value does governance bring to organisations and to wider society?

'I believe good governance can enable an organisation to achieve its mission and strategic goals in an orderly and efficient way. As organisations are basic building blocks of society, the more successful organisations are, the better society we will become and the greater prosperity we can expect. Hence, governance professionals are indispensable to any successful organisation and to the wider society.'

What qualities do you think are needed to be a successful governance professional?

'The basic qualities include having an adequate knowledge of corporate governance and the industry you are working in, as well as corporate work experience and good oral and written communication skills. Other important qualities include integrity, diligence, efficiency, excellent coordination skills and an innovative mentality.'



How do you think governance will evolve in the future?

'The purpose of corporate governance has evolved from generating value for shareholders to addressing and balancing the interests of all stakeholders. Environmental, social and governance (ESG) frameworks provide the best coverage of the interests of almost all stakeholders. Digitalisation will enable organisations to improve their governance capabilities and efficiencies, consistent with their business development, by adopting state-of-the-art RegTech and FinTech. The Covid-19 pandemic has accelerated the process of corporate governance digitalisation, as evidenced by the booming electronic board meeting and hybrid general meeting solutions.'

What inspires you in your life and work?

'A clear and strong sense of responsibility to family, company and society inspires me to solve problems and achieve goals at work and home.'

How do you fill your time outside work?

'I am a "work hard/play hard" type of person. I seldom rest at home during leisure time, but recharge myself through a broad range of hobbies such as hiking, skiing and self-driving tours with my family. When I am alone, I also enjoy books, movies and music.' 🎧



Careers in Governance

Flora Wong ACG ACS

What is your role as a governance professional?

'As a governance professional working for a German automaker in Hong Kong, I am responsible for reviews of guidelines and process flows to advise business units on process improvements, to ensure compliance at the local level and to raise employees' awareness of compliance issues via training and newsletters. I am also responsible for monitoring the design and effectiveness of internal controls, identifying any weaknesses in these controls, and reporting on risks and/or opportunities and countermeasures.'

What was your career path to your current role?

'I started my career in the legal department of a Hong Kong listed company. That gave me the opportunity to learn about company secretarial matters, in particular how to build and maintain corporate compliance programmes, and I became interested in pursuing a career in compliance. Then I joined the regional compliance office of a global medical devices company. This gave me the opportunity to widen my horizons during site visits and industry conferences in Asia Pacific countries.'

What value does governance bring to organisations and to wider society?

'In addition to ensuring compliance with rules and regulations and building effective internal control frameworks, governance stems from a set of values. Those values are translated into action through the interaction among individuals, companies and wider society. Individuals need to possess good virtues (such as integrity, fairness and honesty) and apply them at work by following their moral compass. At a corporate level, those values become an integral part of a corporate culture. Individuals need to have the mindset to act responsibly, to build respect and trust. At a societal level, people need to abide by best practice in diversity and sustainability.'

What qualities do you think are needed to be a successful governance professional?

'In this rapidly changing environment, governance professionals need to be adaptive and open-minded about embracing change. For example, now that communication is generally not face-to-face, governance professionals need to be responsive to the possibilities of online communication. The ability to speak up encourages feedback, facilitates information exchange and experience-sharing, and builds trust. During interactions with stakeholders, feedback will not always be positive and governance professionals sometimes have the opportunity to



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embracing change

”

Flora Wong ACG ACS, Senior Executive – Risk Management,
Mercedes-Benz Hong Kong Ltd

prevent harm to the company, effect early remediation and even facilitate beneficial transformation.'

How do you think governance will evolve in the future?

'As people become more aware of the importance of sustainability and diversity, the need to balance profitability with preserving the environment, and taking into account gender equality, workforce diversity and equal opportunity, will be increasingly under a spotlight. Therefore, employees across different business departments will have more interaction with governance professionals to meet stakeholder expectations while abiding by laws and regulations.'

What inspires you in your life and work?

'I am grateful to the mentors who have enriched my life experience, and I look forward to future opportunities and challenges.'

How do you fill your time outside work?

'I practise meditation, and I also enjoy hiking and reading.' 🧘📖

Professional Development

Seminars: January 2021

11 January

Embark on a journey to next generation entity governance and compliance

Chair: Kitty Liu FCG FCS, Company Secretarial Consultant, Law Department of the Hong Kong office, AIA International Ltd

Speakers: Ann Kwok, Mainland China and Hong Kong Tax Technology Leader; Henry Leung, Director, Tax Reporting & Strategy; and Jeffrey Ip, Manager, Tax Reporting & Strategy; PwC Hong Kong

13 January

New economic substance laws

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

Speakers: Wilson Cheng, Partner, Greater China Tax Controversy Co-Leader Hong Kong Tax Controversy Leader; and Ka Yan Pau, Senior Manager, Hong Kong Tax and Business Advisory Services; Ernst & Young

14 January

Subsidiary governance: challenges and tips for managing overseas subsidiaries

Chair: Natalia Seng FCG FCS(PE), Institute Past President, current Council member, Education Committee Chairman and Mainland China Focus Group member

Speakers: Melissa Fung, Partner, Risk Advisory, Deloitte

18 January

Company secretarial practical training series – formation and ongoing corporate secretarial compliance of companies limited by guarantee for charitable purpose in the era of the pandemic

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

Speakers: Wendy Ho FCG FCS(PE), Institute Council member, Professional Development Committee Vice-Chairman and Professional Services Panel member, and Executive Director, Corporate Services; and Christopher Lui ACG ACS, Institute Membership Committee member, and Manager, Corporate Services; Tricor Services Ltd

21 January

Purposeful governance: a stakeholder responsive approach to surviving/flourishing under a new economic order – to learn and respond to where practical governance is heading and attract investor interests

Chair: Gillian Meller FCG FCS, Institute President, and Legal and Governance Director of MTR Corporation Ltd

Speakers: John Sequeira, Partner, Hong Kong, Bain & Company; Amar Gill, Managing Director and APAC Head of Investment Stewardship, BlackRock; Lau Ka Shi, BBS, Institute TCP – Public Governance Interest Group member, and Managing Director & CEO, BCT Group (BCT Financial Ltd & Bank Consortium Trust Co Ltd)

27 January

Information exchange: a perennial competition law risk for businesses

Chair: Mohan Datwani FCG FCS(PE), Institute Deputy Chief Executive

Speakers: Adelaide Luke, Institute Technical Consultation Panel – Competition Law Interest Group member, and Partner, Head of Competition, Asia; and Frederick Good, Associate; Herbert Smith Freehills

Video-recorded CPD seminars

Some of the Institute's previous ECPD seminars/webinars can now be viewed from the video-recorded CPD seminars platform of The Open University of Hong Kong.

For details of the Institute's video-recorded CPD seminars, 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.

ECPD forthcoming webinars

Date	Time	Topic	ECPD points
29 March 2021	3.30pm–5.30pm	Practical ways to resolve tax disputes – strategies and tactics	2
30 March 2021	4.00pm–5.30pm	Anti–money laundering/counter financing of terrorism (AML/CFT) measures – an update with discussion on control measures	1.5
13 April 2021	4.00pm–5.30pm	Corporate governance for listing in Hong Kong	1.5
14 April 2021	6.45pm–8.15pm	Shareholder activism in Hong Kong	1.5

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




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Membership

New Fellows

The Institute would like to congratulate the following Fellows elected in late December 2020.

Chan Kin Man, Jacky FCG FCS

Mr Chan is a founder and Practising Director of J CPA Ltd and has over 10 years of experience in audit, assurance, tax engagement, compliance services, risk management and long-term business strategies.

Mr Chan holds a master's degree in Corporate Governance and a bachelor's degree in Applied Accounting. He is also a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong, and is an ordinary member of The Society of Chinese Accountants and Auditors, The Hong Kong Institute of Directors and The Hong Kong General Chamber of Small and Medium Business.

Ng Hoi Yan FCG FCS

Ms Ng is a founder and has been the Director of J Secretary Ltd since September 2013. She leads various departments in providing professional secretarial services to private and offshore companies in Hong Kong, with a focus on compliance and corporate governance. She also has 10 years of experience in practical accounting for commercial companies.

Ms Ng obtained a bachelor's degree in Accounting and Finance in 2005 and, more recently, a master's degree in Corporate Governance. She is a fellow member of the Association of Chartered Certified Accountants and an affiliate member of The Society of Chinese Accountants and Auditors.

Wong Wai Kiu FCG FCS

Ms Wong is the company secretary of EEKA Fashion Holdings Ltd (Stock Code: 3709), primarily responsible for the company's secretarial affairs, guidance on financial reporting, investor relations, and appropriate board procedures with applicable laws and regulations. She is a fellow member of the Association of Chartered Certified Accountants. She has obtained a bachelor's degree in Applied Accounting from Oxford Brookes University, a master of science degree in Professional Accountancy from University of London, a master of arts degree in Fine Arts from The Chinese University of Hong Kong and a master's degree in Corporate Governance from The Hong Kong Polytechnic University.

Cheng Lucy FCG FCS

Senior Manager, Corporate Secretarial Department, Boardroom Corporate Services (HK) Ltd

Cheung Wai Shuen FCG FCS

Company Secretary and Executive Director, Star Properties (Hong Kong) Ltd (Stock Code: 1560)

Tong Chau Har FCG FCS

Senior Manager, Corporate Secretarial Department, Boardroom Corporate Services (HK) Ltd

Tse Wai Yin FCG FCS

Senior Manager, Corporate Secretarial Department, Boardroom Corporate Services (HK) Ltd

New graduates

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

Au Pui Yu, Yuchi

Fong Ka Ching

Poon Wing Ki

Yiu Shui Sum, Winnie

Yu Ka Wai

Forthcoming membership activities

Date	Time	Event
21 April 2021	1.00pm–2.00pm	Employment opportunities for governance professionals in Hong Kong and the Greater Bay Area (free webinar)

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

Membership activities: January and February 2021

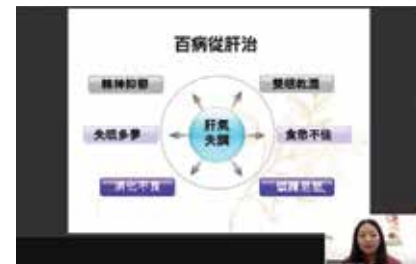
30 January and 6 February
Yoga workshop for office workers
(free webinar)



24 February
Governance Professional Mentorship
Programme – online closing ceremony for
2020 cum launch of 2021 programme



25 February
Staying healthy in the spring with
Chinese medicine and therapy (春季養生之道) (free webinar)



Advocacy

Building our new identity – invitation to Members’ and Students’ Forums on the Institute’s name change initiative

The evolving roles of governance professionals facilitated a name change of our global institute in September 2019, from The Institute of Chartered Secretaries and Administrators of London to The Chartered Governance Institute. Following a discussion with regulators, members and other stakeholders, a consensus has been reached for a new name for our Institute in Hong Kong – The Hong Kong Chartered Governance Institute (香港公司治理公會).

The rationale for this proposed name change stems from the need to better represent our members, whose roles and responsibilities have advanced to embrace not only the traditional company secretarial and/or administrative roles, but also wider governance concerns. The change of name will help the Institute better promote recognition of our members as governance professionals, as well as enhance employment and other business opportunities for them.

The pandemic has understandably delayed the implementation process but, with uncertainty around how long we will be dealing with the effects of Covid-19 and with the increasing ease for the



Institute and our members of carrying out business online, we feel it is now time to proceed with the name change.

To garner support for the change of name, the Institute held two focus group meetings, chaired by Institute President Gillian Meller FCG FCS and Institute Chief Executive Ellie Pang in mid-March. In April, the Institute will host a series of members’ and students’ forums to facilitate a more in-depth understanding of the Institute’s name change initiative.

Date	Time	Event
Friday 9 April 2021	1.00pm–2.00pm	Members’ Forum (Putonghua session)
Tuesday 13 April 2021	6:30pm–7:30pm	Members’ Forum (English session)
Thursday 15 April 2021	6:30pm–7:30pm	Members’ Forum (Cantonese session)
Tuesday 20 April 2021	6:30pm–7:30pm	Students’ Forum (Cantonese session)

For details and registration, please visit the Events section of the Institute’s website: www.hkics.org.hk.



Institute review report – Missing Opportunities? A Review of Gender Diversity on Hong Kong Boards

In February 2021, the Institute published a review report entitled, Missing Opportunities? A Review of Gender Diversity on Hong Kong Boards. The report shows the inadequate representation of women on the boards of Hong Kong listed companies. While Hong Kong is at the top of the global league in terms of IPO fund raising, its position in relation to gender diversity is dismal. Hong Kong ranks 23rd in the average percentage of women on boards by reference to 26 market indices in a 2019 survey. Only one in seven directors (or around 14%) of Hong Kong's listed company directors are women.

In order to address the issue, the Institute has called for the regulatory imposition of a 30% target for women on boards over a six-year period under a 'comply or explain' regime. This represents an attempt to rectify the under-representation of women on the boards of listed entities in Hong Kong.

To view the review report, please visit the Publications section of the Institute's website, or to view the press release, please visit the News section of the Institute's website: www.hkics.org.hk.

The Institute is awarded the Caring Organisation Logo for the fourth consecutive year

The Institute has been awarded the 2020/2021 Caring Organisation Logo by The Hong Kong Council of Social Service for the fourth consecutive year. The award is in recognition of the Institute's corporate social responsibility (CSR) efforts in caring for the community, its employees, other stakeholders and the environment. The Institute will continue to support and embark on projects that will bring long-term sustainable growth to its members and students, as well as the wider community and the environment at large.



Earth Hour 2021

The WWF Earth Hour 2021 will take place at 8.30pm on Saturday 27 March 2021. The Institute will continue to support this initiative in environmental protection and caring for our planet. As pledged, both the Institute's Hong Kong Secretariat and Beijing offices will switch off all lights in our offices during the designated hour. Members, graduates and students are invited to join the Institute in support of this meaningful cause.

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



Chartered Governance Qualifying Programme (CGQP)

November 2020 examination diet Pass rates

The examination results of the November 2020 diet were released on 10 February 2021. Candidates can access their examination results from their accounts on the Institute's website. The examination papers, mark schemes and examiners' reports are also available to download from the login area of the Institute's website.

Summary of the pass rate for the CGQP November 2020 examination diet is set out below:

Module	Pass rate
Part One	
Corporate Governance	29%
Corporate Secretaryship and Compliance	25%
Hong Kong Company Law	15%
Interpreting Financial and Accounting Information	62%
Part Two	
Boardroom Dynamics	40%
Hong Kong Taxation	50%
Risk Management	9%
Strategic Management	35%

Module Prize and Merit Certificate awardees

The Institute is pleased to announce the following awardees of the Module Prizes and Merit Certificates for the November 2020 examination diet. The Module Prizes are sponsored by The Hong Kong Institute of Chartered Secretaries Foundation Ltd. Congratulations to all awardees!

Module	Module Prize awardees
Corporate Governance	Cheng Ka Lee, Cary Chan Chau Mei Chow Yuen Sang, Timothy Hill Tobey A Ho Wan Ngai
Interpreting Financial and Accounting Information	Poon Yun Kwan Srivastava Pallavi Tang Lai Fong Yeung Lok Yan Yuen Sze Man Zhang Shu

Module	Merit Certificate awardees
Boardroom Dynamics	Wu Jiali
Corporate Governance	Leung Hoi Ting, Vanessa Yeung Suet Ying
Corporate Secretaryship and Compliance	Chui Man Sze Leung Wing Yan
Hong Kong Company Law	Cheung Yin Hei
Hong Kong Taxation	Ye Jiahong
Interpreting Financial and Accounting Information	Au Kam Ning Chan Ching Fei, Vanissa Chen Siyuan Chen Yuxiao Cheung Ling, Giselle Ho Chung Yan, Joanne Kuo Yuen Fan Leung Chi Wai Lian Qinyi Lin Lap Yee Pang Hoi Man Shang Jialin Tong Chiu Yu Tse Yan Man Tsoi Hoi Yin Weng Weilin Wong Chun Yu Woon Zoe Shook Yee



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Supporting organisations



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For registration and enquiries, please contact Lily Or: 2830 6039 or email: student@hkics.org.hk.

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now!**



Chartered Governance Qualifying Programme (CGQP) (continued)

June 2021 examination diet timetable

The June 2021 examination diet of the CGQP is open for enrolment from 16 February 2021 to 31 March 2021. All examination enrolments must be made online via the login area of the Institute's website.

Week one

Time	1 June Tuesday	2 June Wednesday	3 June Thursday	4 June Friday
9.15am–12.30pm*	Hong Kong Taxation	Hong Kong Company Law	Interpreting Financial and Accounting Information	Corporate Secretaryship and Compliance

Week two

Time	8 June Tuesday	9 June Wednesday	10 June Thursday	11 June Friday
9.15am–12.30pm*	Corporate Governance	Risk Management	Strategic Management	Boardroom Dynamics

* Including 15 minutes reading time (9.15am–9.30am).

The Institute reserves the right to change the dates and details without prior notice.

June 2021 examination diet – key dates

Key dates for 2021	Description
16 February	Enrolment for June 2021 examination diet
16 February	Release of November 2020 examination papers, mark schemes and examiners' reports
18 February	Enrolment for online examination technique workshops
Late February	Closing date for enrolment in the HKU SPACE Examination Preparatory Programme
24 February	Closing date for November 2020 examination results review application
17 March	Closing date for enrolment in the online examination technique workshops
31 March	Closing date for enrolment in the June 2021 examination diet
27 April	Pre-released case study for the June 2021 examination diet
Mid-May	Release of examination admission slips
1–11 June	The examination period for the June 2021 examination diet
2 July	Closing date for examination postponement application
Mid-August	Release of examination results
Mid-August	Release of June 2021 examination papers, mark schemes and examiners' reports

The Institute reserves the right to change the dates and details without prior notice.

For details, please visit the Examinations page under the Studentship section of the Institute's website: www.hkics.org.hk.

For enquiries, please contact Leaf Tai: 2830 6010, or email: exam@hkics.org.hk.

Learning support

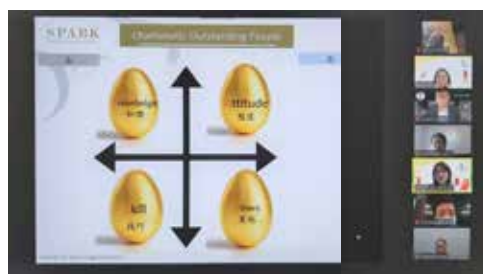
CGQP examination technique workshops

The CGQP examination technique workshops are designed for students with substantive knowledge about the respective examination modules. The workshops will be held online between mid-March and the end of April 2021, and are set in two parts. In part one, students will attend a two-hour online workshop and receive one mock examination paper. In part two, students who have attended and submitted their answers to the mock examination paper will receive feedback and guidance on their answers.

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

Student Ambassadors Programme (SAP) 2020/2021

Second gathering – does attitude matter in a journey to career success?



Summer internship 2021 – (call for hiring)

The Institute invites companies and organisations to offer summer internship opportunities to local undergraduates under its Student Ambassadors Programme with the aim of promoting the dual qualification of Chartered Secretary and Chartered Governance Professional to the younger generation in Hong Kong. The internship period is usually from June to August 2021 for a maximum period of eight weeks.

Members who are interested in offering summer internship positions, please contact Matthew Liu: 2830 6001, or email: student@hkics.org.hk.

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

Forthcoming studentship activities

Date	Time	Event
19 April 2021	6.30pm–7.30pm	Student Gathering (4): experience sharing on preparation of CGQP examinations
27 May 2021	6.30pm–7.30pm	Governance Professionals Information Session (English session)

Chartered Governance Qualifying Programme (CGQP) (continued)

Studentship activities: February and March 2021

23 February

Student Gathering (1): update on the CGQP and how to use the PrimeLaw online platform



25 February

Governance Professionals Information Session



9 March

Student Gathering (2): how to study for the CGQP modules – session one (Law, Governance and Compliance modules)



Featured job openings

Company name	Position
Hong Kong Exchanges and Clearing Ltd	Assistant Vice-President – Secretarial Services (PRC team)
Asia-Pacific Accounting & Secretarial Services Ltd	Intern – Corporate Secretarial Services
Asia-Pacific Accounting & Secretarial Services Ltd	Officer – Corporate Secretarial Services
Genting Hong Kong Ltd	Assistant Vice-President – Company Secretarial
Naga Corp Ltd	Company Secretarial Manager
Sing Tao Management Services Ltd	Assistant Company Secretary
LKSF Ltd	Company Secretarial Officer
LCCS Ltd	Company Secretary
Hong Kong Applied Science and Technology Research Institute Company Ltd	Head of Corporate Secretariat
Ocorian Corporate Services (HK) Ltd	Senior Corporate Administrator
Ocorian Corporate Services (HK) Ltd	Corporate Administrator

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

Notice

Reminder – updated CGQP syllabus and recommended study materials

The updated syllabus and recommended study materials are now available online.

For details, please visit the Syllabus page under the Studentship section of the Institute's website: www.hkics.org.hk.

Reminder – new Fast Track Professional route

With effect from 1 January 2021, a new Fast Track Professional route is available for qualified lawyers or accountants who wish to become a Chartered Secretary and Chartered Governance Professional.

For details, please visit the Fast Track Professional page under the Studentship section of the Institute's website: www.hkics.org.hk.

Policy – payment reminder Studentship renewal

Students whose studentship expired in January 2021 are reminded to settle the renewal payment by Tuesday 23 March 2021. Failure to settle payment by the deadline will result in the removal of studentship.

中國企業稅務 PRC Corporate Taxation

1880-2600NW

課程大綱

- 稅法總論
- 流轉稅
- 所得稅
- 財產稅及資源稅
- 行為稅
- 稅收征收管理

課程時間表

課程為期四週 授課時間：4堂，每堂6小時，共24小時

上課時間：周六，14:00 - 17:00及18:00 - 21:00

授課日期：2021年4月17日、4月24日、5月8日及5月15日
(校方保留更改及調動課堂時間之權利)

授課模式：實時網上教學

講者簡介

- 龍朝暉博士
- 中山大學嶺南學院財稅系副教授
 - 兼任廣州市稅務學會常務理事及中國電子商務立法起草小組成員等職務

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課程查詢

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電話：28816177；電郵：cpd@hkics.org.hk



SFC and FRC to enhance collaboration

The Securities and Futures Commission (SFC) and the Financial Reporting Council (FRC) have concluded a new Memorandum of Understanding (MoU) to strengthen the regulation of the capital markets through enhanced collaboration between the two regulators. The new MoU supersedes the MoU between the SFC and the FRC signed in 2007.

Under the new MoU, which took effect last month, the SFC and the FRC agreed to foster closer cooperation in the regulation of the securities and futures market, particularly in relation to the regulation under their respective supervisory regimes of listed entity auditors and compliance by listed entities with financial reporting requirements.

The enhanced collaboration between the SFC and the FRC under the new MoU, which includes case referrals, joint investigations, mutual assistance, capacity building and the exchange and use of information, will increase the overall effectiveness of both regulators in ensuring the quality of financial reporting by listed entities and the audit quality of listed entity auditors. It will also help maintain the integrity of Hong Kong's capital market and its reputation as an international financial centre.

To ensure that their regulatory efforts are well coordinated, the two regulators agreed to notify one another when preparing and issuing policies or guidelines which may have a significant impact on their respective regulatory functions.

More information is available on the SFC website: www.sfc.hk.

AML/CTF breaches

In March 2021, the Securities and Futures Commission (SFC) reprimanded and fined Sino-Rich Securities & Futures Ltd (Sino-Rich) HK\$7.2 million for failures in complying with anti-money laundering and counter-terrorist financing (AML/CTF) regulatory requirements when handling cash deposits and third-party fund transfers. The SFC's investigation found that between April 2015 and October 2017, Sino-Rich had routinely processed cash deposits with an aggregate amount of over HK\$30 million and third-party transfers with an aggregate amount of over HK\$900 million. For the cash deposits, there is no record of any enquires made by Sino-Rich's staff with the clients and approvals by its responsible officers (ROs) prior to January 2017. It was only after the SFC issued a management letter to Sino-Rich in November 2016 that Sino-Rich required its staff to record the reasons and the ROs' approval for cash deposits. With respect to third-party transfers, Sino-Rich's staff were required to fill in the relevant third-party transfer forms but important information such as the client's relationship with the third party, the reason for the transfer and/or the client's signature was not provided in around 40% of the forms.

More information is available on the SFC website: www.sfc.hk.

MMT sanctions directors for late disclosure of inside information

In March 2021, the Market Misconduct Tribunal (MMT) fined Magic Holdings International Ltd (Magic) and five of its directors a total of HK\$4 million after they were found to be culpable of late disclosure of inside information on a proposed acquisition of Magic in 2013. Magic and the five directors were ordered to pay a fine in the range of HK\$750,000 to HK\$1.5 million each.

The five directors comprised the chairman, three executive directors (one of whom was also the company secretary at the material time) and a non-executive director. They were also disqualified from being a director or being involved in the

management of a listed corporation or any other specified corporation, for eight to 24 months.

The MMT found that Magic's disclosure of the proposed acquisition, which would have a positive impact on Magic's share price, had been delayed for around three months. Investors who sold their Magic shares during that time were hence ignorant of the information that they should be entitled to.

More information is available on the Market Misconduct Tribunal website: www.mmt.gov.hk.



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