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January 2022

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The journal of The Hong Kong
Chartered Governance Institute
香港公司治理公會會刊

Climate change

A governance perspective

ESG reporting
AML/CFT conference review
Guidance note update

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Good governance comes with membership

About The Hong Kong Chartered Governance Institute

The Hong Kong Chartered Governance Institute (HKCGI, the Institute) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies, as well as the development of the profession of the Chartered Secretary and Chartered Governance Professional in Hong Kong and the mainland of China (the Mainland).

The Institute was first established in 1949 as an association of Hong Kong members of The Chartered Governance Institute (CGI). In 1994 the Institute became CGI's Hong Kong Division and, since 2005, has been CGI's China Division.

The Institute is a founder member of Corporate Secretaries International Association Ltd (CSIA), which was established in March 2010 in Geneva, Switzerland. Relocated to Hong Kong in 2017, where it operates as a company limited by guarantee, CSIA aims to give a global voice to corporate secretaries and governance professionals.

The Institute has over 6,600 members, and more than 300 graduates and 3,000 students.

Membership and studentship statistics update

As of 30 November 2021, the statistics were as follows:
Students: 3,035 **Graduates**: 398 **Associates**: 6,152 **Fellows**: 783

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The road ahead

I am honoured to be addressing you as President of our Institute after my election at the Council meeting following our Annual General Meeting on 15 December 2021. I take up the presidency at a time of great uncertainty in the macro environment, but also a time of great opportunity for members of our profession. I look forward to continuing the Institute's good work in assisting governance professionals navigate the many critical issues confronting us now and in the years ahead.

This month's journal looks at one such issue in detail – climate change. Boards of directors are under mounting pressure from multiple stakeholders to be transparent and accountable, not only in relation to the impacts of climate change on their businesses, but also the impacts their businesses are having on climate change. In this context, our Institute is holding its Climate Change Conference 2022 later this month and I would like to take this opportunity to urge all our members, and indeed anyone involved in climate change management and reporting, to join us at the forum. It will be held as a webinar on 13 January 2022 from 2.30pm to 5.45pm as part of Hong Kong's Asian Financial Forum 2022.

We have an excellent line-up of speakers to discuss, among other things, Hong Kong's major climate change–related initiatives and the latest developments relating to climate change disclosure requirements – in particular the significant progress made in aligning sustainability reporting standards globally under the newly created International Sustainability Standards Board. As you would expect from a forum organised by our Institute, the emphasis will be on providing practical, valuable and relevant guidance on how these developments will impact the work of governance professionals in Hong Kong and globally.

Warming us up for the conference, this month's journal features two cover stories looking at climate change. The first addresses the roles governance professionals can play in climate governance and in implementing the recommendations of the Task Force on Climate-related Financial Disclosures. The second highlights the need to develop industry-specific reporting guidance to improve the quality of environmental, social and governance reporting in Hong Kong.

Turning to another Institute event scheduled for this month, due to the tightened Covid-19 social distancing measures announced by the HKSAR Government, the Institute has had to postpone its Annual Dinner 2022. Stay tuned to the Institute's website and communications for the revised date for this event.

This year's Annual Dinner will be particularly special since we will be celebrating our new brand, tagline and logo at the event. As you no doubt know, our Institute adopted its new name – The Hong Kong Chartered Governance Institute – in July 2021, but since then our Chief Executive Ellie Pang FCG HKFCG, the Secretariat team and our Rebranding Working Group, led by Institute Vice-President Paul Stafford FCG HKFCG, have been working with a rebranding agency to create a new brand for our Institute and profession. This project has been running simultaneously with our website revamp initiative.

These projects will be a critical part of meeting the challenge before us in the years ahead – growing into our new name and expanded roles as Chartered Secretaries and Chartered Governance Professionals. The new brand, tagline and logo, together with our new website, will be launched as planned on 20 January 2022.

In the meantime, I wish you all a good Year of the Tiger!

Ernest Lee FCG HKFCG(PE)

勇往直前

继2021 年 12 月 15 日周年大会之后，经理事会会议推选，本人荣膺公会会长，至感荣幸。虽然目前宏观环境充满变数，但对公会会员而言亦蕴涵巨大机遇。冀望公会砥砺前行，帮助治理专业人士应对当前及未来的众多重要问题。

本期会刊聚焦于其中一个问题 – 气候变化。面对来自不同利益相关者与日俱增的压力，董事会不仅要在气候变化对公司业务的影响方面做到透明、负责，而且还要考虑到公司业务对气候变化的影响。有鉴于此，公会将于本月举行2022 年气候变化研讨会，本人诚邀公会会员以及各位从事气候变化管理与报告工作的人士参与此次研讨会。本次研讨会是2022 年香港亚洲金融论坛的一部分，将通过网络于2022年1月13日下午2:30至5:45举行。

研讨会特邀多位知名讲者共同探讨香港应对气候变化的重要举措，以及气候变化披露要求的最新发展，特别是新成立的国际可持续发展标准委员会在全球统一可持续发展报告标准方面取得的重大进展。正如公会举办的其他研讨活动，本次研讨会着重提供实用、有针对性和有价值的指引意见，让大家了解这些最新情况将如何影响香港乃至全球治理专业人士的工作。

本期会刊刊登了两篇有关气候变化的封面文章。第一篇报道阐述了治理专业人士在气候治理方面发挥的作用，以及他们如何落实“气候相关财务信息披露工作组”的建议。第二篇报道强调了制定行业报告指引的必要性，旨在提高香港的环境、社会和治理报告质量。

关于公会原定于本月举行的另一项活动 - 2022年周年晚宴，由于香港特区政府本月早些时候因新冠肺炎疫情宣布加强保持社交距离的措施，公会不得不推迟举办。请继续关注公会网站及相关通讯以了解推迟后的晚宴日期。

今年的周年晚宴特别值得期待，因为我们将在晚宴上庆祝我们的新品牌，新标语和新标识。众所周知，公会已于 2021 年 7 月更名为“香港公司治理公会”。此后，公会总裁彭京玲FCG HKFCG、秘书处以及由公会副会长邵德勋 FCG HKFCG 领导的品牌重塑工作小组，一直在与品牌推广机构合作，致力打造崭新的公会品牌和专业形象。该项工作将与我们的网站改版计划同步进行。

这些工作是我们应对未来挑战的重要一环，确保更名后的公会名副其实，也让特许秘书和公司治理师有更广阔的职业天地。我们的新品牌，新标语和新标识以及新网站将如期于2022年1月20日 正式宣布。

最后，恭祝各位虎年大吉！

李俊豪 FCG HKFCG(PE)

Climate governance and the company secretary

Ricky Cheng, Director and Head of Risk Advisory, BDO Risk Advisory Services Ltd, looks at the roles company secretaries can play in climate governance and in implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In August 2021, the Intergovernmental Panel on Climate Change (IPCC) issued the first working group report of its Sixth Assessment Report – Climate Change 2021: The Physical Science Basis. According to the report, human-induced climate change is already affecting many weather and climate extremes in every region across the globe. Global warming of 1.5°C and 2°C will be exceeded during the 21st century unless deep reductions in carbon dioxide and other greenhouse gas (GHG) emissions occur in the coming decades. Before the situation gets worse, companies should implement the TCFD recommendations to provide climate-related information to their stakeholders on how they address the impacts arising from climate change and its related risks and opportunities.

An introduction to the TCFD recommendations

The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information to stakeholders. In 2017, the TCFD issued a report which made 11 disclosure recommendations around four thematic areas (see 'TCFD recommendations: the four themes'). The report explained that climate-related risks and opportunities should be integrated into companies' strategic planning and enterprise risk management (ERM) frameworks, assessing their impacts on a company's operations under different time horizons and then disclosing the related financial impacts. The report also illustrated the potential financial impacts of climate-related risks, namely physical and transition.

As the risks of global warming become ever clearer, regulators are making climate risk disclosure mandatory at a faster pace. In the US, the Securities and Exchange Commission is expected to propose a series of new climate risk disclosure requirements for companies by the end of 2021. In Japan, companies listed on the Tokyo Stock Exchange 'Prime' market will be required to comply with mandatory climate risk disclosure requirements aligned with the TCFD recommendations from April 2022. In Hong Kong, the Securities and Futures Commission will require fund managers to manage and disclose their climate-related risks with reference to the TCFD recommendations with effect from August 2022 for large fund managers and November 2022 for other fund managers. Hong Kong listed companies are also required, on a comply or explain basis, to disclose significant climate-related issues in accordance with the latest ESG Reporting Guide issued by Hong Kong Exchanges and Clearing Ltd. In December 2020, the Green and Sustainable Finance Cross-Agency Steering Group announced plans to make TCFD-aligned disclosures mandatory across all relevant sectors no later than 2025.

In addition to the tougher regulatory approach, companies are also subject to increasing stakeholder pressure for voluntary TCFD-aligned disclosures. In 2021, BlackRock Chief Executive Larry Fink's letter to chief executive officers mentioned that climate change is already causing companies to write down stranded assets and, at the same time, increasing their focus on the significant economic opportunities that the transition will create.

Companies are also increasingly exposed to climate-change related litigation from various stakeholders. According to the Climate Change Litigation Update, August 2021, by Norton Rose Fulbright, the total number of climate change cases filed as at July 2021 had reached over 1,800 globally. In May 2021, a Dutch-based global oil company was ordered by the court to reduce its carbon emissions to 45% by 2030, compared with 2019 levels.

Companies are also increasingly aware of the benefits of implementing the TCFD recommendations. These may include:

- easier or better access to capital by increasing investors' and lenders' confidence that the company's climate-related risks are appropriately assessed and managed

Highlights

- company secretaries can play a key role in formulating strategic responses to climate change and ensuring the achievement of strategic goals for long-term viability
- climate change has to be on the board's agenda from a compliance standpoint as a result of the disclosure requirements stipulated in the ESG Reporting Guide
- the TCFD recommendations require the disclosure of metrics and targets that will be used by the board to monitor climate-related risks and opportunities, and to measure performance against the targets set

- increased awareness and understanding of climate-related risks and opportunities within the company, resulting in better risk management and more informed strategic planning, and
- proactively addressing investors' demand for climate-related information in a framework that investors are increasingly asking for.

According to the TCFD 2021 Status Report (issued in October 2021), there are over 2,600 companies worldwide (representing a 73% increase compared with 2020) supporting the disclosure of TCFD recommendations. Some of the key findings of the status report include:

- the process of estimating financial impacts can lead to improved internal and external communication
- allocating sufficient resources to assessing financial impacts helps timely development of decision-useful information, and
- rating agencies regard climate-related information as an increasingly important input in their financial impact assessments, informing the rating process.

How can the company secretary help?

The board has a fiduciary duty and accountability for the company's long-term sustainability and resilience with respect to potential changes in the business model that may result from climate change. Board meeting time is valuable, but climate change has to be on the board's agenda from a compliance standpoint as a result of the disclosure requirements stipulated in the ESG Reporting Guide.

Given the governance role of company secretaries, they are critically positioned to advise boards on the significance of the potential impacts that climate change may have on business operations. They can also ensure discussion among board members of key climate-related issues, and promote a proactive effort by the board to address stakeholders' increasing need for climate-related disclosure information by implementing the TCFD recommendations.

Depending on the impact of climate change issues on the company's operations, the level of its commitment and the maturity of its climate change management, company secretaries may assist the implementation by phases as recommended in the TCFD Status Report 2020 (see 'TCFD recommendations: three implementation phases').

Five key ways that company secretaries can assist in climate governance and help implement the TCFD recommendations are explored below.

1. The company secretary as climate governance professional

Company secretaries can assist organisations in building their climate governance infrastructures, including putting in place structures, policies and procedures for managing climate-related risks and opportunities. They can also help by improving the boards' and management's understanding of their roles and responsibilities in creating a good culture for effective climate governance. Some practical ways in which company secretaries can assist with climate governance are:

- ensure climate-change related oversight roles and responsibilities are incorporated in board and subcommittees' mandates
- advise the board to set up a dedicated subcommittee to manage climate change issues if their impacts are financially material to the company
- ensure climate-change elements are embedded in the board and corporate culture and values
- ensure the board is well informed of the latest climate-related trends through continuous training
- help the board understand how management identifies, assesses and manages climate-related risks and opportunities
- assist in capacity building by advising the board and the nomination committee to consider including climate-related expertise in their composition, and
- ensure that management takes up its role in assessing and managing climate-related issues.

2. The company secretary role in strategy

The uncertain and dynamic nature of climate change may affect the long-term viability of a company. It is therefore crucial that the board regularly assesses the resilience of the company's strategy and operations with regard to climate change under different scenarios and related mitigating measures. Company secretaries should ensure that there are adequate strategic discussions on climate change issues at board meetings. These meetings should cover, but not be limited to, the following:

- trends in sustainability or decarbonisation practices in the industry

- the type of climate-related risks and opportunities that the company is facing
- the potential financial impact and priority of these material risks and opportunities on business strategy, model, operations, sectors and geography
- the estimation of when these material climate-related financial impacts may materialise
- resilience of the company's strategy regarding climate change under different climate scenarios, and
- regular updates on scenario analysis and related assumptions by management.

Company secretaries should also ensure that the discussions are in line with the company's long-term strategic goals and objectives, and in the best interests of the company. If the discussion results in significant business decisions being made, such as making changes to the business model or closing or acquiring business units in response to climate change, the company secretary should facilitate the board's engagement with shareholders on the proposed changes. The company secretary should also ensure that the strategic planning and decisions made by the board are well documented for future reference.

3. The company secretary's role in risk management

Climate change will give rise to a set of new risk factors, including both physical and transition risks, affecting the company's operations. The board must take a leadership role in the management and oversight of climate-related risks and opportunities. Traditionally, the audit committee has been assigned with the responsibility for oversight of risk management and internal controls. In the context of climate change, the audit committee's role may include:

- initiating the identification of financial risks that arise as a result of physical and transition risks, which will facilitate comprehensive valuation of financial risk
- incorporating a climate change lens across the three lines of defense: business ownership, risk management and oversight of internal audits, and
- validating and incorporating climate-related financial disclosures within the remit of corporate disclosure.

Company secretaries have a responsibility to assist both the board and the audit committee in meeting their responsibilities by:

- ensuring climate-related risks and opportunities are on the board agendas
- advising the board on policy and legal risks such as possible tightening of rules and regulations concerning energy-efficient standards, the introduction of carbon tax and possible litigation brought about by stakeholders
- ensuring the board understands that there are robust risk management processes and procedures for managing climate-related risks
- ensuring that management integrates climate risks into the company's ERM framework to identify, assess and mitigate related risks
- ensuring that the roles of the audit committee mentioned above are incorporated in its mandates

TCFD recommendations: the four themes

Areas	TCFD recommendations
Governance	Disclose the organisation's governance around climate-related risks and opportunities.
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning, where such information is material.
Risk management	Disclose how the organisation identifies, assesses and manages climate-related risks.
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.

Source: Task Force on Climate-related Financial Disclosures

- ensuring the audit committee understands the methodologies and policies used to develop the metrics, as well as the internal controls in place to ensure accuracy, reliability and consistency of the metrics period over period

- ensuring the audit committee assesses the relevance and impact of climate-related risks on financial statements, and the quality and accuracy of climate-related financial disclosures

- ensuring that the external auditor is engaged to evaluate audit quality of climate-related risk and performance disclosures and the likelihood of the external auditor raising climate-related risks as a 'key audit matter', and

- coordinating management and internal auditors in assessing the effectiveness of risk management measures on material climate-related issues and communicate the findings to the audit committee and the board.

4. The company secretary's role in monitoring risks and opportunities

The TCFD recommendations require the disclosure of metrics and targets that will be used by the board to monitor climate-related risks and opportunities, and to measure performance against the targets set. Company secretaries should advise their boards to hold management accountable for climate-related performance by incorporating performance metrics into remuneration to incentivise the C-suite and executives. The role of the company secretary may also include:

- coordinating with management or the ESG function to suggest appropriate metrics and targets on key climate-related risks and opportunities for the board's consideration

- ensuring the board has discussed and approved relevant metrics and targets

- analysing metrics performance information and comparing against targets, and reporting to the board for regular monitoring and formulating measures to close any gaps, and

- ensuring disclosure of accurate metrics and targets information.

5. The company secretary's role in disclosure

Company secretaries have the primary responsibility for drafting the governance section of the company's annual and ESG reports. In the context of implementing the TCFD recommendations, as part of the ESG report, company secretaries should:

- coordinate and oversee the ESG/sustainability working group in collecting the relevant information required from different internal stakeholders for disclosure

- ensure the quality and accuracy of climate-related disclosure by obtaining independent assurance of the company's compliance with reporting principles and disclosure requirements

- ensure the disclosure of climate-related issues and that figures are appropriate and comply with TCFD recommendations requirements, and

- ensure that disclosures are reviewed and signed off by management and the board before distribution.

> "given the governance role of company secretaries, they are critically positioned to advise boards on the significance of the potential impacts that climate change may have on business operations"

Conclusion

Regulators around the globe have been speeding up the pace of codifying aspects of the TCFD recommendations into relevant rules and regulations. Implementation of the TCFD recommendations has also been widely recognised by companies globally as a way to provide necessary climate-related information to stakeholders and address their concerns. These trends are expected to continue. Company secretaries, as governance professionals, are importantly positioned via their various roles to promote the importance of climate change risks and opportunities at the board level. They can play a key role in implementing the TCFD recommendations, and formulating strategic responses to climate change and ensuring the achievement of strategic goals for long-term viability. Depending on their readiness, boards may consider taking some small steps by implementing the TCFD recommendations in phases so as to get the ball rolling. Let's get started!

Ricky Cheng

Director and Head of Risk Advisory, BDO Risk Advisory Services Ltd

TCFD recommendations: three implementation phases

Areas	Phase 1 Foundation	Phase 2 Enhancement and additions	Phase 3 Enhancement with strategy resilience
Governance	• Board's oversight of climate-related issues • Management's role in assessing and managing climate-related issues	• Board considers climate-related issues in reviewing major capital expenditures, acquisitions and divestures	• Board considers climate-related issues when reviewing and guiding strategy
Strategy		• Material climate-related issues by sector and geography • Impact on business and strategy	• Timeframes associated with material climate-related issues, scenarios and definition of timeframes • Impact of material climate-related issues and scenarios on financial planning • Resilience of strategy to climate-related issues and potential financial implications • Sensitivity to carbon pricing
Risk management	• Processes for identifying and assessing climate-related risks • Processes for managing climate-related risks • Integration of these processes into overall risk management		• Company considers existing and emerging regulatory requirements related to climate change
Metrics and targets		• Key metrics used to measure and manage climate-related issues for past three or more years • Scope 1 and 2 GHG emissions for past three or more years • Climate-related targets related to GHG emissions, associated timeframe and base year • Key performance indicators used to assess progress against climate-related targets	• Climate-related performance metrics are incorporated into remuneration policies • Methodologies used to calculate or estimate climate-related metrics • Scope 3 GHG emissions for past three or more years • Identification of climate-related targets as absolute or intensity based • Methodologies used to calculate or estimate climate-related targets

Source: Task Force on Climate-related Financial Disclosures

ESG reporting in Hong Kong

Authors from City University of Hong Kong highlight the advantages of developing industry-specific reporting guidance to improve the quality of environmental, social and governance (ESG) reporting in Hong Kong.

With the deepening of various global crises – climate change, pollution, poverty and the latest Covid-19 pandemic, to name a few – the centrality of sustainability as a value and goal has become increasingly evident in public policy. Against this background, ESG standards have been incorporated into the corporate governance and regulatory regimes of many economies, and have impacted the investment strategy and portfolio decisions of many institutional investors.

As an international financial centre with a stock exchange with a market capitalisation of US$6,805.8 billion (ranking fifth in the world), Hong Kong has enacted and implemented requirements in its Listing Rules and ESG Reporting Guide (the Reporting Guide) for all listed companies to disclose ESG information annually. Those requirements have been in place since 2016, but compliance has been lacklustre and studies have revealed gaps in Hong Kong's ESG disclosure performance when compared with other major stock exchanges.

In July 2020, Hong Kong Exchanges and Clearing Ltd (HKEX) issued a revised version – the latest to date – of the Reporting Guide which stresses the role of the board of directors in the process of ESG reporting, including the board's approach to overseeing and assessing ESG matters and risks. Mandatory reporting on climate-change related information was also added to address global concerns over climate change. Under the 'comply or explain' principle, any refusal to disclose requires listed companies to give an explanation. These new ESG reporting requirements are intended to strengthen Hong Kong's position in the global financial market.

Room for improvement?

HKEX has adopted a hybrid model of ESG reporting regulation, standardising the key performance indicators (KPIs) to be disclosed but retaining some flexibility in the reporting framework. This means that companies are required to use standardised metrics when disclosing relevant information relating to their environmental and social impacts and performance, but they are free to determine which areas or aspects are most material to their businesses for inclusion in their ESG reports. Nevertheless, where any aspects are considered immaterial and have therefore been omitted, companies are obliged under the 'comply or explain' principle to explain the reasons for that decision.

Most listed companies in Hong Kong opt to address all of the aspects included in the Reporting Guide, raising concerns that they are taking a box-ticking approach. A KPMG survey of Hong Kong listed issuers published in 2017 (The ESG Journey Begins) found that some companies do not define the reporting boundaries they have used or assess the materiality of the risks addressed in their reports. Similarly, after reviewing a sample of 400 ESG reports issued

> “studies have revealed gaps in Hong Kong's ESG disclosure performance when compared with other major stock exchanges”

between December 2016 and June 2017, HKEX found that some reports only have short and simple statements that do not go into any detail on stakeholder engagement and materiality assessment. The HKEX review (Analysis of Environment, Social and Governance Practice Disclosure in 2016/2017) expressed concern that some companies were only interested in meeting the minimum compliance requirements, an approach that would deprive the company and its stakeholders of the benefits of ESG reporting.

In its second review of ESG reporting practices (Analysis of Environment, Social and Governance Practice Disclosure in 2018), published in December 2019, HKEX observed that less than one-third of the

Highlights

- HKEX is keen to tackle the problems of limited board-level engagement with ESG issues and insufficient disclosures relating to materiality assessments
- while materiality assessments may be conducted by staff members, the board remains ultimately responsible for the process and outcomes
- developing industry-specific reporting guidelines will help identify the major ESG issues for specific industries, thereby simplifying the materiality assessment process

reports described the board's oversight of ESG matters and only 5% contained information relating to the board's review of the progress of ESG goals and targets.

In May 2019, HKEX issued a consultation paper proposing changes to the Reporting Guide designed to tackle the problems of limited board-level engagement with ESG issues and insufficient disclosures relating to materiality assessments. In the consultation conclusions, HKEX announced several key changes to the Reporting Guide (see 'Key changes to Hong Kong's ESG Reporting Guide').

HKEX also subsequently published guidance on the board's duties in ESG reporting. Leadership Role and Accountability in ESG: Guide for Board and Directors, published in March 2020, emphasised that these duties include:

- overseeing the assessment of the company's environmental and social impacts
- carrying out materiality assessment and reporting processes to ensure actions are well followed through and implemented, and
- promoting a culture that considers ESG elements in business operation.

The board, as the highest level of authority in a company, is made accountable for the process and performance of ESG reporting. For example, it is explicitly stated that, while materiality assessments may be conducted by other staff members, the board remains ultimately responsible for the process and outcomes of the materiality assessment.

How effective are the current regulatory measures?

HKEX has sought to raise the level of board involvement in ESG reporting, and to hold directors accountable for ESG reports, but the question remains whether an explicit statement of accountability in the revised Reporting Guide will achieve that purpose. While time will tell, the task is likely to be complicated. First, those failing to address ESG more strategically have been found to suffer a deficit in ESG expertise, and they often do not have sufficient resources to enable them to bridge the deficits. KPMG's 2017 survey quoted above (The ESG Journey Begins) found that 58% of companies with a market capitalisation of HK$10 billion or above had addressed their materiality assessment processes in their ESG reports. Far fewer of those with a market capitalisation of less than HK$10 billion made similar disclosures.

Similar observations are found in BDO's latest survey of ESG reporting performance in 2020 (Fourth-Year ESG Reporting Performance Survey, published 2021). Most of the 40% of companies that did not provide information on materiality assessment are smaller listed companies. One possible interpretation is that smaller companies do not have sufficient resources to spend on materiality assessments and therefore tend to adopt the box-ticking approach to report on all of the ESG aspects in the Reporting Guide, without determining their relevance to their business.

As the nature of businesses across different industries varies, their material ESG issues should also be different. Environmental ESG aspects and KPIs, such as greenhouse gas emissions, energy consumption, impacts on the environment and natural resources, will be highly relevant to companies involved in transportation and manufacturing, for example, but less material to companies in the financial and banking sector.

Companies in the same industry are likely to share similar risks. The Sustainability Accounting Standard Board (SASB), points out that there are specific issues that are common concerns of companies and their stakeholders in the same industry. For instance, the safety of clinical trial participants, affordability and pricing, and drug safety will be highly relevant to companies and stakeholders in the biotechnology and pharmaceuticals sectors, but Hong Kong listed companies in this industry do not have to disclose information relevant to these issues since none of these issues are included in the current Reporting Guide. From a local pharmaceutical company's 2019 ESG report, we find that the company's materiality assessment identified more than 27 material topics that are almost identical to those listed in the Reporting Guide, but none of the aforementioned industry-specific issues are included.

HKEX has stressed that listed companies should identify their own material ESG issues, as a 'one-size-fit-all' ESG reporting framework does not exist. Allowing companies to choose international reporting standards or frameworks avoids the inflexibility that is commonly found in rules-based approaches. At the same time, we should not ignore the challenges encountered by companies in preparing ESG reports under the present framework, including difficulties in understanding which reporting standards should be adopted, determining the breadth and depth of the ESG issues that should be reported on, and how social issues (which

> “we believe that it is important to develop industry-specific ESG reporting frameworks to guide companies to provide more relevant ESG information to stakeholders and also to increase the comparability of ESG performance”

are always context-dependent and vary between industries) should be identified.

In one of our interviews conducted in June 2021, a stakeholder from the financial sector observed that, even after the latest Reporting Guide had been implemented, the board and management of some companies remain incapable of carrying out materiality assessments to determine which issues should be considered material. Smaller companies are also failing to increase the efficiency of their reporting practices.

Without properly addressing these complexities, companies may have limited eagerness to disclose their ESG information. This will not only affect the overall quality of ESG reports in Hong Kong, but also limit the usefulness of ESG data for financial markets. The lack of comparability between companies and the absence of appropriate quantitative information are two factors that most limit investors' ability to make decisions based on non-financial information, according to the ESG Survey, published by the CFA Institute in 2017. This means that not only will companies have great difficulty benchmarking themselves against their peers, but regulatory bodies and the general public will also encounter the same problem in understanding the ESG performance of listed companies.

Thoughts on further improving ESG reporting

The above discussion identifies challenges in the ESG reporting performance in the context of the latest Reporting Guide issued by HKEX. Board-level engagement and enhanced accountability of boards feature highly in the revised Reporting Guide as a means to improve the quality of ESG reporting, but many smaller-sized companies are struggling to make substantial improvements.

In the preceding consultation on the Reporting Guide in 2019, stakeholders suggested that HKEX should make reference to SASB's Materiality Map to identify material issues for companies in different industries or sectors. This might be a challenging objective, but developing industry-specific reporting guidance carries its merits. One advantage is that, as the major ESG issues for specific industries will be identified, the process of materiality assessment can be simplified. This will considerably relieve the burden on smaller companies and thus improve the overall quality of ESG reports. Another related advantage is that an industry-specific reporting guidance will carry a higher chance of quality compliance, as the key ESG issues contained therein are identified through the participation of, and dialogue with, major industry stakeholders. This not only helps companies, especially those that have difficulty in carrying out materiality assessments, to improve the quality of their ESG reports, but also builds a foundation of comparable ESG information for other stakeholders.

To enhance the comparability of ESG information, HKEX should consider establishing a set of clearly defined and standardised KPIs for industry-specific reporting, which can avoid the complexities of interpreting and choosing among different metrics or measurements. Investors and other stakeholders will then understand better how to differentiate the performances of companies in the same industry.

Conclusion

There is no doubt that ESG reporting and relevant issues are essential to future economic development. In July 2021, the European Commission (EU) released its latest sustainable finance strategy. To improve the financial sector's contribution to sustainable development, actions will be taken to improve the reliability, comparability and transparency of ESG research and ratings

Key changes to Hong Kong's ESG Reporting Guide

Key changes	Details
1. Introducing mandatory disclosures of governance structure	Requiring a statement from the board containing disclosures of: • the board's oversight of ESG issues • the board's ESG management approach and strategy (for example the process used to evaluate and manage material ESG issues), and • how the board reviews progress made against ESG-related goals and targets and an explanation of their relevance to business
2. Introducing mandatory disclosure of reporting principles and boundaries	Requiring a description or explanation of the reporting principles applied in relation to: • materiality: the process used to identify, and the criteria for selecting, material ESG factors and information related to stakeholder engagement • quantitative information: such as the standards, methodologies and calculation tools used for emission or energy consumption disclosures • consistency: such as disclosures relating to any changes to the methods or KPIs used Requiring an explanation of the reporting boundary used and a description of the process used to identify which entities are included
3. Extending the scope of required disclosures and amending disclosure obligations	• Requiring disclosures of climate-related aspects • Upgrading all Social KPIs to comply or explain • Amending certain key performance indicators (KPIs) in the Environmental and Social aspects
4. Encouraging independent assurance	Encouraging listed companies to seek independent assurance to strengthen the credibility of ESG disclosures

Note: The above changes became effective for financial years commencing on or after 1 July 2020.

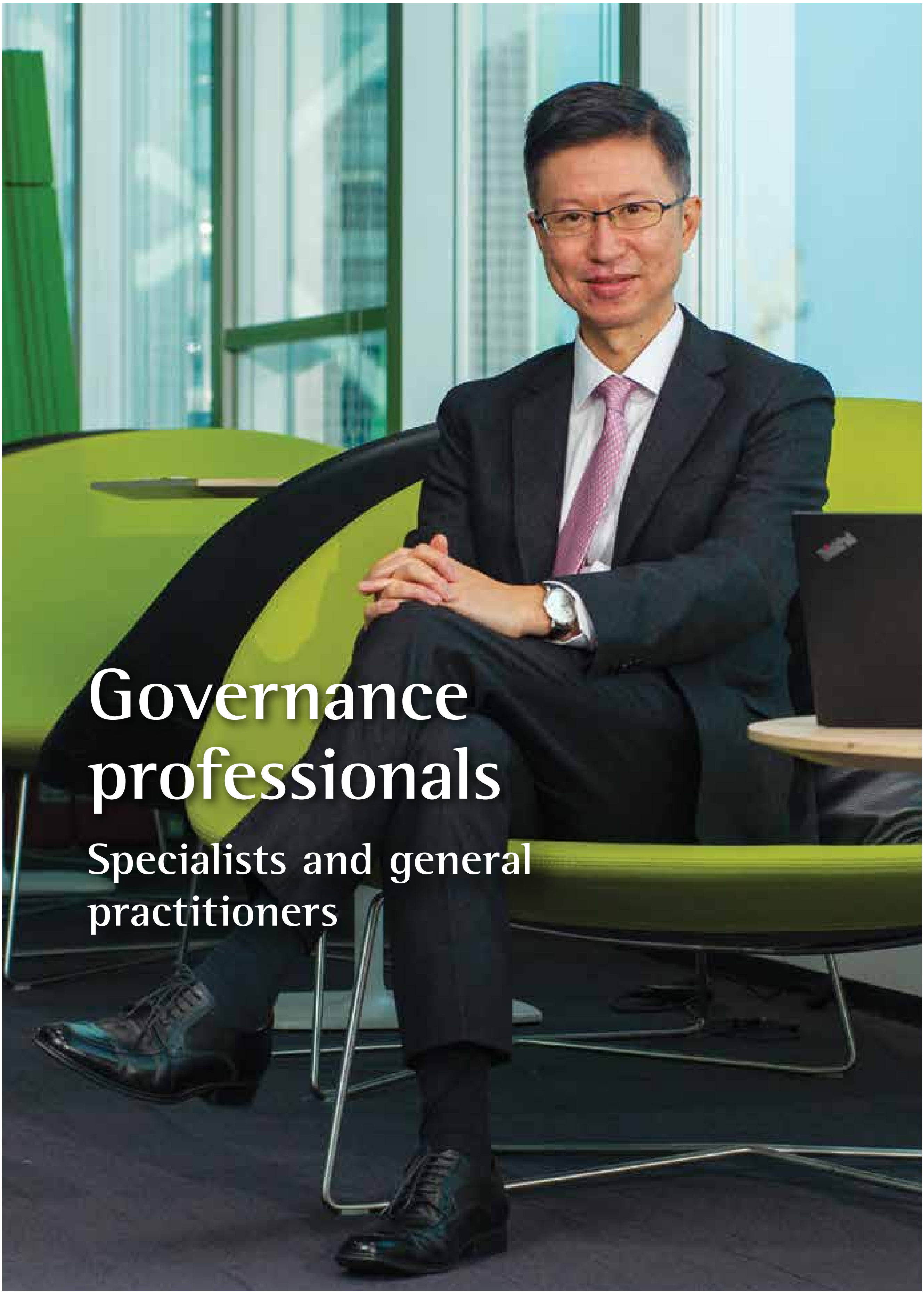
Source: HKEX Consultation Conclusions: Review of the ESG Reporting Guide and Related Listing Rules (2019)

(see Strategy for Financing the Transition to a Sustainable Economy, published by the EU in 2021). At the same time, the International Organisation of Securities Commissions (IOSCO) also published a consultation report on improving ESG and sustainability-related rating. The message is clear: to ensure the healthy development of a sustainable economy, we need a more reliable, transparent and comprehensive ESG rating system to facilitate investors and other stakeholders' understanding of the relevant information.

Against this background, we believe that it is important to develop industry-specific ESG reporting frameworks to guide companies to provide more relevant ESG information to stakeholders and also to increase the comparability of ESG performance. Moreover, industry-specific rating systems based on a common reporting ground can better score the ESG performance of companies in a specific industry. More research on these areas will be highly desirable to raise the quality of ESG reporting and enhance the development of a green finance hub for sustainable investment in Hong Kong.

Phyllis Mo, Professor of the Department of Accountancy and Associate Director of the Research Centre for Sustainable Hong Kong (CSHK); Linda Chelan Li, Professor of the Department of Public Policy and Director of CSHK; William Chung, Associate Professor of the Department of Management Sciences and member of CSHK; Ho Mun Chan, Associate Professor of the Department of Public Policy and member of CSHK; Chun Kit Chui, PhD Student Researcher, Department of Public Policy; and Kin-on Li, Research Assistant, CSHK

City University of Hong Kong



Governance professionals

Specialists and general practitioners

This month *CSj* talks to Ernest Lee FCG HKFCG(PE), Technical Partner, Deloitte China, about the future development of the governance professional role and about his aspirations as the new President of The Hong Kong Chartered Governance Institute (the Institute).

Could we start by discussing your professional background and your route into the governance profession?
'After qualifying as a professional accountant, I gave some thought to what I would like to achieve in my career and I decided to take the Institute's examinations to broaden my understanding of corporate governance.

The Institute's qualification has been valuable in my career as a professional accountant and auditor. For example, when I was still doing audit fieldwork I would need to look at companies' board minutes and the Institute's qualification provided me with a better understanding of what I should expect as an auditor in terms of how board meetings should be held and what should be discussed. I could then question the client about any key issues missed by the board.

Professional auditors need to be sceptical and should raise questions when key issues do not appear to have been discussed by the board. At the same time, however, our focus will also be on advising our clients on ways to improve their board processes. This goes for all governance professionals – they need to bear in mind that their work is not only a compliance exercise and they should always be looking for opportunities to bring improvements to internal processes.

Topics like boardroom dynamics now play a bigger role in the Institute's Chartered Governance Qualifying Programme (CGQP). The addition of this, together with topics like risk management, to the CGQP is a good development and will help prepare governance professionals for their roles as key advisers to the board. That task has become more complex as governance professionals now need to advise directors about a much wider range of issues that come to the board's attention.'

You mention that the work of governance professionals is not only a compliance exercise – would you recommend taking a principles-based approach to regulation?
'As the Chairman of the Hong Kong Institute of Certified Public Accountants Financial Reporting Standards Committee over the past three years, I was involved in the setting of financial reporting standards in Hong Kong. Hong Kong adopted the International Financial Reporting Standards (IFRS) in 2005 and these are principles based. They set the baseline principles you have to follow in financial reporting. The newly created International Sustainability Standards Board (ISSB) will also set baseline principles to be followed, rather than listing everything that companies need to disclose. I think governance professionals, to be successful, need to be aware of the baseline principles for better governance and to really understand the rationale behind the rules. Rules and laws cannot spell out exactly what you need to do in every possible situation. In practice, given the increasing complexity of the operating environment, companies have to apply the principles rather than just follow a box-ticking approach.'

How can the Institute help to develop this principles-based mindset in its members?
'There are many things the Institute is already doing. Firstly, the Institute's professional qualification helps to develop the capabilities of practitioners in Hong Kong and those interested to join us from the Mainland. The Institute also influences the setting of good governance standards and regulations in Hong Kong through our consultation submissions, and our research and advocacy work.

Highlights

- a governance professional cannot hope to become an expert in all of the areas relevant to governance; the key is to bring relevant expertise together to generate positive impacts for the company
- the Institute should focus on strengthening its thought leadership work and broadening the general public's understanding of the work of the Institute and its members
- governance professionals need to bear in mind that their work is not only a compliance exercise and they should always be looking for opportunities to bring improvements to internal processes

> **"I hope to help broaden the awareness of the community, not just our stakeholders in the business world, of the roles that our members play and the positive impact we have"**

But I would like to see a further strengthening of our efforts in generating leadership materials and publications. Working with the many different parties we partner with, we can further develop our governance leadership to stay at the forefront, rather than just following governance standards. We can also help stimulate the interest of the market, and generate meaningful discussions among market participants and different stakeholders about best practices and the way forward for governance.'

What's your view of the argument that a rules-based approach gives greater clarity to companies in their compliance work?

'I can understand that some companies may prefer that approach because it makes it easier for them to be seen to be complying with the requirements. It also makes it easier for auditors to evaluate whether a company has met all of the relevant requirements, but I think overall we need to strike a balance between the principles-based and rules-based approaches, taking into account the information needs of the users of company reports. The box-ticking approach often leads to very lengthy disclosures that may not really be useful to investors and other users of that information – what they need is information that will really help them to evaluate the performance and the future of the company.'

You mentioned the ISSB – what is your view of the significance of the official launch of that body by the IFRS Foundation in November last year?

'I think this is a very significant step since it makes it possible to have a comprehensive global baseline of high-quality sustainability disclosure standards. That will facilitate consistent and comparable disclosures on sustainability matters across different jurisdictions. I think it is too early, at this stage, to really know what the standards will look like. The IFRS Foundation has set out prototype general disclosure standards and climate-related disclosure standards. These are based on the criteria used by the Task Force on Climate-related Financial Disclosures (TCFD) as well as other standard setters, but I believe they are aiming to have the first proposed standards ready on a timely basis in 2022 for global public consultation.'

What are your aspirations as President of the Institute going forward?

'There are a number of different organisations that have views on governance matters, but we need to be seen as the governance institute. As I mentioned earlier, this will mean continuing to strengthen our thought leadership work, but we should also consider how the public in general perceives the Institute and the governance professional. In the past, members of the public, if they were not in the business world, had some difficulty understanding what a company secretary does. I hope to help broaden the awareness of the community, not just our stakeholders in the business world, of the roles that our members play and the positive impact we have.'

Do you think that the Institute's new name and brand will help broaden that awareness?

'Yes. Our recent renaming and rebranding is a great approach to take because nowadays our members, myself included, come from many different backgrounds. I'm not a company secretary, and even those working as company secretaries have adopted a broader, more governance-focused mindset. Our members need to work with many different people, both inside and outside their organisations, to achieve good governance. As the operating environment has become more complex, governance professionals can bring major benefits to their organisations. But I would also like to emphasise that the renaming and rebranding is not just a matter of saying what we're doing – it is important that we are seen to deliver on those promises. So, all in all, I hope that the broader community will have a better perception as to what the Institute and it's members can achieve.'

Do you think there is a good awareness within the Institute's membership of the transition the profession is making and that members are well placed to fulfil their expanded roles as governance professionals?

'I think this is a continuous transition process. Leveraging the change of name and post-nominals, as well as the rebranding of the Institute, there has been tremendous promotion and stakeholder outreach focusing on the transition of the profession. Recognising more needs to be done, the Institute will be launching a new brand awareness building programme following the unveiling of its new brand on 20 January 2022.

How do you see the role of governance professionals developing in the future? In particular, you mentioned that governance professionals need to work with many other people inside and outside their organisations – do you think other professionals may lay claim to the 'governance expert' brand?

'That's an interesting question. The training and work experience of the Institute's members provides the best foundation for becoming a governance professional because it gives experience and expertise in, among other areas, compliance with the rules and regulations, risk management, and advising and having a close working relationship with board members. But a governance professional cannot hope to become an expert in all of the areas relevant to governance. A company secretary cannot replace an accountant, just as an accountant cannot replace a company secretary – governance professionals need to bring relevant expertise together to generate positive impacts for the company.

I don't think that this leads to a danger that the 'governance expert' brand will be claimed by other professionals. I see the roles of Chartered Governance Professionals (CGPs) as being similar to those of family medicine specialists. My daughter is studying medicine and, talking together, we realised there are many similarities between the two roles. Family medicine specialists provide continuous and comprehensive health care for individuals, but they call on the specific expertise of other specialist doctors when they need to. Similarly, governance professionals know when to consult with an accountant, a lawyer or a regulator.'

The Institute has been highlighting 'purposeful governance' as a key trend for practitioners to look out for in the years ahead – what's your view of this and any other trends you think should be high on the agenda of governance professionals?

'We are experiencing a highly dynamic environment at the moment and what we were doing five years ago is already quite different from what we are doing now. 'Purposeful governance' is certainly a trend that senior managers of companies are looking at. Nowadays, people are not only focusing on short-term, or even medium-term profitability, they're looking more at the sustainability of the business. That requires looking at the purpose of the business and how the business can serve the community. The approach that focuses on what organisations can provide to the community, rather than what they can take from the community, supports the sustainability, not only of the organisation itself, but also of the broader environment and society. So I'm a very strong supporter of the trend towards purposeful governance.

Another major trend to follow, of course, is that of technological change. Often, when this topic comes up, people think of the danger that new technology will take their jobs. While many aspects of work can be automated, at the same time a lot of jobs are being created by new technology. Some of my firm's work in auditing can be automated, for example, but this has led professionals to change their approach and focus on the aspects of the work that cannot be easily replaced by automation, at least at this stage.

In the same way, some aspects of governance professionals' roles can be automated – taking the minutes of board meetings for example is now often automated. So in the medium-term future, we may well see some shift in the work the Institute's members will be doing. This is a good opportunity, however, for everyone to focus on what is irreplaceable in their roles – such as the advice they can provide, their capacity for human interaction, and their ability to use the knowledge and skills they have to make things happen.

I should add that, at this point in time, we cannot know exactly what direction our work will take. At the end of the day, an important aspect of our work is to support the growth of the business so we need to align ourselves with, and stay informed of, the ongoing changes.'

Ernest Lee was elected as the Institute's new President at the Council meeting following the Annual General Meeting of 15 December 2021.

AML/CFT conference review

CSj highlights the key takeaways of the annual forum organised by The Hong Kong Chartered Governance Institute (the Institute), updating practitioners on all the latest developments in anti-money laundering and counter-terrorist financing (AML/CTF).

The Institute's AML/CFT thought leadership for the trust and company services provider (TCSP) sector, supported by the Institute's AML/CFT Charter subscribers, was recognised by the HKSAR Government under its 2018 Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report. These subscribers, as leading TCSPs, came together to support the Institute on 25 November 2021, in the second series of the annual forums under the theme – TCSP Regulations, Topical Issues and Practical Sharing.

The big picture

Guest of Honour at the forum, Joseph Chan JP, Under Secretary for Financial Services and the Treasury, the HKSAR Government, launched the conference with an overview of Hong Kong's current AML/CFT regime. In September 2019, Hong Kong became the first Asia-Pacific jurisdiction to achieve 'overall compliant' status in the mutual evaluation process of the global AML/CFT standard-setter – the Financial Action Task Force (FATF). Mr Chan stressed, however, that Hong Kong must stay vigilant to the downsides of its own success. 'Hong Kong is not immune to the threats of money laundering (ML) and terrorist financing (TF),' he said. 'Hong Kong's competitive advantages can also make it attractive to criminals seeking to hide or move funds.'

He added that criminal elements have become more sophisticated in the digital era, making the ML/TF threat more difficult to combat. He reiterated, however, that the HKSAR Government will keep its AML/CFT regime under continuous review so that it can keep ahead of the fast-changing market developments.

Similarly, he welcomed the commitment of professional practitioners to making Hong Kong a safe and clean place to live, work and do business, while urging continued vigilance. Three years after the launch of Hong Kong's licensing regime for TCSPs, Mr Chan welcomed the fact that TCSPs have a better understanding of ML/TF risks and are better able to exercise sound judgement. He applauded their commitment to AML/CFT best practice, but urged practitioners to continue to build their expertise through experience and training.

'TCSPs have become a strong partner in defending the integrity of our financial system, but we can never be complacent,' he said.

Onsite inspections

Samuel Lung, Partner, Ernst & Young, focused his Session 1 presentation on the lessons to be learned from the onsite inspections of TCSP licensees carried out by the Companies Registry. Between April 2020 and March 2021, the Companies Registry carried out 420 onsite inspections and issued 605 summonses for breaches of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO). In addition, the Companies Registry has issued 213 warning letters for non-compliance.

In the years ahead, Mr Lung emphasised that practitioners should prepare for increased scrutiny and disciplinary actions by the Companies Registry. He added that two key lessons to learn from the disciplinary actions to date were the crucial importance of having both effective internal controls in place to handle ML/TF risks and the relevant documentation to demonstrate to regulators that the necessary costumer due diligence (CDD) is being carried out.

Mr Lung emphasised that it is not enough to claim that you know a client very well informally. 'You need to have crystal clear documents to support your CDD,' he said. 'It is not sufficient to provide WeChat and SMS messages showing the closeness of your relationship with a client – in the eyes of the regulator, that is not a proper record.'

Politically exposed persons

Mr Chan mentioned in his Guest of Honour presentation that the HKSAR Government plans to amend the definition of politically exposed persons (PEPs) in the AMLO. Peter Pang, Director of Risk Advisory, BDO, focused his presentation on the implications of this proposed change in definition.

The change to the AMLO, which is being made to implement a FATF recommendation, will essentially mean

Highlights

- Hong Kong's competitive advantages also makes it attractive to criminals seeking to hide or move funds
- pressure from the Financial Action Task Force continues to push Hong Kong towards more rigorous enforcement of its AML/CTF regime
- practitioners should prepare for increased scrutiny and disciplinary actions by regulators, and higher expectations regarding customer due diligence practices

> “TCSPs have become a strong partner in defending the integrity of our financial system, but we can never be complacent”

Joseph Chan JP, Under Secretary for Financial Services and the Treasury, the HKSAR Government

that PEPs in the Mainland will be included within the definition of foreign PEPs. Financial institutions and designated non-financial businesses and professions (DNFBPs) – a category including TCSPs – will need to conduct enhanced CDD on any PEPs, as well as their family members and close associates, ‘outside Hong Kong’.

Before establishing a business relationship with these PEPs, or before continuing a business relationship with individuals who become PEPs, financial institutions and DNFBPs will need to obtain approval from senior management. Moreover, they will need to take reasonable measures to establish the customers’, and any beneficial owners’, sources of wealth and the source of the funds that will be involved in the proposed business relationship. These enhanced CDD measures will also apply to the PEPs’ spouses, children and close associates.

This task may not always be easy since such information may not be publicly available. Nevertheless, TCSP licensees should retain a copy of their assessments for inspection by the Companies Registry, other authorities and auditors, and should regularly review their assessments.

Mr Pang noted that, given the number of Mainland companies operating in Hong Kong, and bearing in mind that PEPs would include senior executives of state-owned enterprises, this change of definition would seem to have potentially a big impact. However, he added that, since most firms already apply enhanced CDD to PEPs from the Mainland, in practical terms this revised definition may not make much difference. Nevertheless, he recommended TCSPs review their current practices and close any gaps to ensure that they remain in compliance with the AMLO. They should assess whether their existing processes are able to identify all Mainland PEPs, including their close associates, and determine whether any changes are required to their enhanced CDD measures.

Global trends to watch

A key trend in AML/CFT in recent years has been the gradual convergence towards internationally accepted standards, and Desmond Ko, Head of Client Acceptance, North Asia, Vistra, focused his presentation on the way the FATF AML/CFT recommendations have become accepted as the global minimum standards.

Across the globe, financial institutions and DNFBPs recognise the need to provide an increasing amount of Know Your Client (KYC) and CDD information relating to the nature of business, ultimate beneficial ownership and source of funds when opening a bank account, transferring funds, engaging in other transactions for clients.

More than 200 countries and jurisdictions have now committed to implementing FATF standards, and as these standards become ever more widely accepted, there has been increasing pressure on high-risk jurisdictions on the FATF ‘black list’, and those ‘grey list’ jurisdictions subject to increased monitoring by FATF, to address strategic deficiencies in their AML/CFT defences.

There are currently 23 jurisdictions on the FATF grey list, including some common incorporation jurisdictions of Hong Kong companies. Both the Cayman Islands and the British Virgin Islands, for example, have brought in beneficial ownership regimes requiring companies to submit their beneficial ownership information to government databases. In February 2021, the Cayman Islands made a high-level political commitment to get tougher on those who fail to file accurate, adequate and up-to-date beneficial ownership information in line with the requirements.

Mr Ko also highlighted some global trends to watch in the future. For example, the increasing level of cooperation and exchange of information among regulators within regions and globally. 'Regulators want to be cooperative and flexible to account for the digital economy while preventing money laundering and promoting transparency,' he said. Another trend has been for the implementation of tax regulations to be combined with the implementation of AML/CFT regulations.

In addition, he predicted an increasing trend of promoting transparency and risk assessments towards ultimate beneficial owners and Significant Controllers in the KYC process.

Keeping the dialogue open

The Institute's annual AML/CFT conference is designed to promote an open dialogue among practitioners working in AML/CFT. The panel discussions and Q&As that conclude each session of the conference provide the opportunity for attendees, presenters and panellists to discuss specific issues of interest or concern.

The first session panel discussion was chaired by Edmond Chiu FCG HKFCG(PE), Institute Council member, Membership Committee Vice-Chairman, Professional Services Panel Chairman and AML/CFT Work Group member, and Managing Director, Corporate Services, Vistra Corporate Services (HK) Ltd. The panel comprised the three Session 1 speakers, along with Michael Lintern-Smith, Consultant, Robertsons, and Jenny Choi FCG HKFCG(PE), Associate Partner, Ernst & Young Company Secretarial Services Ltd.

One question discussed related to issues involved in regulating lawyers engaged in TCSP work. Mr Lintern-Smith, a lawyer by training and a former President of the Law Society of Hong Kong, pointed out that lawyers have an unbreakable duty of client confidentiality. 'According to the principle of legal professional privilege, which is embedded in common law and Hong Kong law, the information clients give to their lawyer is protected. Lawyers cannot be made to disclose it – not even to a court. For that reason, solicitors approach the "checklist" approach to regulating AML/CFT with some suspicion,' he said. He welcomed the trend towards a risk-based approach to AML/CFT. Firms should be encouraged to make their own assessments of the risks posed by new clients, he suggested, rather than taking a 'box-ticking' approach to regulating them.

The Session 2 panel discussion and Q&A was chaired by Wendy Ho FCG HKFCG(PE), Institute Council member, Professional Development Committee Vice-Chairman, Professional Services Panel Vice-Chairman, AML/CFT Work Group member and Rebranding Working Group member, and Executive Director, Corporate Services, Tricor Services Ltd. The panel comprised the two Session 2 speakers and Teresa Lau ACG HKACG, Director and Head of Corporate Secretarial Services, BDO Ltd, Dr Maurice Ngai FCG HKFCG(PE), Institute Past President, Professional Services Panel member, Mainland China Focus Group member; Chief Executive Officer, SWCS Corporate Services Group (Hong Kong) Ltd, and Alberta Sie FCG HKFCG(PE), Director and Company Secretary, Reanda EFA Secretarial Ltd.

One question discussed related to client resistance to the more elaborate CDD processes made necessary by Hong Kong's expanded AML/CFT regime. Firms need to emphasise that CDD processes are required by Hong Kong law, Mr Ngai said. 'We are TCSPs under the Companies Registry's licencing regime and have no choice but to comply,' he said.

Michael Shue, Managing Director of Trust Services, Tricor Services Ltd, agreed with this point. As long as everyone within the industry maintains the same standards, he said, then wherever clients go they will be subject to the same CDD processes. 'We complain about the increase in regulations, and the TCSP licensing regime is very onerous on us, but I think there is a silver lining. In some ways it makes life easier for us because it means we apply the same standards to all of our clients and clients are now becoming accustomed to having to meet these high standards,' he said.

Ms Sie concluded the panel session, and the conference, with the observation that, given the increasing complexity of AML/CFT compliance, getting together to share expertise and views on AML/CFT issues has become all the more valuable. 'I recommend all members of the Institute working in this area to participate in the dialogue and welcome you to join the next conference,' she said.

> "I recommend all members of the Institute working in this area to participate in the dialogue and welcome you to join the next conference"

Alberta Sie FCG HKFCG(PE),
Director and Company Secretary,
Reanda EFA Secretarial Ltd

Beneficial ownership and trusts

Hong Kong, like many jurisdictions globally, has been under pressure to improve transparency regarding the beneficial owners of trusts. The first speaker in the second session of the forum, Michael Shue, Managing Director of Trust Services, Tricor Services Ltd, pointed out that trusts can take many different forms, many of which are highly complex, and drilling down to find who are the beneficial owners is rarely easy.

Mr Shue provided some examples of complex trust structures highlighting the difficulties involved in identifying beneficial owners. The basic principles involved are not hard to grasp. The ultimate goal is to ensure that law enforcement officials have access to reliable information on the beneficial owners so that criminals cannot hide illicit activities behind trust structures. In common law and trusts a beneficial owner is a person who enjoys the benefits of ownership, even though the title may be in another party's name – for example that of the trustee or an underlying entity such as a company.

In practice, however, beneficiaries may not have legal rights to trust funds or assets. This is the case, for example, in discretionary trusts where the trustee may exercise their discretion with regard to the timing and amounts of assets distributed to the beneficiaries. Moreover, in revocable trusts, the trust can be revoked by the settlor, who can take back the trust fund assets that he/she settled into the revocable trust. Mr Shue said he looks forward to further law reform measures to provide a common standard for trustees seeking to identify beneficial owners.

Regulating VASPs

Daniel Wong FCG HKFCG, Associate Director – Compliance and Risk Management, SWCS Corporate Services Group (Hong Kong) Ltd, focused his presentation on the latest developments relating to virtual assets service platforms (VASPs).

He started by updating attendees on the evolution of the regulatory AML/CFT regime for virtual assets (VAs) and VASPs. Trading in VAs often carries high levels of risk. Most digital currencies, for example, are not backed by physical assets or guaranteed by issuing banks or government. Moreover, the digital token market has been plagued by scams. For example the 'Squid' digital token, inspired by the popular South Korean Netflix series Squid Game, quickly turned out to be a 'rug pull' scam. The promoters of the token drew buyers in, but then abruptly stopping trading and made off with an estimated US$3.38 million.

Mr Wong added that VA transactions are prohibited in the Mainland. The People's Bank of China, Cyberspace Administration of China and other government departments issued a Notice in September 2021 prohibiting VA trading and speculative activities. He added that VAs transacted or held anonymously carry high ML/TF risks. He gave an overview of the FATF standards relating to VAs and VASPs. FATF member jurisdictions, Hong Kong included, have subsequently been implementing regulatory regimes for VASPs.

In May 2021, the Hong Kong Financial Services and Treasury Bureau (FSTB) confirmed that Hong Kong will adopt a new licensing regime for VASPs. The new regime, which is likely to be implemented in 2022, will require mandatory licensing for all VA exchanges, whether they are trading security or non-security VAs. Mr Wong urged attendees to prepare themselves for the new VASP licensing era and to stay alert to crime trends and provide appropriate training for the board, senior management and operational level staff. Practitioners should also keep up to date with the latest legal developments and be proactive in providing suspicious transaction reports to law enforcers and regulators.

Hong Kong's new Companies Register inspection regime

Your questions answered

CSj highlights the latest additions to the guidance note series of The Hong Kong Chartered Governance Institute (the Institute), providing guidance on the new inspection regime for Hong Kong's Companies Register.

The Companies Ordinance rewrite exercise, which culminated in the proposed new Companies Ordinance in 2014, contained certain proposals to restrict public searches and hence access to the personal data of company officers required under the predecessor ordinance. These included the usual residential addresses (URAs) and full identification numbers (IDNs) of directors and company secretaries (together, the Protected Information).

The part of the proposals allowing company secretaries not to disclose their URAs, but rather their correspondence addresses, was not controversial and was accordingly promulgated. However the other proposals to restrict access to the Protected Information of directors and company secretaries met varying degrees of opposition, especially relating to partial, as against full, disclosure of directors' IDNs. Despite the Institute's view that the proposals were balanced and acceptable, they were not promulgated until now, in 2021, some seven years later.

The new inspection regime

In 2021, the HKSAR Government set out seven pieces of subsidiary legislation to implement the new inspection regime. To enhance the privacy of company officers, there will be restrictions applied to public searches of internal company records in 2021 and redaction of new company filings, followed by the ability to make withholding applications for documents already filed with the Companies Registry (CR) in three phases, spanning August 2021 to December 2023 (see 'Implementation timing').

Since the new arrangements have significant implications for governance professionals, both in terms of the practical compliance issues to be addressed and the need to update directors on the implications of the changes, the Institute published its Guidance Note on Promulgation of Companies Ordinance Provisions for a New Inspection Regime to Enhance Privacy Rights of Directors and Other Officers in August 2021.

The guidance, authored by Mohan Datwani FCG HKFCG(PE), Institute Deputy Chief Executive, under the guidance of Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), The

Highlights

- Hong Kong's new inspection regime restricts public access to the usual residential addresses and full identification numbers of directors and company secretaries (the Protected Information) on the Companies Register
- companies are also permitted to restrict public (and member) access to the Protected Information in their own internal registers
- companies will have two versions of their Register of Directors and Register of Company Secretaries, an original and a duplicate for public (and member) searches

Chartered Governance Institute Immediate Past International President, and Institute Past President; Executive Director and Company Secretary, CK Hutchison Holdings Ltd, gives practical advice to governance professionals relating to the implementation of Hong Kong's new inspection regime.

Following a webinar on these issues delivered by Ms Shih and a team of interns (see end note), the Institute received a number of member questions. This led to a second guidance note being published in October 2021 (Guidance Note on Promulgation of Companies Ordinance Provisions for a New Inspection Regime to Enhance Privacy Rights of Directors and Other Officers – Member Q&As) addressing the specific issues raised by members. This article summarises the Institute's guidance on the issues raised by members.

Does the new inspection regime affect non-Hong Kong companies registered in Hong Kong, or only those incorporated in Hong Kong?

Phase 1 of the new inspection regime (see 'Implementation timing'), which commenced on 23 August 2021, only applies to Hong Kong incorporated companies. Both Phases and 2 and 3 apply to both Hong Kong incorporated and registered overseas companies.

Phase 1 only applies to Hong Kong incorporated companies because it relates to the internal registers kept by Hong Kong incorporated companies established under, and in accordance with the requirements of, the Companies Ordinance. Since the Protected Information can still be found in the Companies Register kept by the CR, however, there is no real protection afforded to the Protected Information under Phase 1. The Institute's guidance suggests that companies should still consider withholding access to the Protected Information to prepare for the implementation of Phase 2.

Following commencement of Phase 2, the CR's index of documentary filings will not show the URAs and full IDNs of directors, nor the full IDNs of company secretaries. The underlying documents filed before the commencement date of Phase 2, that is filed before 24 October 2022, will still be shown. When Phase 3 commences on 27 December 2023, however, the individuals concerned may apply to the CR to withhold from public inspection their protected information registered with the CR prior to 24 October 2022.

Only the Specified Persons set out under applicable regulation (including data subjects, members of the company, liquidators, trustees in bankruptcy, a public officer or public body and various professional practitioners) will continue to have access to the full Protected Information.

What actions need to be taken after the implementation of Phase 1 with respect to companies' own registers?

Actions after the implementation of Phase 1 are optional. If companies wish to withhold the Protected Information from public (and member) searches, a duplicate of the Register of Directors (ROD) should be created with directors' URAs replaced by correspondence addresses. Likewise, the full IDNs of directors and company secretaries should be replaced by partial IDNs in the duplicate ROD and Register of Company Secretaries (ROCS) respectively. The original ROD and ROCS should be preserved and updated when necessary with the Protected Information. In short, the company will have two versions of their ROD and ROCS, an original and a duplicate for public (and member) searches.

> "the Companies Ordinance rewrite exercise... contained certain proposals to restrict public searches and hence access to the personal data of company officers"

If the optional withholding of the Protected Information under Phase 1 is not adopted, current directors will still need to be consulted for their correspondence addresses need to be inserted into the ROD.

Do directors' correspondence addresses have to be Hong Kong addresses? If not, do they have to be in the same jurisdiction as the URAs they replace?

There is no requirement for the correspondence address to be a Hong Kong address, nor in the same jurisdiction as the URA. Nevertheless, according to Section 115A(6) of Schedule 11 to the Companies Ordinance, upon the commencement of Phase 1 on 23 August 2021, the company's registered office address is to be regarded as the correspondence address of a director until the date on which the company enters the director's correspondence address in the ROD, or the first annual return date of the company on or after the commencement of Phase 2, whichever is the earlier.

When Phase 2 commences, if the registered office is not the correspondence address, but another address, this information should be filed with the CR within 15 days. The relevant form for the filing has not yet been published. The CR is preparing new/revised forms for use to facilitate the implementation of Phase 2 of the new inspection regime. The new/revised forms will be introduced as soon as practicable with a view to allowing companies and corporate service providers to have sufficient time to prepare for the changes.

If a Mainland ID number is given in an annual return, how will the partial IDNs be displayed?

There are no provisions under the Companies Ordinance requiring the filing of a Mainland ID number in an annual return. Insofar as ID numbers are concerned, an annual return must contain, in respect of each director and company secretary who is a natural person, the number of the Hong Kong identity card (HKID card) or, if the person is not a holder of an HKID card, the number and issuing country of his or her passport.

In respect of disclosure of the partial IDNs, under Section 657(2)(g) and Section 3 of the Company Records (Inspection and Provision of Copies) (Amendment) Regulation 2021, only the first half (of an even alphanumeric number of characters) or up to the middle of the sequence (for an odd number of alphanumeric number of characters) needs to be disclosed.

If a company creates an ROD for public inspection, should it contain all the director information from the company's incorporation date?

It should because, while the Protected Information can be withheld, the Companies Ordinance allows for public (and member) searches over the whole of the ROD and ROCS. A related question is whether the Protected Information should be withheld for past directors and company secretaries in the duplicate ROD and ROCS. We recommend this to be done as well, despite this being optional. This is because, if an avenue is afforded to protect privacy, it should be adopted. The position with directors who have resigned is the same as former directors and we suggest that the duplicate ROD should withhold the Protected Information for them as well.

Can current directors apply in Phase 2 to add a correspondence address and do you think this will be quicker than applying for the Protected Information to be withheld in Phase 3 given the number of expected requests?

The actual filing of the correspondence addresses will be within 15 days of commencement of Phase 2, but no filing is required where the registered office is the correspondence address. The possibility of making withholding applications after commencement of Phase 3 relates to the URAs and full IDNs of documents filed with the CR that have not otherwise withheld the Protected Information. While the correspondence addresses instead of the URAs will be disclosed under a search where the URA has been withheld, this cannot automatically achieve the same effect as a withholding application. Withholding applications to withhold the Protected Information, including the URAs of directors, would still be required to protect all of the Protected Information.

Could you elaborate more on officers' applications to withhold the Protected Information?

Please read Section 49(4), which commences with Phase 3 on 27 December 2023. Directors, reserve directors, company secretaries and persons in these former capacities can apply to withhold their URAs. The withholding of full IDNs can be made by any persons. To support the application, we understand that the thinking is that the particular document or documents under which the Protected Information is to be withheld need to be set out under the application which the governance professional should have with the original filing records, but can otherwise search from the CR index of filings.

Why are members of the Institute (unlike solicitors and certified public accountants) not authorised to get access to the Protected Information?
The company secretary can make withholding applications under Phase 3 in relation to their companies, but to access the information of other companies, this is not regarded as a mainstay of the company secretarial function. Please remember that the company secretary under the Companies Ordinance does not require any particular qualification, and cannot be confused with a listed company secretary. Institute members working in a licensed TCSP can apply for access as a 'Specified Person' to the Protected Information to carry out their required functions under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

Do Specified Persons only have to apply once to be able to access Protected Information?
It is a case-by-case application. While Part 4 of the Companies (Residential Addresses and Identification Numbers) Regulation provides for the application made for the purposes of Section 58(3) of the Companies Ordinance, that is, disclosure of Protected Information, the detailed procedures of the application is being worked out by the CR depending on the final design of the CR's information system.

How can we be assured that Specified Persons will not abuse their privilege of being able to access the Protected Information?
There is a need to confirm that the application is in accordance with applicable regulations. An abuse of the privilege will presumably amount to a false declaration.

If Specified Persons who are partners or directors of a company have obtained the CR's approval to access the Protected Information, can they delegate to their teammates to carry out the searches? In practice, partners and directors usually delegate such work to their team.
It is a case-by-case application. In respect of delegation, the Specified Person will be responsible in accordance with applicable legal principles for the acts and defaults of the authorised person.

What would happen if the CR cannot reach a company officer by his or her correspondence address?
There are powers for the CR to use the Protected Information under the Companies Ordinance to carry out its statutory functions and responsibilities.

> "other proposals to restrict access to the Protected Information of directors and company secretaries met varying degrees of opposition, especially relating to partial, as against full, disclosure of directors' identification numbers"

Implementation timing

Hong Kong's new Companies Register inspection regime is to be implemented in three phases.

Phase 1 (commenced 23 August 2021) – companies may withhold the URAs of directors and full IDNs of directors and company secretaries (together, the Protected Information) that are contained in their own registers from public inspection.

Phase 2 (commencing 24 October 2022) – in respect of new filings, the Companies Registry will withhold the protected information from public inspection.

Phase 3 (commencing 27 December 2023) – the individuals concerned may apply to the Companies Registry to withhold from public inspection their Protected Information registered with the Companies Registry prior to 24 October 2022.

The guidance notes reviewed in this article are available from the publications section of the Institute's website: www.hkcgi.org.hk. The team of interns working under the guidance of Ms Shih comprised: Adrian Au, University of Hong Kong, Sean Lee, Columbia University, Annabel Loke, Bryn Mawr College, and Ruodong Wu, Hong Kong Metropolitan University.

Technology Series

Modern technology presents both opportunities and challenges for the governance professional, whose responsibilities have grown to be much more diverse and multi-faceted as governance work continues to evolve. Technology-assisted compliance can be cost-effective and the introduction of artificial intelligence may enhance and simplify the more mundane day-to-day procedural work. However, mere access to the latest technology and automated tools will not suffice as the proper and effective implementation of these technology remains to be critical. HKCGI is delighted to present a series of six technology-themed webinars from February to May 2022, led by industry leaders and experts from within the technological and compliance sector. The speakers will introduce the latest compliance technology and related developments, with a focus on practical applications and emerging governance trends. Interested parties are invited to join any or all of the following six sessions:

Date/Time	Topic	Key Speaker	Language
11 February 2022 3.00 pm – 4.30 pm	Hybrid General Meetings - What Governance Professional Need to Prepare	Ms Catharine Wong Managing Director - Head of Share Registry & Issuer Services, Tricor Services Limited	English
23 February 2022 3.00 pm – 4.30 pm	AML/CFT Regulatory Update, TCSP Licensing Renewal and Best Practice By Leveraging Technology	Mr Bible Kwan Head of Sales (Northeast Asia) – Channel & Partnership, Ingenique Solutions	Cantonese
9 March 2022 3.00 pm – 4.30 pm	Utilising Data to Reveal Governance Trend and Prepare for Your Shareholder Meetings	Mr Herman Choi Senior Lead ESG Advisor APAC – ISS Corporate Solutions	Cantonese
30 March 2022 3.00 pm – 4.30 pm	Integrated Risk Management - Is Your Company Ready For It?	Mr Tiong-wee POH Associate Partner, Risk Transformation Ernst & Young Advisory Services Limited	Cantonese
28 April 2022 3.00 pm – 4.30 pm	Better Governance and Best Practice Leadership Collaboration	Mr Paul Li Head of Sales of the Asia Pacific, Convene	Cantonese
12 May 2022 3.00 pm – 4.30 pm	The Role and Benefits of Regtech Within the Digital Transformation Agenda	Mr Pradip Madhanagopal Partner, Risk Assurance, PricewaterhouseCoopers	English

Register Now!

Venue: Webinar session. No physical attendance is required.

Accreditations: HKCGI - 1.5 ECPD points per session / The Law Society of Hong Kong (TBC)

Fees: HK$320 per session per HKCGI member / HK$230 per session per HKCGI student / HK$420 per session per Non-member

For enquiries, please contact Professional Development Section: 2881 6177 or email: cpd@hkcgi.org.hk.

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

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Professional Development

Seminars: November 2021

2 November

Board management: bridging the cultural divide – practical sharing

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

Speaker: *Kenny Luo FCG HKFCG, Institute Council member, Mainland China Focus Group member and Company Secretaries Panel member, and Board Secretary & Company Secretary, Bank of China (Hong Kong) Ltd*

4 November

Risk management and internal control systems – combat corruption and promote good governance

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

Speaker: *Ricky Ho, Director, Risk Management Advisory Services, AVISTA Group*

8 November

Privatisation of Hong Kong listed companies – from lawyer's and company secretary's perspectives with a successful case sharing

Speakers: *Rossana Chu, Managing Partner, LC Lawyers LLP; and Ricky Lai FCG HKFCG(PE), Company Secretary, China Renewable Energy Investment Ltd*

10 November

Thinking ahead – legal privilege is important and needs to be protected

Chair: *Bill Wang FCG HKFCG, Institute Council member, Professional Development Committee Chairman, Technical Consultation Panel (TCP) member, TCP – Securities Law and Regulation Interest Group member and Mainland China Focus Group member*

Speakers: *Emily Lam, International Counsel, and Allison Lau, Associate; Debevoise & Plimpton HK*

16 November

Doing business in China series: M&A – execution and control

Chair: *Patrick Wong FCG HKFCG, Institute Membership Committee and Rebranding Working Group member, and Director, Aoba CPA Ltd*

Speaker: *Kenneth Lee, Institute Professional Services Panel member, and Director & Head of Global Entity Management, Hong Kong, TMF Group*

17 November

Directors' duties and liabilities in the BVI and Cayman – financial distress and economic substance compliance

Chair: *Christine Chung FCG HKFCG, Institute Professional Development Committee member, and Company Secretary, AIA Company Ltd*

Speaker: *Julie Engwirda, Partner, Harney Westwood & Riegels*

19 November

Company secretarial practical training series: non–Hong Kong company and dormant company

Speaker: *Ricky Lai FCG HKFCG(PE), Company Secretary, China Renewable Energy Investment Ltd*

29 November

Share registrar – past, present and future for corporate governance

Chair: *Desmond Lau ACG HKACG(PE), Institute Professional Development Director*

Speakers: *Terry Ip FCG(CS, CGP) HKFCG(CS, CGP), Director of Share Registry and Issuer Services, and Jeanne Au ACG HKACG, Senior Manager of Share Registry & Issuer Services; Tricor Services Ltd*

30 November

Doing business in China series: voluntary liquidation of WFOE – professionals' roles in action

Chair: *Desmond Lau ACG HKACG(PE), Institute Professional Development Director*

Speakers: *Donald Tsang, Executive Director, Head of Corporate Services, Greater China, and Angela Li, Head of Corporate Secretarial Services, South China, Intertrust Group; Susan Peng, Associate Director, HR and Payroll Services, and Lorraine Wang, Head of Human Resources, Tricor China; Sharon ZM Chen, Director of Commercial, Corporate Services, and Dorothy Yang, Director, Accounting Services, Vistra Group; Kenneth Lee, Institute Professional Services Panel member, and Director & Head of Global Entity Management, Hong Kong, and Aphro Hong, Associate Director, Accounting & Tax, China, TMF Group*

Video-recorded CPD seminars

Some of the Institute's previous ECPD seminars/webinars can now be viewed on the Hong Kong Metropolitan University's online e-CPD seminars platform.

Details of the Institute's video-recorded CPD seminars are available in the CPD section of the Institute's website: www.hkcgi.org.hk.

For enquiries, please contact the Institute's Professional Development Section: 2830 6011, or email: cpd@hkcgi.org.hk.

ECPD forthcoming webinars

Date	Time	Topic	ECPD points
24 January 2022	4.00pm–5.30pm	Whistleblowing: key compliance and cultural requisites – practical overview and case sharing	1.5
25 January 2022	4.00pm–5.30pm	New inspection regime – technical brief	1.5
26 January 2022	2.30 pm–4.00pm	Corporate governance code changes: overview and practical impacts	1.5
11 February 2022	3.00pm–4.30pm	Technology series: hybrid general meetings – what governance professional need to prepare	1.5

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

Membership

Revised re-election policy with new CPD requirements

With effect from 1 January 2022, former members and graduates applying for membership or graduateship re-election must fulfil the following CPD requirements, in addition to the existing requirements for re-election.

Applicants for re-election must have accumulated **15 CPD points, including three ECPD points** from seminars organised by the Institute, **within 12 months prior to the application for re-election**. Documentary proof of their CPD records must be submitted together with the application for inspection.

In respect of retirees who are over 60, no CPD points will be required, but applicants must submit a declaration containing an undertaking to comply with applicable future CPD requirements.

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

Membership activities: December 2021

10 December

Fun & Interest Group – Christmas flower workshop

New graduates

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

Chan Cheuk Ying, Ivy	Koo Wing Yip	Lee Pui Cheung	Tsang Wai Ka
Chiu Sai Chung	Lai Chi Lai	Poon Cho Yee	
Ho Ming Kwan	Lau Sau Fong	Tsang Shiao Tung, Joseph	

New Associates

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

Au Siu Chung	Chan Tsz Lun, Janet	Cheung Mei Lok	Fung Ho Yin
Bok Fan, Jessie	Chan Vinci	Choi Wai Man, Clara	Fung Kam Chi
Chan Chi Lai, Shirley	Chan Wai Kit	Chow Oi Lam	Fung Lok Ting
Chan Ching Han, Jojo	Chan Wing Yee	Chow Tsz Wing	Fung Nga Ming
Chan Chuen Yan	Chan Wing Yi	Chow Wing Sang	Fung Sau Laam, Susanna
Chan Chun Kit	Chan Yuen Kwan	Chow Ying	He Jingyu
Chan Hiu Lam	Chan Yuk Ki	Choy Tsz Shan	Hengky
Chan Hiu Ying	Chau Wing Sze	Chu Chi Ying	Ho Laureen Lok Yin
Chan Hoi Lun	Chen Yuhan	Chung Ho Chai	Ho Man Wai
Chan Hoi Yin, Anthony	Cheng Hiu Wai	Chung Hoi In	Ho Sze Wan
Chan Kai Chi, Nelson	Cheng Mei Lai	Chung Wing Chi, Gigi	Hu Guang
Chan Kit Ying	Cheng Tsz Yan	Fan Hoi Hang	Huang Hin Sing
Chan Lok Tung	Cheung Ching	Fok Hiu Ling	Huang Jingwen
Chan Mei Ying	Cheung Hoi Tung, Kristy	Fu Chanyi	Huang Yu Zhu
Chan Sau Yee, Joey	Cheung Matthew	Fung Chui Shan, Tracy	Hui Yuk Ting

Huo Chor Yin	Leung Wai Ching, Vicky	Ren Fang	Wong Hoi Yan, Wendy
Jiang Ying	Leung Wai Him	Siu Ming Yam	Wong Man Ying
Jin Jing	Leung Wang Chi	Siu Yan Jing	Wong Natasha Chi Yan
Kwan Ching Yiu	Leung Yan Kit, Alexander	So Hang Fung	Wong Nim Hung
Kwok Shuk Man	Leung Yin Ling, Natalie	Song Bilan	Wong Yee Ki
Kwok So Yan	Leung Yuen Yuen	Sou Shuk Ting	Wong Yuen Shan
Kwok Tsz Leong	Li Chun Lok	Tam Karson	Wong Yuen Shan
Kwong Hon Keung, Gerry	Li Mei Ting	Tam Pui Kei	Wu Cheuk Yeung
Lai Wai Hung	Li Po Ki	Tam Pui Ying	Wu Lifang
Lai Yee Man	Li Qiang	Tam Wai Yan	Wu Wai Ki
Lam Chi Wai	Li Xi	Tam Yuen Ling	Xing Jiwen
Lam Ho Kwan	Li Zhuoqiong	Tang Chin Ting	Yang Bonan
Lam Ka Lai	Lin Yih Yee, Jessica	Tang Lai Fong	Yang Ka Man
Lam Ka Miu	Liu Chiu Yiu, Iris	Tang Suk Mei	Yao Wenming
Lam Kam Na	Liu Yan Yi	Tang Yin Lan	Yau Siu Chun
Lam King	Liu Yuet Han, Amy	To Tsz Man	Yau Tsz Lun
Lam Kit Wing	Lui Cheuk Wah	Tsang Chi Shan	Yeung Kit Mei
Lam Kwun Leung	Ma Chun Man	Tsang Chun Kit	Yeung Kwok Ching, Carol
Lam Yee Lan	Ma Ling	Tse Kam Fai	Yeung Wing Chi
Lau Ka Man	Mak Ching Han, Ada	Tse Shuk Man, Susan	Yin Yue
Lau Ka Ming	Man So Shan	Tse Wing Kei	Yip Chun Wing
Lau Sze Nga	Man Wing Yin	Tse Yan Man	Yu Wai Kwan, Alexandra
Lau Tsz Ching	Mok Ka Yan	Tse Yi Lam	Yuen Shing Him
Lau Wan Yee	Mu Yan	Tsui Ka Yan	Yung Shu Ying
Lee Hoi Man	Mui Yuk Ling	Tsui Ying Kit	Zhang Bing
Lee Lai Wah	Ng Yim Hung	Wan Kwok Po	Zhang Yang
Leong Chi Fung	Ng Yue Ho	Wang Wei	Zhang Ying
Leung Chi Ching	Pi Wei	Wei Wei	
Leung Pok Sum	Poon Pok Man, Coca	Wong Cheuk Yan, Gordon	

New Fellows

The Institute would like to congratulate the following Fellows elected in November 2021.

Chan Ka Wai FCG HKFCG

Mr Chan is an Associate Director of the Standard Setting Department of The Hong Kong Institute of Certified Public Accountants (HKICPA). He holds a bachelor's degree in accounting and information systems from The Hong Kong University of Science and Technology (HKUST), and a master's degree in corporate governance, with distinction, from The Hong Kong Polytechnic University (PolyU). Mr Chan also holds professional qualifications as a fellow of HKICPA and as a member of The Institute of Chartered Accountants in England and Wales.

Chan Tak Hing, Kenji FCG HKFCG

Mr Chan has been the Financial Controller and Company Secretary of Shenzhou International Group Holdings Ltd (Stock Code: 2313) since September 2008. He holds a bachelor's degree in business administration, a master's degree in China business management and an MBA. Mr Chan also holds professional qualifications as a fellow of the Association of Chartered

Membership (continued)

Certified Accountants and the Institute of Chartered Accountants in England and Wales, as well as being a member of HKICPA and a Certified Tax Adviser.

Chan Yan Kwan, Andy FCG HKFCG
Mr Chan has been the Chief Financial Officer and Company Secretary of Kingdom Holdings Ltd (Stock Code: 528) since 2014. He holds a master's degree in corporate governance from PolyU and an EMBA from Ivey Business School of Western University. Mr Chan also holds professional qualifications as a fellow of HKICPA and the Association of Chartered Certified Accountants.

Cheng Lily FCG HKFCG
Ms Cheng is the Director of Human Resources & Administration and Board Member of Toppan Forms (Hong Kong) Ltd. She holds a bachelor's degree in human resources management and a master's degree in corporate governance and compliance from Hong Kong Baptist University. Ms Cheng also holds professional qualifications as a Chartered Professionals in Human Resources of British Columbia & Yukon and as a Professional Member of Hong Kong Institute of Human Resource Management.

David Graham FCG HKFCG
Mr Graham is the Executive Director of The British Chamber of Commerce in Hong Kong. He has over 37 years of experience in legal and financial services. He joined Morgan Stanley as General Counsel (Asia ex Japan) in 2001 and has worked in financial services ever since. He held senior roles at UBS, both in Asia and in the United Kingdom, including Global General Counsel of UBS Investment Bank, and at Nomura where he was Global Head of Legal and General Counsel of the Wholesale Division.

Mr Graham joined the Hong Kong Exchanges and Clearing Limited (HKEX) in January 2013 in the newly created role of Chief Regulatory Officer and Head of Listing. He was a member of the HKEX Management Committee and a member of the Board of Directors of the London Metal Exchange (LME). He retired from HKEX at the end of December 2019.

Leung Chung Shun FCG HKFCG
Mr Leung is a Managing Director at Protiviti Inc, a global business consulting firm. He helps clients with his 25 years diversified experience in commercial, non-profits and professional services. Mr Leung holds a bachelor's degree in business administration of finance from HKUST. He also holds professional qualifications as a fellow of HKICPA and the Association of Chartered Certified Accountants, as well as being a Certified Internal Auditor and Chartered Financial Analyst.

Pang King Ling, Ellie FCG HKFCG
Ms Pang is the Insitute Chief Executive. A solicitor by profession, she practised law for over 11 years at two of the largest international law firms, before joining Hong Kong Exchanges and Clearing Ltd (HKEX), the frontline regulator for Hong Kong's listed companies. At HKEX, Ms Pang's main focus was on policy issues concerning corporate boards, and leading projects that revamped Hong Kong's Corporate Governance Code and Listing Rules, which included initiatives on board diversity and environmental, social and governance (ESG).

Ms Pang is a frequent keynote speaker, moderator and panellist at numerous conferences and seminars on corporate governance, ESG and other Listing Rule developments, including those organised by HKEX, the HKSAR Government and a number of trade/professional associations.

Yeung Chin Wai FCG HKFCG
Mr Yeung is the Financial Controller of a Main Board listed company in Hong Kong. He is responsible for managing the overseas operation's financial controllership and the execution of corporate projects. Mr Yeung holds a bachelor's degree in professional accountancy from The Chinese University of Hong Kong and a master's degree in corporate governance from PolyU. He also holds professional qualifications as a member of HKICPA.

Yi Leili FCG HKFCG
Ms Yi is Company Secretary at Minth Group Ltd (Stock Code: 425). She is responsible for Minth Group's corporate governance, investor relations and information disclosure. Ms Yi holds a bachelor's degree in English language and literature from East China Normal University and a master's degree in corporate governance from Hong Kong Metropolitan University.

Chan Darren Chun-yeung FCG HKFCG
Financial Controller, Symphony Holdings Ltd (Stock Code: 1223)

Tobey Hill FCG HKFCG
Consultant, Tobey A Hill

Kong Ling Yan FCG HKFCG
Company Secretary, Shougang Fushan Resources Group Ltd (Stock Code: 639)

Lau Siu Cheong FCG HKFCG
Executive Director, Chief Executive Officer, Financial Controller and Company Secretary, GET Holdings Ltd (Stock Code: 8100)

Li Mei Wai FCG HKFCG
Chief Financial Officer and Company Secretary, Wing Chi Holdings Ltd (Stock Code: 6080)

Tsang Ka Yee FCG HKFCG
Professional Manager, Li Ning Company Ltd (Stock Code: 2331)

Wong Ka Yan FCG HKFCG
Financial Controller and Company Secretary, AMS Public Transport Holdings Ltd (Stock Code: 77)

Wu Huiming FCG HKFCG
Board Secretary, Shenzhen Worldunion Group Inc (SHEX: 2285)

Yim Lok Kwan FCG HKFCG
Senior Manager, Corporate Secretarial Department, SWCS Corporate Services Group (Hong Kong) Ltd

Advocacy

Annual Dinner postponement

As the Hong Kong Government has announced tightened Covid-19 social distancing measures, the Institute must unfortunately postpone the Annual Dinner 2022 at the JW Marriott Hotel Hong Kong on 20 January 2022 to a date to be confirmed.

Notwithstanding, HKCGI's new website is on track to be launched on 20 January 2022. We will celebrate the Institute's new brand identity at the postponed Annual Dinner 2022.

Members and guests who have registered for the event will be contacted regarding the paid table costs, sponsorship money and prizes, if applicable. We apologise for any inconvenience this may have caused and wish everyone well during this challenging time. The Institute is committed to doing its part in the fight against the pandemic.

Secretariat news

In November 2021, Ms Ellie Pang FCG HKFCG, Institute Chief Executive, was elected a Fellow of the Institute. A solicitor by profession, Ms Pang practised at two international law firms prior to joining Hong Kong Exchanges and Clearing Ltd. To her credit is the drafting of the Corporate Governance Code and the ESG Reporting Guide. Ms Pang also assisted the Institute by speaking at Institute events in Hong Kong and the Mainland.

Hybrid Annual General Meeting

The Institute held its hybrid Annual General Meeting (AGM) on Wednesday 15 December 2021.

At the Council meeting following the AGM, the Honorary Officers for 2022 were elected (see below). Mr Ernest CH Lee FCG HKFCG(PE), Technical Partner of Deloitte China, has been elected as President for 2022.

From 1 January 2022, Ms Gillian E Meller FCG HKFCG(PE) will retire from the presidency, and will continue to serve the Institute ex-officio as Immediate Past President. The Institute would like to extend its sincere appreciation to Ms Meller for all her contributions as President.

The Hong Kong Chartered Governance Institute Council for 2022

Honorary Officers:

Mr Ernest CH Lee FCG HKFCG(PE)	President (re-elected to Council)
Mr David J Simmonds FCG HKFCG	Vice-President
Mr Paul A Stafford FCG HKFCG	Vice-President
Dr Gao Wei FCG HKFCG(PE)	Vice-President (newly elected to Council)
Mr Daniel WS Chow FCG HKFCG(PE)	Treasurer

Council Members:

Professor Alan KM Au FCG HKFCG (newly elected to Council)
Mr Tom SL Chau FCG HKFCG
Mr Edmond MK Chiu FCG HKFCG(PE)
Ms Wendy WT Ho FCG HKFCG(PE)
Ms Stella SM Lo FCG HKFCG(PE)
Professor CK Low FCG HKFCG (re-elected to Council)
Mr Kenny Luo (Luo Nan) FCG HKFCG (newly elected to Council)
Mrs Natalia KM Seng FCG HKFCG(PE) (re-elected to Council)
Mr Bill WM Wang FCG HKFCG
Mr Xie Bing FCG HKFCG (re-elected to Council)

Ex-officio:

Ms Gillian E Meller FCG HKFCG(PE)	Immediate Past President
Mr David YH Fu FCG HKFCG(PE)	Past President

Honorary Adviser:

Ms Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE)	Past International President & Past President

In addition, the poll results in respect of the resolutions proposed at the AGM were as follows:

Ordinary Resolutions		Number of Votes (%)	
		For	Against
1.	To receive and adopt the Council's Report for the year ended 30 June 2021	213 (100%)	–
2.	To receive and adopt the Independent Auditor's Report and Audited Consolidated Financial Statements for the year ended 30 June 2021	213 (100%)	–
3.	To reappoint BDO Ltd as Auditor of the Institute and authorise the Council to fix the Auditor's remuneration	210 (98.59%)	3 (1.41%)
4.	To elect Council members (see note (iv))	N/A	N/A

Notes:

i. Resolutions (1) to (3) were passed as Ordinary Resolutions by a majority of more than 50% of votes of members who attended and voted, either in person or by proxy, at the hybrid AGM.
ii. The percentages of votes on the resolutions were rounded to two decimal places.
iii. The scrutineer for the poll at the AGM was Tricor Investor Services Ltd.
iv. The election of Council members was conducted by a postal ballot in accordance with the Articles of Association of the Institute, and the ballot results were published on the Institute's website on 8 December 2021.

Advocacy (continued)

The Hong Kong Financial Forum and the 11th Golden Bauhinia Awards Ceremony

The Institute took part in the 11th Golden Bauhinia Awards Ceremony – organised by Hong Kong Ta Kung Wen Wei Media Group Ltd – on 17 December 2021 at the Hong Kong Convention Centre. Ernest Lee FCG HKFCG(PE), Institute President, Audit Committee Chairman and Mainland China Focus Group member, and Technical Partner, Deloitte China, gave a speech on behalf of the Institute. Ellie Pang FCG HKFCG, Institute Chief Executive; Ivan Tam FCG HKFCG, Institute Past President, Nomination Committee member, Mainland China Focus Group member and Special Entry Scheme Interview Panel member, and Deputy Managing Director, Chevalier International Holdings Ltd; David Fu FCG HKFCG(PE), Institute Past President and Company Secretaries Panel member, and Group Company Secretary, Hong Kong Exchanges and Clearing Ltd; and Maurice Ngai FCG HKFCG(PE), Institute Past President, Nomination Committee member, Professional Services Panel member, Mainland China Focus Group member and Special Entry Scheme Interview Panel member, Chief Executive Officer, SWCS Corporate Services Group (Hong Kong) Ltd also attended as representatives of the Institute.

Institute Chief Executive attends 2022/2023 Budget Consultation Session

Ellie Pang FCG HKFCG, Institute Chief Executive, attended the 2022/2023 Budget Consultation Session on behalf of the Institute, on 1 December 2021. The session was chaired by The Honourable Christopher Hui Ching-yu JP, Secretary for Financial Services and the Treasury, the HKSAR Government. The 2022/2023 Budget Consultation Session was held for the financial and related professional services sector.

The 60th Affiliated Persons ECPD seminars

The Institute held its 60th Affiliated Persons ECPD seminars in Beijing, under the theme of 'Annual financial audit and performance report', from 15 to 17 December 2021. The seminars attracted over 113 participants, mainly comprising board secretaries and equivalent personnel, directors, supervisors and other senior management from listed or to-be-listed companies from the Mainland and overseas.

At the ECPD seminars, board secretaries and other senior professionals shared their knowledge and experience on the following topics:

- overview of the Hong Kong Listing Regulations and update on the latest amendments
- continuing liabilities of directors of listed companies and the penalties for violation
- the governance of listed companies, and the legitimate performance of directors and supervisors
- annual financial audit and annual report preparation practice, and dos and don'ts
- guidelines on ESG reporting – latest regulations and practices
- amendments to the Corporate Governance Code and Listing Rules
- regulatory hot issues for companies listed in Hong Kong

The Institute would like to express its appreciation to all the speakers and participants for their support and participation.

Advocacy (continued)

Institute Christmas luncheon

On 13 December 2021, the Institute hosted a Christmas luncheon for its Council, Committee and Panel members. The occasion served as an excellent opportunity for the Council, Committee and Panel members to meet and communicate with each other, as well as to celebrate the festive season.

Secretariat holiday celebrations

The Secretariat team in Hong Kong enjoyed a heart-warming holiday season celebration on 22 December 2021, during which lunch was held at the Harbour Grand hotel.

As a caring organisation, the Institute presented each of the Secretariat staff members in Hong Kong and Beijing with a gift to celebrate the end of the year and in recognition of their dedication, diligence and hard work throughout 2021.

A-Team Inauguration cum Professional Mentorship Ceremony

On 17 November 2021, Matthew Young FCG HKFCG(PE), Institute Education Committee member, attended the A-Team Inauguration cum Professional Mentorship Ceremony, organised by Hong Kong Metropolitan University (HKMU), and promoted the Institute through sharing his experience with HKMU's young talent.

Chartered Governance Qualifying Programme (CGQP)

Learning support

HKU SPACE CGQP Examination Preparatory Programme – Spring 2022 intake

HKU SPACE has been endorsed by the Institute to organise the CGQP Examination Preparatory Programme, which helps students to prepare for the CGQP examinations. One assignment and one take-home mock examination will be provided to students. There are 36 contact hours for each module, except for Hong Kong Company Law, which has 45 contact hours. The Spring 2022 intake will commence on 1 March 2022.

For details, please contact HKU SPACE: 2867 8485 or email: hkcgi@hkuspace.hku.hk

Student Ambassadors Programme

The Institute's Student Ambassadors Programme (SAP) for the new academic year (2021/2022) has commenced. On 11 December 2021, 40 student ambassadors and 27 mentors joined a tea reception to kick off the programme. Over 200 local university undergraduates from 12 universities registered, while over 50 members signed up as mentors. Other forthcoming activities include internships, more mentor and mentee gatherings, networking activities and soft skills workshops.

Chartered Governance Qualifying Programme (CGQP) (continued)

The Institute would like to thank the following SAP mentors for their valuable contribution.

Mentors for SAP 2021/2022 (in alphabetical order of surname)

Alice Chai ACG HKACG
Caroline Chan FCG HKFCG
Eric Chan FCG HKFCG(PE)
Jess Chan ACG HKACG
Macy Chan ACG HKACG
Mike Chan FCG HKFCG
Natalie Chan FCG HKFCG(PE)
Willa Chan ACG HKACG
Nick Cheung ACG HKACG
Sally Cheung GradCG
Daniel Chow FCG HKFCG(PE)
Christine Chung FCG HKFCG
Tony Fong FCG HKFCG
Donald Fung ACG HKACG
Rico Fung FCG HKFCG
Eddy Ko FCG HKFCG
Donald Lai ACG HKACG
Ricky Lai FCG HKFCG(PE)
Carmen Lam FCG HKFCG
Michelle Lam ACG HKACG
Davis Lau FCG HKFCG
Joyce Lau FCG HKFCG
Klare Lau ACG HKACG
Simon Lee ACG HKACG
Vincent Lee ACG HKACG
Kelvin Leung ACG HKACG
Linda Ling ACG HKACG
Christopher Lui ACG HKACG(PE)
Edmund Ng FCG HKFCG
Emily Ng ACG HKACG
Fin Ng ACG HKACG
Gigi Ngan ACG HKACG
Victor Pang ACG HKACG
Patrick Sung FCG HKFCG
Yan Tam ACG HKACG
Calvin Tang FCG HKFCG
Jerry Tong FCG HKFCG
Carl Tse ACG HKACG
Flora Wong ACG HKACG
Jenny Wong ACG HKACG
Patrick Wong FCG HKFCG
Polly Wong FCG HKFCG(PE)
Yanda Wong ACG HKACG
Dr Davy Wu
Sandy Yan ACG HKACG(PE)
Yuki Yau ACG HKACG
Arthur Yeung ACG HKACG
Paul Yeung FCG HKFCG
Ann Young ACG HKACG
Samantha Yu ACG HKACG
Trevor Yu ACG HKACG
Austin Zhang ACG HKACG

Studentship activities: December 2021

23 December
Governance Professionals Information Session (Putonghua session)

Forthcoming studentship activities

Date	Time	Event
26 January 2022	1.00pm–2.00pm	Student Ambassadors Programme: experience sharing on summer internship 2021
24 February 2022	1.00pm–2.00pm	Student Gathering(1): update of the CGQP and how use the PrimeLaw online platform

Fast Track Professional route

From 1 January 2021, a new Fast Track Professional route became available for qualified lawyers or accountants (including those recognised by The CGI and its divisions in other jurisdictions) who wish to become Chartered Secretaries and Chartered Governance Professionals.

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

Notice

Policy – payment reminder

Studentship renewal

New policy effective from 1 July 2021

Students whose studentship expires in January, February or March 2022 should have received their renewal notice by email on 1 January 2022. Please be reminded to settle the renewal fee by Thursday 31 March 2022.

Failure to pay the renewal fee by the deadline will result in the removal of studentship from the student register.

Featured Job Openings

Company name	Position
Chan Chak Chung & Co.	Company Secretarial Officer

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

Corporate Governance Code consultation conclusions

On 10 December 2021, The Stock Exchange of Hong Kong Ltd (the Exchange), a wholly owned subsidiary of Hong Kong Exchanges and Clearing Ltd (HKEX), published its conclusions to the consultation on Review of the Corporate Governance Code (Code) and Related Listing Rules (Consultation Conclusions). Having considered respondents' views, the Exchange confirms that it will adopt the consultation proposals with certain modifications or clarifications, as set out in the Consultation Conclusions. The key changes to enhance corporate governance standards and practices among Hong Kong listed companies include those set out below.

Culture

- A company's culture should align with its purpose, values and strategy. Listed companies will need to have anti-corruption and whistleblowing policies.

Board independence

- Boards will be required to undertake an annual review of the effectiveness of their board independence mechanism(s).
- A new independent non-executive director (INED) should be appointed if all INEDs on the board have served more than nine years (long-serving INEDs).
- Additional disclosures should be made on the factors considered, the process and the board's discussion of why any long-serving INEDs are still considered independent and should be re-elected.
- Companies should disclose the length of tenure of any long-serving INEDs, on a named basis, in the papers to shareholders for the annual general meeting.
- There will be a mandatory requirement for a nomination committee, chaired by either the board chairman or an INED and comprising a majority of INEDs.

Diversity

- Existing listed issuers with single gender boards will have a three-year transition period to appoint a director of the missing gender no later than 31 December 2024.
- Issuers with a commitment in a listing document should appoint a director of a different gender in accordance with such a commitment.
- IPO applicants with single gender boards will be required to identify at least one director of the missing gender for application submissions filed on or after 1 July 2022.
- Numerical targets and timelines must be set for achieving gender diversity at the board level, and there must be an annual review of board diversity policy.
- Gender ratios in the workforce (including senior management) must be disclosed, together with the plans or measurable objectives issuers have set for achieving gender diversity.

Communications with shareholders

There will be a mandatory requirement for listed companies to disclose their shareholder communication policies, and there must be an annual review of their effectiveness.

ESG

- Environmental, social and governance (ESG) reports must be published at the same time as annual reports, as required under the ESG Reporting Guide.

The Exchange has also published new guidance (Corporate Governance Guide for Boards and Directors) to assist issuers' compliance with the new requirements.

The Revised Code and Listing Rules will come into effect on 1 January 2022 and the requirements under the new Code will apply to corporate governance reports for the financial year commencing on or after 1 January 2022. The requirement to appoint a new INED where all the INEDs on the board are long-serving INEDs will be implemented for the financial year commencing on or after 1 January 2023.

More information is available on the HKEX website: www.hkex.com.hk.