CGj

March 2024

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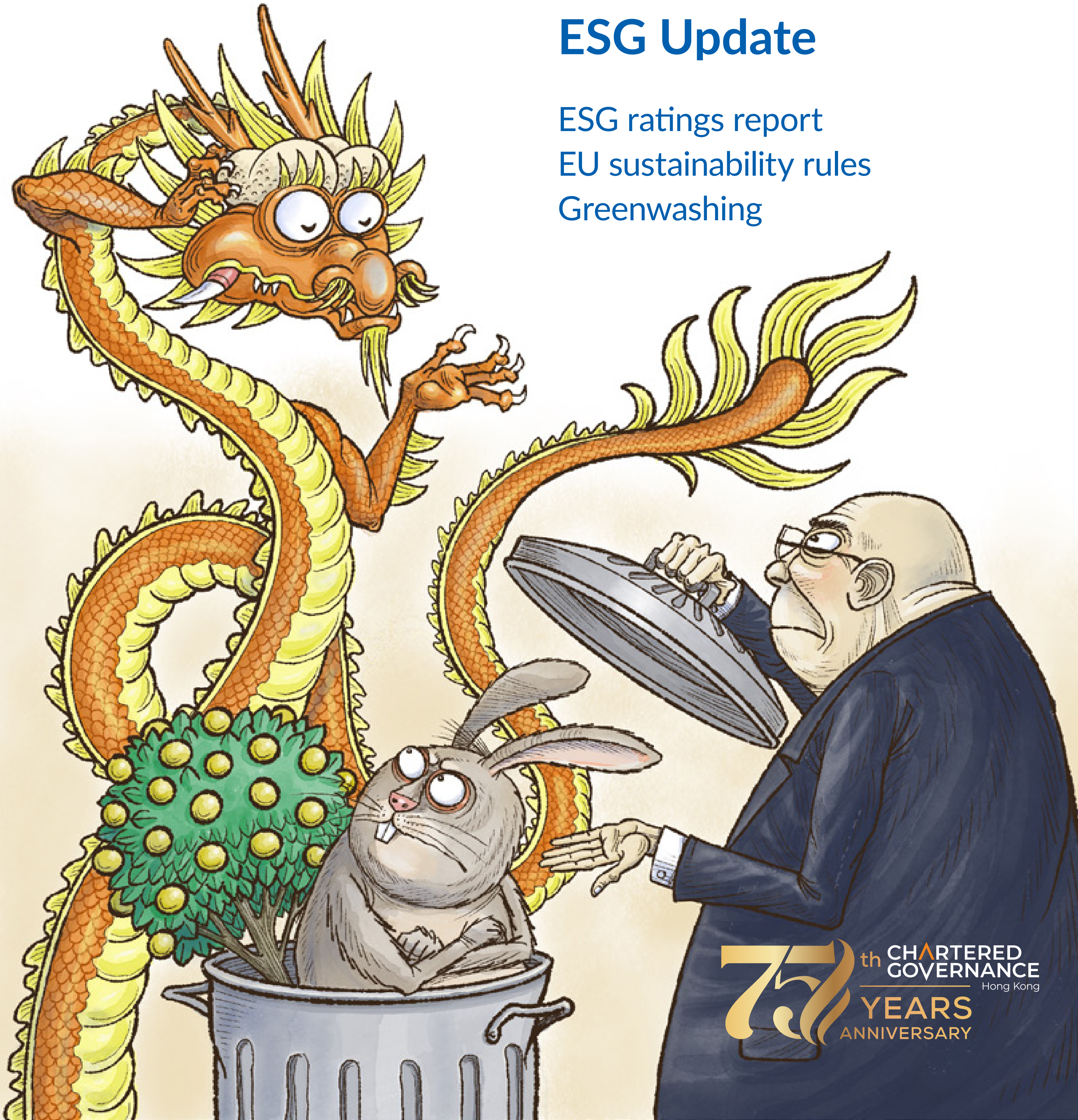
The journal of the Hong Kong Chartered Governance Institute
香港公司治理公會會刊

# ESG Update

ESG ratings report
EU sustainability rules
Greenwashing



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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 Hong Kong/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.

HKCGI has over 6,800 members, more than 300 graduates and around 3,000 students.



### Membership and studentship statistics update

As of 31 January 2024, the statistics were as follows:
**Students**: 2,414 **Graduates**: 372 **Associates**: 6,378 **Fellows:** 871

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## March 2024

CGj, the journal of the Institute, is published 12 times a year by Ninehills Media and is sent to members and students of the Institute and to certain senior executives in the public and private sectors.



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# Contents



# Governance – a collective endeavour

This year, as many readers of this journal will know, is a double anniversary for our Institute. It is 75 years since the first association of Chartered Secretaries was established in Hong Kong and 30 years since the incorporation of The Hong Kong Institute of Chartered Secretaries, our precursor body.

On 31 January this year, our Institute gathered together friends, partners and members to celebrate this anniversary and I would like to thank everyone who joined us for this event. One of the key themes to emerge over the course of the evening was that the Institute does not, and should not, work alone. Good governance cannot be the creation of a single institution – it requires input and hard work from diverse parties. It was fitting that our Anniversary Celebration enabled us to acknowledge and thank all of our partners in governance – those individuals and organisations who have contributed their time and expertise to take forward the Institute's work.

The evening was not only about celebrating our past, however. Two Fellows of the Institute – The Honourable Paul Chan Mo-po, GBM GBS MH JP, Financial Secretary of the HKSAR Government, our Guest of Honour at the event, and Dr Anthony Neoh QC SC JP FCG HKFCG, recipient of the HKCGI Prize 2023 – gave motivational speeches that not only celebrated our common history, but also launched a discussion of the key themes our profession needs to address in the emerging business environment.

Very much in that spirit, I would like to focus my message this month on the challenges that lie ahead of us. Our Institute has a forward focus and a core part of this is the annual strategy meeting of Council held every year around this time. On 24 February, Council members, senior Secretariat executives and I met up to assess the big picture affecting our work and one issue that we addressed is the current drop in student numbers, which is an issue that is now affecting several professions.

At the meeting, we considered the possible causes of this drop and, of course, the potential solutions – the future of our Institute clearly depends on our ability to attract students to the profession. In turn, this ultimately rests on the demand in the marketplace for qualified governance professionals, as well as demands for specialists in sustainability and other compliance topics, and our ability to create appropriate pathways to remain competitive. Market demand may fluctuate of course, but the recognition of the value that good governance and other specialist expertise brings to organisations of all kinds is a constant.

In this sense, the long-term prospects for our Institute and profession are as solid as ever. Our Institute is the premier qualifying body for Chartered Secretaries and Chartered Governance Professionals in this region, and we aim to be the best-in-class governance educator and the Institute of choice for all governance professionals.

As readers of this journal will know well, we also aim to be a leading voice in governance and our research work is a critical part of that. This edition of CGj reviews our latest research report – A Comparative Study on ESG Scores across Rating Agencies: Cases in Hong Kong – produced in collaboration with Hong Kong Metropolitan University. The report looks at the way ESG ratings providers operate in Hong Kong and the implications for companies in terms of how to adapt and improve their ESG disclosures.

I would like to thank everyone who contributed to this report, which can be found in the Thought Leadership section of the Institute's website: www.hkcgi.org.hk. Institute Council member Professor Alan Au Kai-ming FCG HKFCG, along with Dr Xiao Shanyun, Professor Xie Nina, Liang Luojia, Ye Yulian and Liu Qingyu of Hong Kong Metropolitan University, authored the report, while Institute Deputy Chief Executive Mohan Datwani FCG HKFCG(PE) was contributing editor. I would also like to thank the Institute's Technical Consultation Panel members for their input and support of the project.

The report, together with our educational, training and advocacy work, is testament to the impact we can have in the rapidly evolving business environment. Our Institute is fully committed to building the expertise needed in a marketplace where regulatory and risk management frameworks are becoming increasingly complex, and where strategic decision-making and ethical conduct are key factors in organisational success.

David Simmonds FCG HKFCG

# 治理 - 众志成城

如大家所知，今年是公会的双周年纪念。首先，今年是第一个非正式特许秘书小组在香港成立75周年，以及公会前身一香港特许秘书公会作为香港本地独立专业团体成立30周年。

今年 1 月 31 日，公会与众多会员、合作伙伴及各方来宾齐聚一堂，共同庆祝公会双周年。此次庆典活动的一个重要主题是 - 公会不能“孤军奋战”。良好的公司治理不可能仅由一个专业机构来实现，它需要各方的投入和努力。在此庆典上，公会对所有的公司治理方面的合作伙伴一那些为推进公会的工作贡献了自己的时间和专业知识的个人和组织--表达了充分认可和诚挚谢意。

当晚的活动不仅是为了回顾公会的过往。公会的两位资深会士：香港财政司司长陈茂波先生GBM GBS MH JP和2023年度香港公司治理公会杰出贡献奖获得者梁定邦博士QC SC JP FCG HKFCG, 发表了激励人心的演讲，他们不仅回顾及赞扬了我们共同见证的公会历史发展，还就公会的专业资格在新兴商业环境中需要应对的关键问题表达了个人意见并与大家进行了探讨。

因此，我想在本月的致辞中重点谈一谈公会面临的挑战。公会的工作重点是着眼于未来，每年此时举行的理事会年度战略会议决定着公会的未来走向。2 月 24 日，我与公会理事会成员、秘书处高级行政人员一起就影响公会发展的因素进行了整体分析和评估，我们重点讨论的议题之一是目前学员人数下降的问题，现在这个情况同样出现并已经影响到其它一些专业。

在这次会议上，我们分析了可能造成学员人数下降的原因，当然也考虑了可行性解决方案一公会的未来显然取决于公会吸引学员加入这一行业的能力。反过来，这也最终取决于市场对合格治理专业人士、可持续发展和其他合规领域专家的需求，以及公会创造适当会员路径以保持公会自身竞争力的能力。当然，市场需求可能会有所波动，但人们对良好治理及相关专业知识为各类组织带来的价值的认可是永恒不变的。

从这个意义上讲，公会和治理专业的长期前景一如既往地稳固。公会是在中国香港及内地专门为公司治理专业人士颁授“特许秘书”及“公司治理师”专业资格的专业机构，公会的目标是成为一流的治理教育机构和所有治理专业人士首选的专业机构。

正如本刊读者所知，公会的目标也是成为治理领域的领军者，而公会的研究工作是其中至关重要的一部分。本期会刊回顾了公会发布的最新研究报告一《评级机构ESG评分比较研究》： 该报告由公会与香港都会大学合作完成，探讨了 ESG 评级机构在香港的运作方式，以及对公司如何调整和改进其 ESG 信息披露的影响。

我向为此报告做出贡献的所有人表示衷心感谢，此报告可在公会网站 (www.hkcgi.org.hk) 的 "思想引领 "栏目中找到。公会理事会成员区启明教授FCG HKFCG与香港都会大学的肖善允博士、谢妮娜教授、梁洛嘉先生、叶玉莲女士和刘青宇先生共同撰写了此报告，公会副总裁高朗先生FCG HKFCG(PE)担任特约编辑。我还要感谢公会技术咨询小组成员对此报告所提供的意见和支持。

此报告连同公会的教育、培训和倡导工作，都体现了公会在快速发展的商业环境中所能产生的影响。目前的市场环境，监管和风险管理框架日趋复杂，战略决策和商业道德成为企业成功的关键因素，公会将专注于持续提升会员专业技能以满足市场环境所需。

司马志先生 FCG HKFCG

# ESG ratings: new findings from Hong Kong

For its latest research report, the Institute teamed up with Hong Kong Metropolitan University to look at the way ESG ratings providers operate in Hong Kong. CGj highlights the findings of the report with a focus on the implications for corporates, investors and wider stakeholders.

In theory, environmental, social and governance (ESG) ratings should be a valuable source of information on companies' ESG track records. They are certainly extensively used by investors, companies and other stakeholders to evaluate and compare the key ESG practices of different organisations. But there has been an increasing acknowledgement around the world that ESG ratings need to come with several important caveats. In particular, the lack of standardisation and consistency of methodologies used by the providers of ESG ratings to gather and assess ESG data can result in a confusing picture of companies' performance in these key areas.

A new research report, published by the Institute and the Lee Shau Kee School of Business and Administration of Hong Kong Metropolitan University, sheds more light on the way ESG ratings providers operate here in Hong Kong. The report – A Comparative Study on ESG Scores across Rating Agencies: Cases in Hong Kong (the Report) – published in November 2023, is based on a survey that examined the overall ESG performance of 689 sample companies. From those samples, it looked in detail at seven companies that received ESG evaluations from eight ratings providers to derive comparisons and insights.

The survey set out to assess why different ESG ratings providers give different evaluations of the same company. In fact, no two ESG rating agencies produced the same results for the companies included in the study, and the Report emphasises that this has important implications for corporates, investors and wider stakeholders.

### The need for baseline standards

The risks following on from the lack of standardisation among ESG ratings providers have been on the radar in Hong Kong for some time. In mid-2022, for example, the Securities and Futures Commission (SFC) started assessing the business models of ESG service providers and the market practice of local licensed asset managers in engaging with those ESG service providers. In 2023, the SFC carried out a survey looking at ESG scoring and screening service providers, and more broadly at the data products offered by a wide variety of different providers.

The 'Report on the fact-finding exercises on ESG ratings and data products providers' (the SFC Report), published in October 2023, highlighted many of the issues that have been prompting jurisdictions internationally to consider regulation or voluntary codes for ESG ratings providers. The SFC Report found huge differences in the proprietary methodologies, the sources of raw data and the pricing frameworks used by these providers. It flagged up three key challenges to be addressed:

1. the insufficient data, or poor quality of data (particularly on private companies and emerging markets)

2. the lack of transparency, and

## Highlights

- the Institute's latest research report provides insights into the way ESG ratings providers operate and the implications for companies in terms of how to adapt and improve their ESG disclosures
- the report found that ESG ratings providers frequently place a great deal of weight on data that businesses themselves disclose – meaning that companies have an added incentive to ensure good transparency about their ESG practices
- governance professionals need to understand how ratings providers operate and should consider facilitating interaction with these providers on their ESG practices

3. the need for better conflicts of interest management among ESG ratings providers in Hong Kong.

Regarding the first issue, the introduction of the International Sustainability Standards Board (ISSB) sustainability-related corporate disclosure standards, which establish a global baseline for sustainability-related information, should bring more consistency to the ESG data issued by companies themselves. Regarding the second and third issues above, the SFC Report recognised the need for some baseline standards for ESG service providers in Hong Kong to tackle these concerns.

### Key findings of the Institute's report

The Institute's latest research report makes the point at the outset that ESG ratings can play a positive role in encouraging more sustainable practices. Where the data provided is reliable, ESG ratings can help stakeholders assess companies' ESG track records and help investors make informed investment decisions.

By providing a framework for assessing ESG performance, they can also help incentivise companies to improve their transparency in ESG matters. The Report points out that, while every listed company must produce an ESG report annually under the most recent Listing Rules in Hong Kong, many of the environmental and social components are subject to the 'comply or explain' principle. This means that businesses are free to choose whether to reveal their environmental and social impacts, but they must justify their choice if they decide not to do so. Moreover, the current ESG reporting rules only apply to publicly traded corporations, giving non-listed enterprises the freedom to choose whether or not to make their ESG reports available to the general public.

'Companies should give their ESG disclosures top priority. This prioritisation will invariably also help businesses give importance to ESG best practices and business sustainability and resilience. In appropriate cases, it might also align with rating agencies' preferences and evaluation priorities to attract capital,' the Report states.

The Report also points out that ESG ratings providers generally base their ESG performance ratings on publicly available information – in other words, they place a great deal of weight on data that businesses themselves disclose. This suggests that companies have an incentive to ensure good transparency about their ESG practices, and adds to the importance of ensuring precision and dependability in their disclosures. Above all, companies should not distort such disclosures in an attempt to obtain a better rating.

'Companies should be mindful not to engage in greenwashing or green-hushing to obtain better ESG ratings,' the Report says.

### The implications for governance professionals

As you would expect, the Institute's latest research report also addresses the implications of its findings for governance professionals. A key message here is that governance professionals need to be aware of the significant differences in the way various providers go about gathering their primary data and presenting their ratings.

'It is necessary to remember that ESG rating agencies use proprietary methods and, in most cases, these are not readily apparent,' the Report explains.

This means that it is often not easy to determine what exactly they are basing their ratings on. The Report points out that none of the providers assessed in the survey align their indicators with Hong Kong's ESG Reporting Code (Appendix 27 of the Listing Rules). The Code is organised around a number of key performance indicators (KPIs) covering companies' carbon emissions, energy consumption, employee health and safety, diversity, board structure and anti-corruption measures, for example. However, even the ratings provided by the Hang Seng Index (HSI) are not organised around these KPIs.

'This means that if a Hong Kong–listed company wants to get a higher score/rating on its ESG evaluations, it cannot just disclose what HKEX requires it to, it also needs to make some adjustments to its ESG reporting coverage and disclose relevant information according to the preferences of the ESG rating agencies,' the Report states.

This task, however, will be made all the more complicated by the fact that different ratings providers focus on different indicators. For example, the Report notes that the Bloomberg ESG Disclosure Score looks at some unusual

> “
> **there is a growing worldwide recognition that ESG ratings can play a positive role in facilitating a transition to more sustainable capital markets**
> ”

indicators under the social aspect, such as the number of employees unionised and whether fair remuneration policies are in place. This might explain why Bloomberg tends to give companies lower scores on the social aspect compared with other ratings providers.

In addition to the need for a good understanding of how ESG ratings providers operate, the Report also recommends that governance professionals facilitate interaction with these providers on their ESG practices.

‘The governance professionals should seek to facilitate engagement with rating agencies as relevant stakeholders, where appropriate. The caveat is that certain rating agencies do not wish to engage with companies, but base their ratings on market data or other methodologies,’ the Report notes.

### Is regulation needed?

There is a growing worldwide recognition that ESG ratings can play a positive role in facilitating a transition to more sustainable capital markets. Nevertheless, to achieve this there needs to be more transparency about their methodologies and about how they address any potential conflicts of interest.

Globally, this journey has already started. In November 2021, the International Organization of Securities Commissions (IOSCO) issued a report setting out 10 recommendations in regard to ESG service providers. A year later, in November 2022, IOSCO also called on financial markets voluntary standard-setting bodies and industry associations to promote the adoption of its recommendations amongst their members on a voluntary basis.

The IOSCO recommendations provide a good basis for best practice in this area, but different jurisdictions are choosing different routes to get there. The EU, for example, is bringing in regulation under which ESG ratings providers will need to be authorised and supervised by the European Securities and Markets Authority, and to comply with transparency requirements, in particular with regard to their methodology and sources of information. ESG ratings providers will also be subject to specific measures to prevent and manage conflicts of interest.

The UK, which already has a voluntary code, is considering going down that same route. Japan also has a voluntary code in place, while both Hong Kong and Singapore are in the process of bringing in their own voluntary codes to set out baseline best practices governing the conduct of ESG service providers based on the IOSCO recommendations.

Hong Kong’s Voluntary Code of Conduct (VCoC) is being coordinated by an industry-led working group, namely the Hong Kong ESG Ratings and Data Products Providers VCoC Working Group (VCWG). The International Capital Market Association, a self-regulatory organisation and trade association that acted as one of the Secretariats of the ESG Data and Ratings Working Group in the UK, will serve as the Secretariat of the VCWG.

The VCoC, once finalised, will be open for ESG service providers to sign up voluntarily. ESG service providers will be encouraged to complete and publish (for example, on their website) a self-attestation document demonstrating adherence to the VCoC in order to foster greater transparency among ESG service providers.

*The research report reviewed in this article was authored by Institute Council member Professor Alan Au Kai-ming FCG HKFCG, Dr Xiao Shanyun, Professor Xie Nina, Liang Luojia, Ye Yulian and Liu Qingyu of Hong Kong Metropolitan University. Institute Deputy Chief Executive, Mohan Datwani FCG HKFCG(PE), was contributing editor and the Institute would like to thank the Institute’s Technical Consultation Panel members for their input and support of the project.*

*The report can be found in the Thought Leadership section of the Institute’s website: www.hkcgi.org.hk. The ‘Report on the fact-finding exercises on ESG ratings and data products providers’ can be found on the SFC website: www.sfc.hk.*

# Thrive by strategically navigating EU sustainability rules

Dr Agnes KY Tai, Director of Great Glory Investment Corporation and Senior Advisor of iPartners Holdings Ltd, highlights the implications for Hong Kong businesses of the latest sustainability regulations in the European Union (EU).

In today's globalised economy, businesses are increasingly interconnected across borders and Hong Kong companies are no exception. With a significant portion of Hong Kong's exports going to the EU, it is crucial for businesses to be aware of and adapt to the EU's evolving regulatory landscape. In particular, the Carbon Border Adjustment Mechanism (CBAM), the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD) are key regulations that Hong Kong businesses need to understand if they are to maintain their competitiveness in the EU market.

### Carbon Border Adjustment Mechanism

The EU's CBAM is a pivotal policy aimed at ensuring that goods imported into the EU are subject to the same carbon pricing as goods produced within the EU. This mechanism is designed to prevent 'carbon leakage' – the danger that EU-based companies might move production out of the EU to take advantage of less stringent climate policies elsewhere, or the danger that EU products might be replaced by more carbon-intensive imports from overseas. The EU also hopes that the CBAM will encourage global partners to adopt similar carbon pricing measures.

While Hong Kong companies are not directly obligated to comply with the CBAM, their customers who operate businesses in Europe are. The requirement to disclose Scope 3 greenhouse gas (GHG) emissions will drive these customers to seek carbon footprint and GHG emissions reduction targets and results from Hong Kong exporters.

The CBAM was adopted on 1 October 2023 by the EU, with the first reporting period for importers ending on 31 January 2024, to put a fair price on the carbon emitted during the production of carbon-intensive goods that are entering the EU. Sectors that are covered in the first phase are cement, iron and steel, aluminium, fertilisers, electricity and hydrogen.

> **"proactively integrating sustainability into operations, including assessing and reducing the carbon footprint of products, will be essential to meet the expectations of European customers"**

### Corporate Sustainability Due Diligence Directive

A proposal for the CSDDD was adopted by the European Commission on 23 February 2022 to ensure that businesses uphold strict sustainability standards throughout their value chains both inside and outside Europe, and to address any adverse impacts of their operations. This includes assessing and mitigating environmental and social risks, such as human rights violations and environmental degradation. Again, while Hong Kong companies are not directly subject to the CSDDD, their European customers will be required to comply. The CSDDD is expected to encourage greater

### Highlights

- the EU's evolving regulatory landscape presents both challenges and opportunities for Hong Kong businesses
- while not directly obligated to comply, Hong Kong exporters will face increasing pressure from their European customers to align with sustainability standards, and to disclose carbon footprint and GHG emissions reduction targets
- failure to meet these expectations could result in eventual exclusion from EU supply chains and loss of business opportunities

> with a significant portion of Hong Kong's exports going to the EU, it is crucial for businesses to be aware of and adapt to the EU's evolving regulatory landscape

transparency in suppliers and drive Hong Kong businesses to align with sustainability standards to maintain access to the EU market.

### Corporate Sustainability Reporting Directive

In addition to the CSDDD, the EU's CSRD, which took effect on 5 January 2023, aims to enhance transparency and accountability by requiring large companies first, and smaller ones later, to disclose non-financial and sustainability information in their annual reports. This includes data on ESG factors, providing stakeholders with a comprehensive view of a company's sustainability performance.

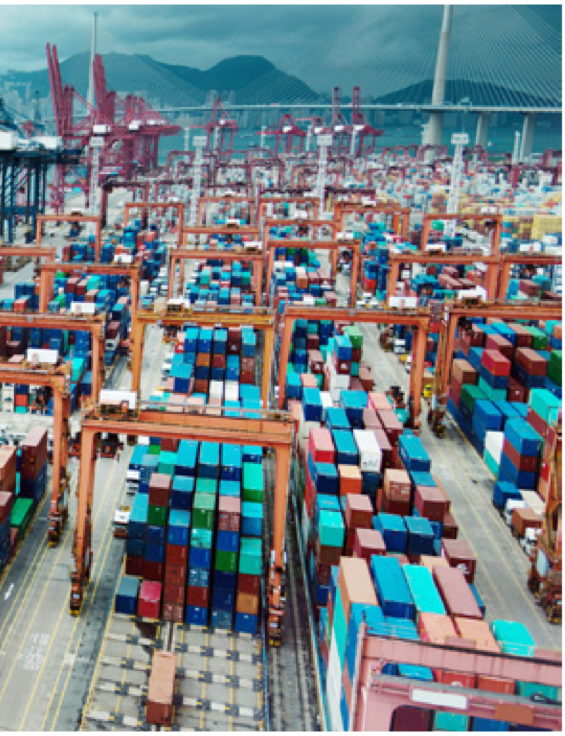
Reporting under the CSRD is expected to commence for fiscal year 2024 to help investors, civil society organisations, consumers and other stakeholders to evaluate the sustainability performance of companies as part of the European green deal. The customers of Hong Kong firms will be required to comply, impacting the transparency and sustainability reporting expectations for their businesses.

Although most Hong Kong companies exporting to the EU are not directly subject to this directive, any non-EU firm that has the following characteristics will be subject to this disclosure regime:

1. having listed securities (for example stocks or bonds) on a regulated market in the EU or
2. having annual EU revenue of more than €150 million, and an EU branch with net revenue of more than €40 million, and/or
3. having an EU subsidiary that meets two of the three criteria: (i) more than 250 EU-based employees, (ii) a balance sheet over €20 million, or (iii) local revenue above €40 million.

### Implications for Hong Kong businesses

The implications of these EU regulations for Hong Kong businesses – listed or not – are significant. While not directly obligated to comply, Hong Kong exporters will face increasing pressure from their European customers to align with sustainability standards, and to disclose from carbon footprint and GHG emissions reduction targets to labour practices. Failure to meet these expectations



could result in eventual exclusion from EU supply chains and loss of business opportunities.

### Strategies for success

Despite the challenges posed by the new regulatory landscape in the EU, there are several strategies that Hong Kong businesses can adopt to thrive in the EU market.

***1. Board accountability.*** To fulfil their fiduciary duties, board directors will need to gain perspectives on the latest legal and market developments, and adapt their decisions and processes accordingly. For example, they will need to review their organisations' strategy, plans, resources utilisation and even their business models to stay competitive. A strong and clear tone from the top is essential to mobilise the entire company.

***2. Embrace sustainability.*** Proactively integrating sustainability into operations, including assessing and reducing the carbon footprint of products, will be essential to meet the expectations of European customers. Having a sustainability team built across business units and departments can enhance effectiveness.

***3. Collaborate with EU partners.*** Building strategic partnerships with EU-based companies and stakeholders can provide valuable insights and support in navigating the complexities of EU regulations and sustainability expectations. Learning from peers and capital providers who are knowledgeable about EU practices will also be helpful.

***4. Invest in data and technology.*** Leveraging data and technology solutions to track and report on sustainability metrics effectively will be vital in meeting the increasing transparency and reporting requirements. Data software that properly collects ESG data and the provision of limited assurance can instil confidence in customers.

***5. Seek professional guidance.*** Engaging with sustainability and legal professionals with expertise in EU regulations can provide tailored guidance and support in meeting the evolving requirements of the EU market.

### Conclusion

In conclusion, the EU's evolving regulatory landscape presents both challenges and opportunities for Hong Kong businesses. By understanding and proactively addressing the CBAM, CSDDD and CSRD regulations, Hong Kong exporters can position themselves for success in the EU market. Embracing sustainability throughout the organisation with a clear tone from the top, collaborating with EU partners, investing in data and technology, increasing transparency and seeking professional guidance are essential strategies for navigating the EU rules, as well as for ensuring long-term competitiveness and resilience for Hong Kong businesses.

**Dr Agnes KY Tai, PhD CCB.D SCR®, ESG Investing, FRM CAIA MBA FHKIoD**

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# Governance for the long term

## Some lessons from a 75-year journey

Resilience in Governance was the theme of the Institute's 75th Anniversary Celebration, held on 31 January. CGj reviews the insights shared at the event about the Institute's 75-year journey and its contribution to building resilience in governance in Hong Kong and the Mainland.



The first informal association of Chartered Secretaries in Hong Kong was set up back in 1949 and had 20 members. Fast forward three quarters of a century and today's Hong Kong Chartered Governance Institute (HKCGI), the successor to that association, has over 7,000 members, and over 3,000 graduates and students. It has grown in reputation and stature as the qualifying body for members of the governance profession in Hong Kong and the Mainland, as well as a thought leader in all matters relating to good corporate governance and corporate secretaryship.

The Institute's longevity stands in contrast to the shrinking lifespan of companies in recent times, as attested by studies by both McKinsey and Credit Suisse. Over the period of the Institute's evolution to its current form, companies have had to adapt to many disruptions and challenges, and there has been an increasing recognition that good governance is essential for long-term resilience. Resilience in Governance was therefore a highly apt theme for the Institute's 75th birthday celebrations.

### Resilience in Governance: the Institute's theme for 2024

2024 in fact marks a double anniversary for the Institute. In addition to celebrating 75 years since that first association of Chartered Secretaries was established in Hong Kong, it is also celebrating 30 years since the incorporation of The Hong Kong Institute of Chartered Secretaries (HKICS), the precursor of today's HKCGI.

Launching the anniversary celebration, Institute Chief Executive, Ellie Pang FCG HKFCG(PE), introduced the theme of the evening. She pointed out that the Institute and its members have risen to many challenges over the last three-quarters of a century. Most recently, the Covid pandemic required the Secretariat team to reinvent the Institute's CPD services as online and hybrid events to comply with the restrictions on large gatherings. She commended the Secretariat team for keeping the Institute's operations going during the pandemic, ensuring business as usual in very unusual circumstances.

'Looking back at the challenges the Institute has faced in its 75-year journey, I think it is most appropriate to describe the Institute and its members as resilient,' she said.

The Institute's newly elected President, David Simmonds FCG HKFCG, who followed Ms Pang to the podium, also addressed the resilience theme. He spoke about the pivotal role played by good governance in increasing the likelihood that organisations, commercial and otherwise, can survive in the long term. For this reason, he expressed confidence that, despite the substantial risks facing organisations globally, there will be continued opportunities for the Institute and its members to thrive in the years ahead.

> **"good governance, which our members support and implement as governance professionals, has become a central concern for most organisations in Hong Kong, the Mainland and internationally"**
>
> **Institute President, David Simmonds FCG HKFCG**

'Good governance, which our members support and implement as governance professionals, has become a central concern for most organisations in Hong Kong, the Mainland and internationally. As an institute, we must continue to seize these opportunities for our

## Highlights

- good governance increases the likelihood that organisations, commercial and otherwise, can survive in the long term
- from corporate governance to ESG and anti-money laundering, the Institute has been providing sound advice and contributing to the government's policy formulation and implementation
- the Institute remains fully committed to supporting the ongoing development of capability in the market through its work in training and thought leadership

> **for 75 years now, the government and the financial services industry have looked to the Institute for insight and invaluable support**

**The Honourable Paul Chan Mo-po, GBM GBS MH JP, Financial Secretary of the HKSAR Government, and Fellow of the Institute**

members and improve our efforts in the face of an uncertain economic outlook. For this reason, Resilience in Governance is our theme for 2024,' he said.

He also made the point that the Institute does not work alone. He thanked both those within and outside the Institute, many of whom were attendees at the anniversary celebration, for supporting the Institute in its work. The fruits of this partnership are particularly evident, he pointed out, in the Institute's thought leadership and advocacy work. 'At HKCGI we take pride in our thought leadership and the contribution we make to supporting reforms that help improve the market in Hong Kong,' Mr Simmonds said.

Most recently, the Institute was instrumental in the implementation of Hong Kong's revised re-domiciliation regime for non–Hong Kong incorporated companies and the recent Companies Ordinance amendments that allow Hong Kong companies to adopt virtual meeting technology. Both of these legislative reforms were championed by the Institute.

Similarly, Mr Simmonds mentioned the way that the Institute worked jointly with Hong Kong Exchanges and Clearing Ltd (HKEX) to organise a series of seminars on directors' training at the HKEX Connect Hall in 2023.

The Institute has also partnered with many other individuals and organisations in its research work. This has resulted in an archive of highly useful and well-respected research publications, available in the Research Papers page of the Thought Leadership section of the Institute's website. Upcoming research is already underway or planned on supply chain management, retirement age and sustainability governance, with leading organisations as collaborators, he added.

Looking ahead, Mr Simmonds said the Institute remains fully committed to supporting the ongoing development of capability in the market through its work in training and thought leadership. A new development here has been the launch of the Institute's certification courses in key areas of governance practice. This includes the launch of the Institute's ESG Reporting Certification Course last year, which has already produced over 1,300 graduates, thereby helping to improve ESG reporting capacity and competency in the market. This year will see the launch of a new AML/CFT Certification Course designed along similar lines.

### Partners in governance

Mr Simmonds' comments about the value of partnership in the Institute's work was backed up by the Guest of Honour at the anniversary celebration. In his keynote speech, The Honourable Paul Chan Mo-po, GBM GBS MH JP, Financial Secretary of the HKSAR Government, and Fellow of the Institute, spoke about the joint efforts of the Institute and government to boost governance standards in Hong Kong and thereby improve its standing as an international financial centre.

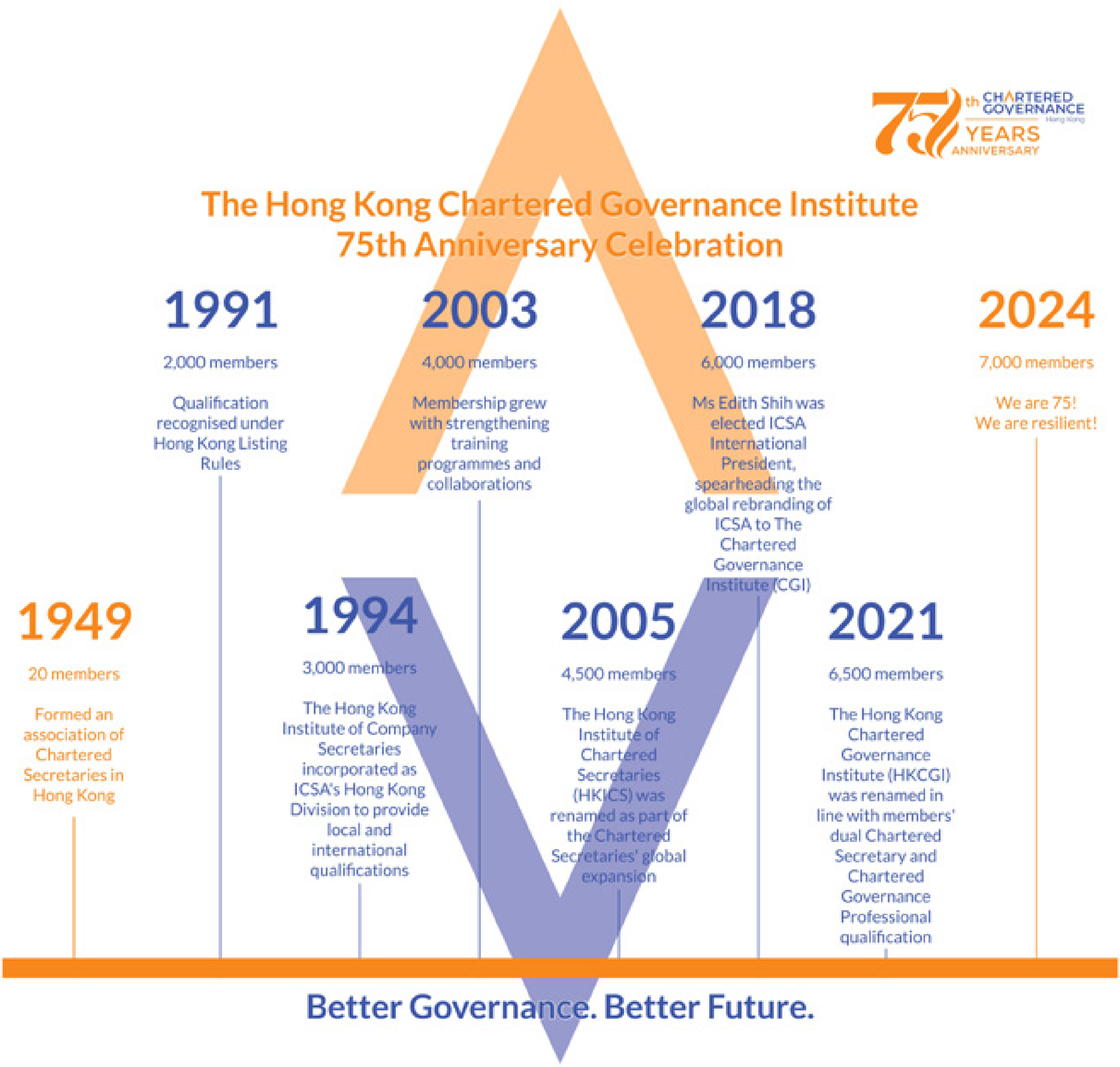
'The Institute has done a lot of good work over the years. It establishes its thought leadership through thematic research and studies, and provides valuable professional training and support to its members. Most importantly, it is a staunch partner of the government. From corporate governance to ESG and anti–money laundering, the Institute has been providing sound advice and contributing to the government's policy formulation and implementation,' he said.

He also addressed the resilience theme, pointing out that this theme is equally relevant to the way Hong Kong has weathered many crises in its past. 'We are firmly in the post-pandemic economy now. That said, we have a new and equally complex set of challenges to overcome. An enduring high-interest-rate environment is affecting asset prices and investment appetite. Geopolitical tensions have led to greater protectionism and geoeconomic fragmentation,' he said.

Nevertheless, he added that Hong Kong has good reason to be optimistic about the future. It emerged stronger and more resilient from past setbacks, such as the Asian financial crisis of 1998 and the global financial crisis in 2008, demonstrating its ability to rise to challenges and strengthen its defences when tested.

In conclusion, he welcomed the Institute's contributions to the many areas of legislative and regulatory reform that the government will be working on in the years ahead.

'For 75 years now, the government and the financial services industry have looked to the Institute for insight and invaluable support. My congratulations to you and we look forward to continuing our close collaboration in the decades to come. May I also wish you all the best of health, business and good governance in the promising new Year of the Dragon. Let's make this dragon fly,' Mr Chan said.



## HKCGI Prize 2023

The Institute's recent anniversary celebration was the ideal opportunity to announce the latest awardee of the HKCGI Prize – the highest honour and peer recognition in the governance profession. Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Honorary Adviser to Council, Past International President and Institute Past President, introduced this year's awardee at the event – Dr Anthony Neoh QC SC JP FCG HKFCG.

'Our awardee is a renowned and revered scholar, legal practitioner, arbitrator and capital markets expert who has made a most significant impact, not only in the legal arena, but also in the capital markets and regulatory regime of both the Mainland and Hong Kong. This awardee is a staunch supporter of our Institute, providing invaluable advice and guidance, as well as opening doors for the Institute here and in the Mainland throughout the past many years, and helping to steer the Institute's outreach in the Mainland,' she said.

She was followed to the podium by Dr Neoh. He set out two reasons for accepting the award. 'Firstly, the award is an occasion to renew our belief and our faith in the community of Hong Kong that has nurtured us and given us all the opportunities that have enabled each of us to become what we are today,' he said.

He added that he himself was one of the many beneficiaries of these opportunities. Dr Neoh started his working life at a time when Hong Kong was growing rapidly to become an international commercial and financial centre. He spent 13 years working in the Civil Service, eventually becoming Assistant Director of the Independent Commission Against Corruption.

He left the Civil Service in 1980 and has been a barrister ever since. During that time he was also very active in public service. His many public appointments included stints as Chairman of the Hong Kong Securities and Futures Commission and Chief Advisor of the China Securities and Regulatory Commission.

The second reason for his acceptance of the award is highly relevant to members of the governance profession. 'This award brings us together to renew our belief in the common enterprise that we have been engaged in, which is the pursuit of excellence in corporate governance,' he said.

He added that, while practitioners of governance need of course to concern themselves with 'the myriad technicalities of the endeavour', they should not lose sight of the fact that the central idea of corporate governance is leadership – and leadership is a collaborative endeavour.

'In all my work to date, in fact from my first day at work, I have either had to lead, or be part of a team whose members were far more experienced or accomplished than I was. I learned that


it is always the best policy to learn from others to respect the views of others and that it is always better to be a good listener than a good giver of orders,' he said.

Good leadership is about enabling team members to make the best contribution they can. Leaders who think they know everything, or more than others, do not deserve their positions in leadership, he said. Ultimately, practitioners of governance should bear in mind that governance is a human enterprise and works best where every team member receives due respect and dignity.

'Let us therefore renew our belief in the dignity of every human soul and rededicate ourselves to our common enterprise in the pursuit of excellence in corporate governance. In so doing, we also rededicate ourselves to a common effort to serve the community that has sustained us in the past. The present gloom will undoubtedly pass as a new page in history opens up, as it surely will, before our eyes. This is China's century and we are all lucky to be living in it,' he concluded.

# Dangers of a green sheen

## The legal and regulatory risks of ESG greenwashing in Hong Kong

Mark Lin, Partner, and Stephanie Tsui, Senior Associate, Hogan Lovells, summarise the avenues available to financial and securities regulators to take action against companies that misrepresent their green credentials, despite there currently being no specific anti-greenwashing legislation in force in Hong Kong.

Recent incidents, such as the UK Advertising Standards Authority's banning of a bank's advertisements for potentially misleading consumers about its green credentials and the outcry over an automobile company's use of images from nature whilst paying billions in emissions fines, have drawn attention to the issue of greenwashing. Although Hong Kong does not have any specific laws or regulations against greenwashing, this does not mean that regulators lack tools against companies that make misleading claims.

One of the more acute challenges that Hong Kong has faced is the lack of consistent, available and reliable information for investors to incorporate climate-related matters into their decisions. Therefore, as a priority, Hong Kong regulators are implementing globally consistent sustainability reporting standards for listed companies and across the financial industry.

At its core, greenwashing is essentially misrepresentation and there are avenues that financial regulators can utilise to address greenwashing behaviour, despite the lack of specific legislation, codes and guidelines.

For example, several provisions under the Securities and Futures Ordinance (SFO) impose a statutory duty on those responsible for issuing public communications to take reasonable care in respect of the accuracy of information involved.

These include:

- Section 107 SFO creates a criminal offence for making fraudulent or reckless misrepresentations inducing another to enter into an agreement for structured products, collective investment schemes or securities.
- Section 129 SFO requires a licenced person to be fit and proper. When considering whether a person is fit and proper, the SFO may consider (i) the ability of a person to carry on the regulated activity honestly, competently and fairly, and (ii) the person's reputation, character, reliability and financial integrity. Being found to have been part of greenwashing may therefore harm the SFO's assessment of an individual.
- Section 298 SFO creates criminal liability against a person disclosing information that, inter alia, is false or misleading as to a material fact that is likely to induce investment decisions or have a material effect on the stock price. Section 277 is the civil counterpart of section 298.
- Section 384 SFO makes it an offence for a person, in purported compliance with a requirement, to provide information to a 'specified recipient' which they know to be materially false or misleading, or who is reckless in providing the

## Highlights

- while Hong Kong does not have any specific laws or regulations against greenwashing, regulators have the tools to take action against companies that make misleading claims – which would include their environmental credentials – notably under the Securities and Futures Ordinance
- greenwashing also appears to be caught under codes and guidelines of the Securities and Futures Commission and the Hong Kong Monetary Authority, both of which state that advertisements and marketing for financial products should not be false, misleading or deceptive
- greenwashing is already a significant risk for financial institutions and listed companies in Hong Kong, although outside that sector the risk of regulatory or public action against greenwashing appears to be less significant at the moment

information. A specified recipient includes the Securities and Futures Commission (SFC) and the Hong Kong Stock Exchange, hence the section covers filings with the SFC, stock exchange prospectuses and other listing documents or public disclosure materials. An offence under section 384 carries a maximum penalty of two years' imprisonment and a fine of HK$1 million.

- Section 391 SFO provides that a person responsible for false or misleading communications that may affect the price of securities and futures will be liable to pay damages for any pecuniary loss sustained in reliance on those communications.

- Section 213 SFO allows the SFC to bring legal action on behalf of investors who have sustained losses from market misconduct, without the need for a prior ruling by the criminal court or the Market Misconduct Tribunal. The section is intended to benefit the collective interests of investors by providing civil remedies for those who may have sustained relatively small losses and who may be discouraged by the time and costs required to litigate themselves.

The sections above also include provisions for compensation where an investor has suffered pecuniary loss.

### Codes and guidance

Greenwashing also appears to be caught under the SFC and Hong Kong Monetary Authority (HKMA)'s codes and guidance on advertisements and marketing for financial products, albeit in very general terms. Whilst the regulators recognise that advertisements are by nature promotional material intended to arouse investors' interests in a product, it is essential that advertisements present a balanced picture and are not false or misleading, nor feature exaggerated claims.

According to the SFC's Code of Conduct for Persons Licensed by or Registered with the SFC, as part of the honesty and fairness principle, a licensed or registered person should ensure that any representations made and information provided to a client (including in advertisements) are not false, misleading or deceptive. Similar provisions can be found in the HKMA's Code of Banking Practice, the SFC's Fund Manager Code of Conduct and the SFC's Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products.

These codes and guidelines do not have the force of law, but regulated institutions that breach them may still face long-drawn-out investigations and the threat of disciplinary sanctions.

### No enforcement to date

There have been no ESG enforcement cases as yet. While the regulators are introducing increasingly robust ESG disclosure requirements to be in line with their international counterparts – the direction of travel in Hong Kong being greater ESG regulation, in contrast to the US, where there is currently an ESG backlash – they are also aware that this must be done in a proportionate and pragmatic manner as smaller companies may not have the resources to meet the evolving commitments.

Having said that, as these new requirements roll in, there will be increasing controls around ESG-related disclosures and solicitation for ESG financial products and, as a consequence, the risks of being accused of greenwashing will become significant for financial institutions and listed corporations alike.

### Regulation outside the financial sector

Unlike in other jurisdictions, Hong Kong does not have a regulatory body or a single piece of comprehensive legislation regulating advertisements. Control of advertising on television and radio comes under the general remit of the Communications Authority, whilst advertising content falls under the auspices of the Association of Accredited Advertising Agencies of Hong Kong. The Association publishes codes of practice to which members must adhere.

Outside the financial and securities realm, the main legislation governing advertising content is the Trade Descriptions Ordinance, which is enforced by the Hong Kong Customs and Excise Department.

Under the Trade Descriptions Ordinance, it is an offence to apply to any goods a trade description that is false to a material degree, or to use false and misleading trade descriptions on products in advertisements to consumers. The omission or hiding of information, or the provision of ambiguous material information, may constitute a false trade description if it

> **there will be increasing controls around ESG-related disclosures and solicitation for ESG financial products and, as a consequence, the risks of being accused of greenwashing will become significant for financial institutions and listed corporations alike**

causes the average consumer to enter into a transaction they would not have made otherwise.

This leaves the door open for a consumer or environmental activist to file a complaint of greenwashing with the Hong Kong Customs and Excise Department, which may in turn investigate the complaint and take action against the advertiser. The court may also order a person who has suffered from the false trade description to be compensated.

There has so far been no enforcement action concerning greenwashing by the Hong Kong Customs and Excise Department. Typical enforcement actions have been made in respect of exaggerated functionality of products or counterfeit products.

This could be partly due to the fact that, whilst the general public's awareness of environmental and climate-related risks is on the rise, the motivation to adopt green sustainable practices in people's daily lives is still fairly low. This will have an impact on the likelihood of greenwashing complaints being made in the near future.

### Litigation as a means of redress

One notable feature in Hong Kong's litigation landscape is that class actions do not exist and representative proceedings, where claims are aggregated with other claims, are used as a case management mechanism and are themselves rare.

An aggrieved member of the public may initiate proceedings for misrepresentation against a business that has published misleading claims. For a claim of misrepresentation to succeed, it must be demonstrated that one party made a false statement to another with the intention to induce the other to enter into the contract and that the other was so induced to enter into that contract.

For the average consumer, however, losses suffered by businesses that greenwash may only be minimal and taking action may not be proportionate or cost effective. Smaller claims are usually settled between the businesses and consumers or, alternatively, given the low monetary value, will be dealt with in the Small Claims Tribunal.

As it is often hard for a person to prove that certain statements are in fact greenwashing, and that damages were suffered as a result of the statement, consumers are unlikely to use the courts to seek redress. Instead, a company may see the value in taking action if it suffers reputational damage as a result of investing in or using products or services supplied by another company that were falsely claimed as sustainable.

### Conclusion

Greenwashing is already a significant risk for financial institutions and listed companies in Hong Kong, as financial and securities regulators are now focused on positioning Hong Kong as the leading ESG finance hub in Asia. This, combined with the existing legal framework and tools available to combat disclosures and dissemination of false and misleading information, means that greenwashing behaviour is unlikely to be tolerated by financial and securities regulators.

Outside the financial and securities sector, the risk of regulatory or public action for greenwashing behaviour appears to be less significant as the general sentiment on sustainability is not as strong. Furthermore, due to costs and difficulties in proving that greenwashing statements are untrue, these types of proceedings by the public are still in their infancy.

Nonetheless, environmental activists can continue to use public pressure and the media to advocate against companies that greenwash, which can cause substantial reputational damage to companies caught in its throes.

**Mark Lin, Partner, and Stephanie Tsui, Senior Associate**

*Hogan Lovells*



*This article was first published by Hogan Lovells on 29 November 2022.*

# Accelerating Hong Kong's energy transition

In the first of three articles, published in CGj in September 2023, authors at the Research Centre for Sustainable Hong Kong, City University of Hong Kong, made recommendations to improve the city's carbon emissions reduction measures. Here, in the second article, they examine the issue of power generation and offer some policy suggestions for advancing the use of low-carbon and renewable energy sources.

A study by the Legislative Council of Hong Kong reveals that power generation accounts for 60% of Hong Kong's greenhouse gas (GHG) emissions. This share is significantly higher than the global average, as well as higher than for Organisation for Economic Co-operation and Development (OECD) countries and for Singapore (see Table 1). In comparison, because the tertiary (services) sector is the economic mainstay of Hong Kong, GHG emissions from industry and agriculture are remarkably low. This contrast drives home how critical it is to reduce emissions from power generation if Hong Kong is to achieve its stated midterm reduction targets by 2035 and reach carbon neutrality by year 2050.

The government and the two power suppliers of Hong Kong – CLP Power Hong Kong Ltd (CLP) and Hong Kong Electric Co Ltd (HK Electric) – have announced the goal of phasing out all coal-fired power plants by 2035, and have doubled down efforts on renewable energy to increase the proportion of electricity generated by renewable fuel from less than 1% up to 10%. In this article, we apply the framework of 'pull and push' policy tools, discussed in our first paper, to identify carbon taxation as a viable 'market control' measure, and technical standardisation and the promotion of climate risk investment as a measure under the 'commercialisation mechanism'.

### Energy transition: a work in progress

The Hong Kong government has outlined a two-stage roadmap to achieve carbon neutrality by 2050. During the first stage, all coal-fired power plants will be decommissioned and the proportion of electricity generated by renewable fuel will be increased from below 1% to between 7.5% and 10%, including through wind power (3.5% to 4%), waste-to-energy (3% to 4%) and solar energy (1% to 2%). The second stage should ensure that Hong Kong achieves net-zero carbon electricity generation before 2050.

CLP and HK Electric have also rolled out measures (see Table 2) to achieve their emissions reduction targets. CLP will replace its coal-fired power plants at Castle Peak with two new gas-fired power plants at Lung Kwu Tan. HK Electric will transit from coal to gas by constructing three gas-fired power plants on Lamma Island. Research indicates that generating one megajoule of electricity with natural gas will result in 56,000 kilograms of carbon dioxide ($CO^2$), which is 40% less than generating electricity using coal (94,000 to 96,000 kilograms of $CO^2$ emitted for every megajoule of electricity). Therefore, substituting coal with natural gas for power generation is an effective way to reduce emissions.

CLP and HK Electric both have plans to increase investments in renewable energy. CLP is focusing on electricity generation using waste-to-energy, wind power and solar energy projects, while HK Electric will focus on building a large-scale offshore wind farm southwest of Lamma Island.

Coal currently accounts for between 20% and 50% of the fuel mix for the electricity generated by these two power suppliers, while renewable energy accounts for less than 1% (see Table 3), so it will be tough for these companies to completely phase out coal and achieve their renewable energy targets by 2035.

The Scheme of Control Agreements (SCAs) (2018–2033) between the government of Hong Kong and each of the two power companies stipulate that the companies recognise government targets to reduce carbon emissions, tackle climate change and lower emissions to improve regional

## Highlights

- power generation accounts for 60% of Hong Kong's GHG emissions, which is significantly higher than the global average
- the government and Hong Kong's two power suppliers need to agree a timetable for decommissioning the coal-fired power plants, as well as the proportion of electricity to be generated through renewable energy, with a carbon tax to be imposed on the companies if the targets are not met
- to entice the electricity companies to develop more carbon-neutral projects, the government could introduce investment facilitation frameworks and tax incentives to increase investment in renewable energy and speed up the elimination of coal-fired units

### Table 1. Annual GHG emissions by sector

| | Hong Kong | Singapore | OECD | Worldwide |
|---|---|---|---|---|
| Power generation | 60% | 39% | 30% | 34% |
| Transportation | 20% | 14% | 23% | 15% |
| Industrial production | 5% | 45% | 30% | 24% |
| Waste | 9% | 1% | 3% | – |
| Architecture | 6% | 1% | 10% | 6% |
| Agriculture | – | – | 10% | 22% |
| Other | – | – | 3% | – |

*Source: Decarbonisation strategy in Shenzhen and Singapore (2022), Legislative Council Research Group, Legislative Council of Hong Kong*

### Table 2. CLP and HK Electric on emissions reduction

<table>
<tr><th></th><th>CLP</th><th>HK Electric</th></tr>
<tr><td rowspan="2">Decommissioning and replacing coal-fired units</td><td>Replace the coal-fired power plants at Castle Peak with two new gas-fired power plants at Lung Kwu Tan</td><td>Build three gas-fired power plants on Lamma Island and realise the power transition of coal to gas.</td></tr>
<tr><td colspan="2">Open an offshore LNG terminal in Hong Kong open waters</td></tr>
<tr><td>Developing renewable energy</td><td>Construction of a biogas power generation project in the New Territories West Landfill (waste-to-energy)<br>Construction of offshore wind farms (wind energy)<br>Promotion of grid-connected solar power generation (solar energy)<br>Research on hydrogen power generation</td><td>Construction of an offshore wind farm in the waters off Lamma Island, which will account for about 4% of the total power generation (wind energy)<br>Strengthen the construction of solar power systems</td></tr>
</table>

*Source: Environment and Ecology Bureau, CLP and HK Electric*

### Table 3. Fuel mix for CLP and HK Electric's electricity generation

<table>
<tr><th></th><th>CLP</th><th>HK Electric</th><th>2035 (target year)</th></tr>
<tr><td>Coal</td><td>About 20%</td><td>About 50%</td><td>0%</td></tr>
<tr><td>Natural gas</td><td>About 50%</td><td>About 50%</td><td rowspan="2">About 90%*</td></tr>
<tr><td>Nuclear energy</td><td>About 30%</td><td>–</td></tr>
<tr><td>Renewable energy</td><td>Below 1%</td><td>Below 1%</td><td>7.5% to 10%</td></tr>
</table>

* Includes other low-carbon energy sources, such as hydrogen energy.

*Data sources: Online information from the Environment and Ecology Bureau, the HKSAR Government* air quality. However, the SCAs remain vague about how and when to achieve these emissions targets, and the agreements merely focus on the incentive and penalty mechanism resulting from the profit return adjustment of electricity tariffs and the guarantee of electricity supply.

### Policy recommendations for accelerating Hong Kong's energy transition

**Market control: introduce a carbon tax to phase out coal power and develop renewable energy**

Carbon tax is aimed at reducing the carbon footprint by exerting cost pressure on companies and individuals. Singapore began charging a carbon tax of US$11 per metric ton of $CO^2$ (approximately HK$86) in 2019 and will progressively increase the tax to US$29 (about HK$227) by 2030.

The Hong Kong government should take similar measures, communicate with CLP and HK Electric, and decide on a timetable for decommissioning the coal-fired power plants. If the two power companies do not dispose of their power plants within the agreed time frame, a carbon tax should be imposed. Additionally, the government should form an agreement with CLP and HK Electric on the proportion of electricity to be generated by renewable energy and then levy a carbon tax on them if they fail to produce the target amount of renewable energy electricity.

> **"substituting coal with natural gas for power generation is an effective way to reduce emissions"**

The government could also implement a trading mechanism to incentivise CLP and HK Electric to produce more renewable energy, giving each company the right to purchase carbon from each other in case one of them fails to reach their emissions reduction targets.

**Commercialisation mechanism: improve technical standardisation to promote renewable energy generation**
Technical standardisation establishes a unified standard to help goods and services achieve international recognition, in which local enterprises can engage in global renewable energy projects with capital, technology and marketing support. Singapore is the market leader in the certification and standardisation of solar photovoltaics, and it actively promotes international cooperation and technology transfer of renewable energy projects. In comparison, Hong Kong lags behind in technical standardisation, but we can capitalise on the huge market in the Mainland to catch up. In 2022, China exported US$512.5 billion worth of photovoltaic products (including silicon wafers, cells and components), with an annual increase of over 8%. If we include wind power products, then Chinese manufactured equipment could reduce carbon emissions for importing countries by up to 5.73 billion metric tons.

CLP and HK Electric could strengthen their ties with institutions in the Mainland to foster their use of renewable energy. The government could encourage local certification institutions (such as universities, the Hong Kong Quality Assurance Agency, Hong Kong Productivity Council and Hong Kong Science Park) to work with Mainland institutions to establish universal technical standards for Chinese products, thereby promoting Hong Kong's role as an innovation and technology hub, and the Mainland as a manufacturer of innovative technology.

**Commercialisation mechanism: advocate for climate-risk investment in the financial market, and strengthen the financing and risk management capabilities of the electricity companies to participate in carbon-neutral projects**
Carbon-neutral businesses can result in a zero-sum game. Business risks may put off many conventional energy companies' interest in carbon-neutral technology. However, with the introduction of a climate-risk investment mechanism, more energy companies could participate more extensively in carbon-neutral projects.

The government could also introduce policies to increase investment in renewable energy and to speed up the elimination of coal-fired power plants before 2035, such as through investment facilitation frameworks and tax incentives. This would benefit and entice the electricity companies to develop more carbon-neutral projects, including hydrogen production and carbon capture technology (that is, the blue hydrogen technology route).

## Summary

There is a road map for the Hong Kong government and the two electricity companies to reduce emissions, but time is short and we are racing against the clock. Effective measures and efficient execution are essential to ensure timely results.

In our previous article in this series, we summarised six categories of emissions reduction policy tools, while in this paper we have proposed a carbon tax and ways to improve commercialisation, which fall into two of those six categories, namely market control and the commercialisation mechanism. We hope these ideas motivate stakeholders in Hong Kong to think about more practical measures to translate the net-zero carbon aspiration into reality.

While power generation accounts for by far the greatest proportion of GHG emissions in Hong Kong, transportation accounts for about one-fifth of the city's total emissions. We will delve into this issue and propose some measures to tackle Hong Kong's transportation emissions in next month's journal.

**Linda Chelan Li, Liang Dong, Phyllis Lai Lan Mo, Yunhong Liu and Kin On Li**

*Research Centre for Sustainable Hong Kong, City University of Hong Kong*

*This article is based on Policy Paper 22 of the Research Centre for Sustainable Hong Kong, City University of Hong Kong, issued in August 2023, which is the second of three policy papers making recommendations to help reduce GHG emissions in Hong Kong. The first article was published in CGj in September 2023, and the third and final article will be featured in CGj in April 2024.*

*The authors can be contacted at sushkhub@cityu.edu.hk.*

75th CHARTERED GOVERNANCE Hong Kong YEARS ANNIVERSARY

PILOT GREEN AND SUSTAINABLE FINANCE CAPACITY BUILDING SUPPORT SCHEME

# ESG Reporting Certification Course - 4th Cohort

## Overview

The Institute, renowned for its expertise in governance reporting, is a trailblazer in the industry. Acquiring the Institute's ESG Reporting Certification sets you apart from your colleagues, showcasing your in-depth knowledge and skills in ESG reporting.

This exclusive online course features seven sessions led by more than 20 ESG experts, including professionals from leading listed companies and top accounting firms, for optimal learning.

## A Certificate that matters

Attendees of the 4th Cohort who can successfully fulfil attendance requirements (between March and May 2024) and pass a final assessment (in June 2024) will be accredited for two years (from 1 July 2024 to 30 June 2026) and will also be permitted to use the post-nominal 'HKCGI Cert: ESG' during the accreditation period.

## Topic Covered

In line with Listing Rules requirements, the ESG Reporting Certification Course will cover:

- Introduction to HKEX's ESG Reporting Guide
- Directors' duties in ESG & climate reporting
- ESG and climate-related disclosures
- Setting metrics and targets
- Setting strategy, materiality assessment, and identifying risks and opportunities
- Governance structure for ESG and climate-related disclosures
- Data collection, report drafting, timeline
- Workshops – ESG materiality assessment, SDGs mapping, sector specific KPIs and alignment with international standards

## FREE SEMINAR on Climate Disclosures under ESG Framework

Registrants will be invited to attend a free 1.5-hour seminar on climate disclosures by way of update in Q4 2024.

## Government Funding (for the 4th Cohort)

This programme is eligible for the Pilot Green and Sustainable Finance Capacity Building Support Scheme (https://greentalent.org.hk/). Eligible applicants can apply for a subsidy of 80% of the enrolment fees ($2,800 for members and $3,500 for non-members). Full-time students can apply for a subsidy of 100% of the enrolment fee of $3,500 upon programme completion.

Programme Provider: **The Hong Kong Chartered Governance Institute**
Identification Code: **GTP-919235**
Effective date under the Scheme*: **2023/04/28**

Please visit the Scheme website: https://greentalent.org.hk/ or contact the Scheme enquiry hotline: (852) 2258 6000 for details.

## Enquiries

For enquiries, please contact the Professional Development Section by phone (852) 2881 6177 or email cpd@hkcgi.org.hk.

Register Now

# Aligning Hong Kong's treasury share regime with international trends

In the first of this two-part article, CGj reviews a recent Institute seminar discussing the new proposals to amend Hong Kong's treasury share Listing Rules, clarifying the context of the issue and outlining what this will mean for listed companies.

Hong Kong Exchanges and Clearing Ltd (HKEX) issued a consultation on 27 October 2023, which closed on 27 December 2023, on its proposed amendments to the Listing Rules to introduce a new treasury share regime in Hong Kong. These amendments are designed to bring Hong Kong into alignment with international trends, with the aim of enhancing the attractiveness and competitiveness of the city's stock market, and to give issuers greater flexibility in managing their capital structure through the resale of treasury shares.

Treasury shares – also known as treasury stock or reacquired stock – are the portion of a company's shares that have been bought back from stockholders by the issuing company and then held in its own treasury. This decreases the total number of outstanding shares on the open market and increases the value for the remaining shareholders. The benefits of holding treasury shares include limiting outside ownership through being held indefinitely by the company or through being retired. Additionally, they can later be resold to the public if capital needs to be raised in the future, or be used in a share scheme. However, treasury shares have no voting rights and do not pay out any dividends during the period in which they are being held by the issuer in treasury.

To help explain the new proposals and what they will mean for Hong Kong's listed issuers, the Institute invited Billy Wong, Partner of global law firm Morgan, Lewis & Bockius, to speak at a seminar on 11 January 2024.

## History and background

Mr Wong started by giving the history and background of treasury shares, which provided a useful context for why the Listing Rules and the Companies Ordinance in Hong Kong have up to now prohibited the holding of repurchased shares in treasury for later resale, and why the Exchange is now looking to amend the rules.

### English law

The original common law prohibition on treasury shares was unequivocal, as indicated in a judgment handed down by Lord Hershell in *Trevor v Whitworth* in 1887, in which the resale of repurchased shares was considered 'trafficking'. The overriding concern was the potential for fraud or abuse if companies were allowed to buy their own shares. Mr Wong described how the UK Companies Act of 1929 and that of 1948 by implication forbade the repurchase of shares.

However, with the establishment of the Jenkins Committee in 1959 to review various aspects of UK company law, the thinking started to change. Greater consideration was given from the 1960s to widening the powers for companies to repurchase their own shares and to hold them in treasury. In fact, the amended Companies Act of 1981 effectively abolished the prohibition on share repurchases, albeit under certain conditions as specified in the Companies Act of 1985.

### US law

In the US, in contrast, the majority of state and federal courts had several lines of reasoning to permit the power to repurchase from as early as the mid-19th century. For instance, while some courts found no express prohibition on share repurchases, other courts thought that the power to repurchase was incidental and necessary to the main object for which a corporation was formed – but such power was subject to limitations. For example, a number of courts said the repurchase had to be made in good faith, while others found that repurchase should be made without prejudice to creditors' rights. There was concurrently a minority voice among some states that followed the English rule, in which no definite grant

## Highlights

- HKEX's proposals are designed to bring Hong Kong into alignment with international trends, and to enhance the attractiveness and competitiveness of the city's stock market
- the proposals would remove the requirement to cancel repurchased shares, enabling listed issuers to hold such shares in treasury, subject to the laws of their place of incorporation and their articles of association
- to ensure a fair and orderly market, as well as fair treatment of all shareholders, HKEX is proposing additional requirements and dealing restrictions that will need careful advance planning

of power was given in the statutes to repurchase shares, citing the same concerns as those of the English courts. By the 1930s, a number of states had enacted statues imposing certain conditions on a company's share repurchase power, but nevertheless gave corporations the right to hold their own shares and to acquire treasury stock for legitimate corporate purposes. The key point, Mr Wong stressed, is that any repurchase of shares must be done in good faith.

In 1982, the US Securities and Exchange Commission actively encouraged share repurchases and, by the 1990s, federal law also encouraged the holding of treasury shares. The law in the US is now codified into a unified set of principles where treasury shares and share buybacks are allowed.

**Other jurisdictions**

Mr Wong then referred to the other jurisdictions that currently permit treasury shares, which include Singapore, the Cayman Islands, Bermuda and the Mainland. 'All these jurisdictions are relevant to the daily practice of many professionals in Hong Kong. There are some differences in the laws relating to each of these, but generally the differences are fine,' he noted. In Singapore and the Caymans, for example, there are very few, if any, restrictions in regards to treasury shares. In the Mainland, both the holding of treasury shares and share repurchases are allowed, with the China Securities Regulatory Commission having put clear mechanisms in place to embrace both, although there is a strict limit of 10% on the maximum number of shares that can be held in treasury, while these shares must be cancelled three years after repurchase.

## The case for Hong Kong

The Companies Ordinance in Hong Kong loosely mirrors the pre-1980s UK Companies Act and, despite a number of substantive revisions to take account of the particular socioeconomic and market situation in Hong Kong that led to its current form in 2014, it has thus far not been amended in accord with the existing UK company law in relation to treasury shares.

At present, the rules in Hong Kong – under both the Companies Ordinance and, specifically, Rule 10.06(5) of the Listing Rules – mandate the automatic cancellation of repurchased shares for locally incorporated companies. Given that approximately 92% of listed companies in Hong Kong are incorporated in overseas jurisdictions that do allow for the holding of treasury shares and their subsequent resale, this creates significant limitations for overseas issuers, who are thus restricted by the Listing Rules from exercising that option.

HKEX's recent proposals therefore seek to align the Listing Rules with the prevailing regulations in other jurisdictions, subject to the issuer's place of incorporation and the company's articles of association.

One of Hong Kong's concerns has always been the potential for abuse if treasury shares are allowed, along with the danger that some stakeholders might not receive fair treatment. If – as Mr Wong believes will happen – the requirement to cancel repurchased shares is removed under the Listing Rules, both on market and off market, HKEX would simultaneously introduce a framework to ensure that market manipulation is prevented, and that fair and equal treatment of all shareholders is guaranteed.

The other proposal – to allow for the resale of treasury shares – also comes with certain conditions. Moreover, the resale must be approved in advance by shareholders, either under a specific mandate or a general mandate, or will be subject to pre-emption rules similar to an issuance of new shares, as under Rule 13.36, and be offered to all shareholders on a pro rata basis.

'Many of the amendments to the treasury share regime will make treasury shares very similar to the issuance of new shares under the existing rules,' Mr Wong explained. So any on-market resale of treasury shares under a general mandate would be subject to a maximum price discount of 20%, while off-market resale will be subject to the same price discount limit as an issuance of new shares. Further, any share grants using treasury shares would be treated in the same way as a share scheme funded by new shares under Chapter 17 of the Listing Rules.

**Additional requirements and restrictions**

HKEX is proposing additional requirements for the use of treasury shares, many of which, according to Mr Wong, are very relevant to the daily practice of governance professionals. As he emphasised, these are very important to bear in mind because it will require careful advance planning to avoid being caught out.

***Connected transactions.*** To prevent abuse, any resale of treasury shares to a connected person will be subject to the same connected transaction requirements as for the issuance of new shares under Chapter 14A. This dealing restriction applies to both on-market and off-market resale of shares. However, if the on-market resale of treasury shares is shown to have been made unknowingly to a connected person, this will be exempted from the prohibition.

***Disclosure.*** Issuers will need to disclose any resale of treasury shares and the movement in the number of treasury shares by issuing an immediate announcement prior to the commencement of trading the next day, as well as through the listing document, next day disclosure return, monthly return and annual report.

***Documentary requirements.*** Issuers will need to comply with the documentary requirements under Rules 9.18 to 9.23 for the resale of treasury shares.

***Moratorium period.*** Despite several other jurisdictions having no such restrictions, HKEX is proposing a moratorium period of 30 days on the resale of treasury shares, whether on or off market, after a share repurchase, as well as a 30-day moratorium on an on-Exchange share repurchase after an on-Exchange resale of treasury shares. Any resale would be strictly prohibited during these 30-day periods. 'While imposing a moratorium period may be seen as a slightly controversial proposal, this is one of the mechanisms that HKEX is proposing as a safeguard to ensure consistent and equitable treatment of shareholders,' Mr Wong stated.

***Inside information.*** Less controversial – as this is already enshrined in current legislation – is the proposal to prohibit a resale of treasury shares during any period in which there is undisclosed inside information, as set out in the market misconduct rules of the Securities and Futures Ordinance.

***Brokers.*** As under Rule 10.06(2)(d), any broker or agent appointed by the issuer to resell treasury shares will also be required to disclose that information to the Exchange, including any on-market resale of treasury shares, and will also be subject to the same proposed requirements and restrictions as issuers.

***New listing applicants.*** For new listing applicants, there will be a six-month lock-up requirement prior to reselling or entering into an agreement to resell treasury shares, while any new listing applicant already holding treasury shares at the time of listing may retain those shares, but must disclose all relevant details in their prospectus.

***Voting rights.*** Voting rights attached to treasury shares will be suspended – as is common practice under the law in all jurisdictions – and, as would be expected, treasury shares will be excluded when calculating a listed company's issued shares. As Mr Wong indicated, this is important to remember when planning corporate action.

***Issuer's intention.*** Mr Wong then clarified that the explanatory statement, as required by the Listing Rules for the share repurchase mandate, must also state the issuer's intention as to whether the repurchased shares will be cancelled or kept as treasury shares. 'I personally find this quite interesting. As a lawyer, we are in a good position to help companies draft their intentions in this regard,' he said.

***Part 2 of this article, which offers practical tips for governance professionals to prepare for these changes, will be published in next month's edition of CGj.***

***The hybrid seminar reviewed in this article – Proposed Amendments to Treasury Share Listing Rules – was held on 11 January 2024. More information on the Institute's ECPD seminars is available on its website: www.hkcgi.org.hk.***

## Credits

The Institute would like to thank everyone involved in the seminar reviewed in this article.

Speaker: Billy Wong, Partner, Morgan, Lewis & Bockius

Panellist: Polly Wong FCG HKFCG(PE), Company Secretary and Group Financial Controller, Dynamic Holdings Ltd

Chair: Wendy Ho FCG HKFCG(PE), Executive Director of Corporate Services, Tricor Hong Kong

> in the future there will undoubtedly be an increased demand for governance professionals

Davis Lau FCG HKFCG, Managing Director, Boardroom Corporate Services (HK) Ltd

# Davis Lau FCG HKFCG

***What is your current role and what was your career path to this role?***

'In my current role, I am responsible for overseeing the entire business operations in Hong Kong. Our company provides corporate secretarial, share registry, payroll, taxation and accounting services to various types of corporate client, ranging from startups to listed companies. When I first graduated, I worked at the Institute, where I became familiar with the company secretarial profession. I later became an Associate of the Institute. This professional qualification was an asset when I then joined an investor services company, where I primarily handled corporate actions and investor relations for Hong Kong listed companies. Eventually, I joined Boardroom Corporate Services (HK) Ltd, where I have been for almost 10 years.'

***When did you first hear the terms 'company secretary' and 'governance'? What was your impression of these terms?***

'I studied public administration in college, so initially my understanding of governance was rooted in the concept of public governance in the social sciences. This involved formulating policies that were beneficial to the public. However, as I familiarised myself with corporate governance, I realised that governance goes beyond public institutions. In fact, any type of organisation, whether public or private, regardless of its size, requires good systems and governance. It needs to establish internal governance policies and structures. Depending on the nature of the business and place of incorporation, it also falls under various regulatory frameworks, while the interests of different stakeholders must be considered. These are practical matters that, from my perspective, are just part of my everyday life.'

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

'You must be focused, cautious and meticulous. These are the basics. Additionally, it is important to continuously pursue further education and to stay aware of the changes happening around you. The regulatory environment is constantly evolving, and regulations for companies and businesses are also subject to change. You need to understand the transformations, promptly inform the company's management and update the company's policies when necessary. You cannot rely on the same set of practices for 10 years. There will be new developments every day so you must constantly update your knowledge. Maintaining a mindset of continuous learning is crucial.'

***What was your chosen route to complete the Institute's qualifying programme and what advice would you give to people who are considering qualifying as a Chartered Secretary and Chartered Governance Professional?***

'I obtained a master's degree in Professional Accounting and Corporate Governance from City University of Hong Kong, which is tailored for non–business school students. It was well suited to my level and, by following the curriculum, I was able to acquire the necessary knowledge. I didn't have to allocate time to study for the qualification exams on my own, so this made it a comfortable approach for me. I recommend that individuals choose the path that suits them best. There's no definitive answer as to whether taking exams or pursuing part-time education is better. The best option is the one that aligns with your own individual needs and preferences.'

***As a member of the younger generation, how do you think governance will evolve in the future and would you recommend a career in governance to others?***

'I believe this industry has promising prospects. In the new economy and with the rapid development of technology, there will inevitably be an increase in corresponding regulatory requirements. For example, last year Hong Kong's Securities and Futures Commission introduced a new licensing regime for virtual asset trading platforms. In the future there will undoubtedly be an increased demand for governance professionals. Furthermore, corporate governance is not limited to company secretarial work – compliance and ESG are also integral aspects of governance. You can choose to develop in the direction that most interests you, as there isn't just one path to take.'

# 刘屹智先生FCG HKFCG

> 将来对治理专业人员的需求肯定会更大

**刘屹智先生 FCG HKFCG，**
**宝德隆企业服务(香港)有限公司**
**董事总经理**

**请问您目前的职位是什么？能告诉我们您的职业发展经历吗？**
‘我目前的职位负责监督整个香港的业务。我们公司为不同类型的企业客户，从初创公司到上市公司，提供公司秘书、证券登记、薪酬管理、税务及会计服务。毕业后，我在公会工作，认识了公司秘书这一个行业，后来成为公会的会员。这个专业资格有助我加入了一间投资者服务公司，当时主要负责香港上市公司的企业行动和投资者关系。后来我加入了宝德隆，在这里服务已经差不多十年了。’

**您第一次听到‘公司秘书’或‘公司治理’是什么时候？您当时对这些专业名词有什么印象？**
‘我在大学是读公共行政的，所以我最初对治理的理解是社会科学中公共管治的概念，也就是订立有利于公众的政策。开始认识公司治理后，我就发觉不只是公营机构，其实任何类型的机构，无论是公营或者私营，不管大小，都需要有良好的制度与管治，要订立内部治理方针和架构。视乎业务性质和注册地法规，机构也会受到多方面的规管，同时必须照顾不同持份者的利益。这些是很务实的事情，我觉得就像是日常生活的一部分。’

**您认为成为一名成功的治理专业人士需要具备哪些素质？**
‘做事要专注，要谨慎，要细致，这是最基本的。另外就是要持续进修，知道身边的转变。监管环境持续变迁，公司法规和业务的监管规定同样会有变化，你必须明白这些转变，及时让公司管理层知道，有需要时更新公司的方针政策。我们不可以十年不变地跟随同一套做法：每天都有新发展，所以要经常更新自己的知识，持续进修的心态是至关重要的。’

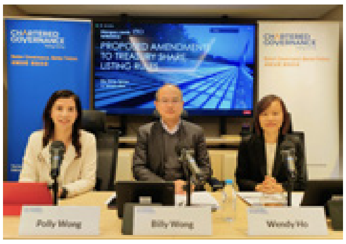
**您完成公会的资格计划的路径是怎样的？对于那些有想去成为特许秘书和公司治理师的人，您有什么建议？**
‘我在香港城市大学取得专业会计与企业管治硕士学位，这是为非商学院学生量身打造的课程，比较适合我的程度，只要跟着课程的设计，就能学习到所需的知识，也不需要为应付资格考试而自行分配时间温习，这对我来说是比较舒服的方式。我建议想取得专业资格的朋友选择适合自己的途径。考试或者兼读进修哪一个比较好，不能一概而论，能配合自己的需要和喜好的，就是最好的选择。’

**作为年轻一代的一员，您认为‘治理’将来会如何发展？您会推荐其他人从事治理方面的工作吗？**
‘我觉得这个行业的发展很有前景。随着新经济的转型，科技快速发展，相应的监管要求只会越来越多，譬如去年香港证券及期货事务监察委员会便订立了虚拟资产交易平台的新发牌制度。将来对治理专业人员的需求肯定会更大。另外，公司治理不限于公司秘书工作，合规和ESG（环境、社会及管治）都是治理的一环，你可以选择自己觉得有兴趣的方向去发展，不是只有一条路可以走。’

# Professional Development

## Seminars: January 2024

### 11 January
**Proposed amendments to treasury share Listing Rules**




*Chair: Wendy Ho FCG HKFCG(PE), Institute Council member, Professional Development Committee Chairman and Professional Services Panel member, Mainland China Technical Consultation Panel member and AML/CFT Work Group member, and Executive Director, Corporate Services, Tricor Hong Kong*

*Speakers: Billy Wong, Partner, Morgan, Lewis & Bockius; and Polly Wong FCG HKFCG(PE), Company Secretary and Group Financial Controller, Dynamic Holdings Ltd (panellist)*

### 18 January
**Overview of governing rules on A and H shares: enhancing collaboration and mitigating risks for governance professionals in Hong Kong**


*Chair: Wendy Ho FCG HKFCG(PE), Institute Council member, Professional Development Committee Chairman and Professional Services Panel member, Mainland China Technical Consultation Panel member and AML/CFT Work Group member, and Executive Director, Corporate Services, Tricor Hong Kong*

*Speakers: Xu Min, Partner, and Tom Chau FCG HKFCG, Institute Vice-President, and Partner, Haiwen & Partners*

### 23 January
**Legal and governance practices impacted by generative AI: what directors and governance professionals need to know**

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

*Speakers: Cermain Cheung, Consultant, Oldham, Li & Nie; Benjamin Choi, Managing Director, and Arthur Chan, Consultant, OLN IP Services Ltd*

### 25 January
**Debunking tax myths of the company secretary**


*Chair: Susan Lo FCG HKFCG*

*Speaker: Henry Kwong, Senior Tax Advisor, ONC Lawyers*

### 29 January
**International business collaborations: startup**


*Chair: Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Honorary Adviser to Council, Past International President and Institute Past President, Mainland China Affairs Committee member, Nomination Committee member and Governance Professionals Panel member, and Executive Director and Company Secretary, CK Hutchison Holdings Ltd*

*Speakers: Gillian Meller FCG HKFCG(PE), Institute Past President, Nomination Committee Chairman and Governance Professionals Panel Chairman, and Legal and Governance Director, MTR Corporation Ltd; and Amar Gill, Secretary General Designate, Asian Corporate Governance Association*

### ECPD seminars/Videos on Demand

ECPD training is organised by the Institute to facilitate its members and other governance professionals to acquire governance knowledge, corporate secretarial skills, and related thought leadership and best practices.

In addition to in-person seminars, ECPD training is delivered via live webinars or pre-recorded videos for maximum accessibility and flexibility.

*Details of the Institute's forthcoming ECPD seminars and ECPD Videos on Demand are available in the Professional Development section of the Institute's website: www.hkcgi.org.hk.*

*For enquiries, please contact the Institute's Professional Development Section: (852) 2830 6011, or email: cpd@hkcgi.org.hk.*

## Membership

### New Associates

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

| | | | |
|---|---|---|---|
| Cao Xiushan | Chong Ching Kin | Kar Pik Ying | Meng Yangzi |
| Cao Xue | Gao Li | Kong Wai Ying | Ng Claudia Wai Ying |
| Chan Ching Hi | Gao Wenhuan | Kwok Sing Yin, Karis | Peng Yunlu |
| Chan Chung Yi | Guo Ying | Lam Lai Yan | Poon Yun Kwan |
| Chan Hau Pui, Pegky | Ho Chun Yin, Johnny | Lam Mei Tsz | Shen Jinjin |
| Chan Hiu Ching | Ho Pan | Lau Ka Ming | Shi Huangao |
| Chan Lap Chun, Jason | Ho Tsz Ying | Lau Yin Kwan | Shi Junzheng |
| Chan Lin Yu | Ho Wing Yin | Law Kin Lung | Song Geqian |
| Chan Tsz Hin | Ho Yin Shuen | Law Wan Sze | Song Yu |
| Chen Xin | Huang Jiamin | Lee Ching Hung | Tang Hiu Tung |
| Chen Xiqin | Huang Xinyun | Lei Nelson | Tang Pik Yan, Bonnie |
| Cheng Wang Yan | Hui Ka Man | Lin Pingping | Temir Sema Sky |
| Cheung Man Yung | Hui Wing Yan | Luk Shue Wah, Sherman | Ting Kai Xian |
| Cheung Shu Kiu | Hung Wai Man | Ma Rongkun | To Kit Wa |
| Cho Yi Hsien | Jiang Zheng | Mak Nga Wun | Tsui Hoi Yan |

# Membership (continued)

| | | | |
|---|---|---|---|
| Wang Yanni | Wong Tsz Ching | Yeung Gar Lai, Calia | Yu Xinchun |
| Wang Yanyan | Wun Tsz Yan | Yeung Kit Yan, Theresa | Yuan Quan |
| Wong Chi Him | Xiao Meiru | Yu Ho Yin | Yue Feiya |
| Wong Ching Yi | Xu Haiyan | Yu Kin Wai | Zhang Dingran |
| Wong Sze Wing | Xu Hua | Yu Pui Ki | Zhu Luzhen |

## New graduates

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

| | | | |
|---|---|---|---|
| Cheng Wing Ming | Lau Chun Tung | Lee Kwun Lam | Wong Ka Chun |
| Duan Zeping | Law Tak Lok, Owen | Shi Meng | Yiu Ka Chi |

## Membership activities: January 2024

### 20 January

**Fun & Interest Group – self-service baking experience workshop**

### 27 January

**Wellness series: 易筋八段錦研習會**

## Forthcoming membership activities

| Date | Time | Event |
|---|---|---|
| 13 April 2024 | 10.30am–12.30pm | Fun & Interest Group – hand drip coffee workshop |

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

# Advocacy

## Resilience in Governance – the Institute celebrates 75 years in Hong Kong

Over 400 government officials, regulators, members and friends of the Institute gathered to celebrate at a cocktail reception, under the theme of Resilience in Governance, on 31 January 2024. As the Guest of Honour, The Honourable Paul Chan Mo-po, GBM GBS MH JP, Financial Secretary of the HKSAR Government, and Fellow of the Institute, delivered the welcoming speech, which covered a wide variety of topics and was well received.

At the celebration, Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Honorary Adviser to Council, Past International President and Institute Past President, awarded The Hong Kong Chartered Governance Institute Prize (HKCGI Prize) 2023 to Dr Anthony Neoh QC SC JP FCG HKFCG, who then delivered a motivational speech.

The Institute would like to thank everyone who has contributed to the success of the organisation.




# Advocacy (continued)

## HKCGI Prize 2023

The Institute is delighted to announce that The Hong Kong Chartered Governance Institute Prize (HKCGI Prize) 2023 has been awarded to Dr Anthony Neoh QC SC JP FCG HKFCG, in recognition of his significant contributions to the Institute's development and representation of governance professionals over a substantial period of time.

### Dr Anthony Neoh QC SC JP FCG HKFCG: awardee of the HKCGI Prize 2023

Dr Neoh is a senior member of the Hong Kong Bar, having begun his practice in 1980 and taken silk in 1990, focusing on international commercial and investment arbitration, as well as domestic and cross-border financial regulatory and market issues. He is currently Head of Chambers of the Chambers of Anthony Francis Neoh QC SC JP, and is an internationally recognised expert in financial regulation and risk management.

Dr Neoh has been a Fellow of the Institute and of The Chartered Governance Institute since 2000. He was an Institute Council member from 2001 to 2003 and a member of the Corporate Governance Panel from 2001 to 2002. He has been a popular speaker at many of the Institute's conferences and seminars, including the biennial Corporate Governance Conference in 2008, 2014 and 2016. His wealth of knowledge and experience of legal and governance practices has proved invaluable over the years in facilitating close cooperation between the Institute and Mainland regulators, as well as in providing advice on promoting the governance profession in both Hong Kong and the Mainland.

Significant achievements of Dr Neoh's distinguished career include being appointed as Assistant Director of the Independent Commission Against Corruption (1976–1979) and, more recently, as Chairman of the Independent Police Complaints Council (2018–2021). During his tenure as a member of the Hong Kong Stock Exchange Council from 1991 to 1994, Dr Neoh formulated the legal framework for the listing of Mainland enterprises in Hong Kong. He then served as Chairman of the Securities and Futures Commission from 1995 to 1998, after which he was invited to take on the role of Chief Advisor to the China Securities Regulatory Commission (CSRC) from 1998 to 2004, during which time he provided valuable advice on the legal and governance structure of CSRC to supervise and administer the securities market in the Mainland.

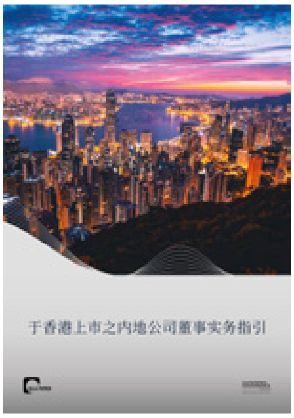
Dr Neoh has also served as an independent non-executive director of several listed companies, and as a Council member of various universities in Hong Kong and the Mainland. In view of his exceptional contribution to the legal and governance professions, he has been awarded with a number of honorary degrees and titles from diverse universities and institutes. He is a Fellow of the Hong Kong Academy of Finance, Honorary Fellow of the Hong Kong Securities and Investment Institute and an Academician of the International Eurasian Academy of Sciences. Dr Neoh was a recipient of the CFA Institute Award for Outstanding Contribution to International Financial Services in 2009.

## Chengdu Financial Supervisory Bureau visits the Institute

On 25 January 2024, the Institute was honoured to welcome the Deputy Director of the Chengdu Financial Supervisory Bureau and his delegation, consisting of 11 regulators and senior management of corporations based in Chengdu.

The meeting was hosted by Institute representatives Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Honorary Adviser to Council, Past International President and Past President, Ernest Lee FCG HKFCG(PE) Immediate Past President, Natalia Seng FCG HKFCG, Past President, and Ellie Pang FCG HKFCG(PE), Chief Executive.

## Guidelines on Practices of Directors of Mainland Companies Listed in Hong Kong




On 5 February 2024, the Institute, in collaboration with DLA Piper, published the Guidelines on Practices of Directors of Mainland Companies Listed in Hong Kong (the Guidelines).

The Guidelines summarise the key points of complex laws and listing rules relevant to Hong Kong listed companies to help directors and board secretaries comply with their legal and regulatory obligations. Information in the Guidelines applies to all Mainland companies listed in Hong Kong, including H share and red chip companies.

## CGj has gone paperless and eco-friendly from January 2024

Our latest eCGj is now available. Visit our newly launched eCGj website now: https://cgj.hkcgi.org.hk.

# Chartered Governance Qualifying Programme (CGQP)

## November 2023 examination diet

The results of the November 2023 examination diet, as well as the examination papers, mark schemes and examiners' reports, were released on 27 February 2024. The closing date for examination results review applications was on 12 March 2024.

## June 2024 examination diet timetable

The June 2024 examination diet of the CGQP is open for enrolment from 1 February to 28 March 2024. All examination enrolments must be made online via the Login area of the Institute's website.

### Week one

| Date/Time | 11 June<br>Tuesday | 12 June<br>Wednesday | 13 June<br>Thursday |
|---|---|---|---|
| 9.15am–12.30pm* | Hong Kong<br>Company Law | Interpreting Financial<br>and Accounting Information | Corporate Secretaryship and<br>Compliance |

### Week two

| Date/Time | 17 June<br>Monday | 18 June<br>Tuesday | 19 June<br>Wednesday | 20 June<br>Thursday |
|---|---|---|---|---|
| 9.15am–12.30pm* | Corporate Governance | Strategic Management | Risk Management | Hong Kong Taxation<br>Boardroom Dynamics |

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

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

*For enquiries, please contact the Qualifications and Assessments Section: (852) 2830 6010, or email: exam@hkcgi.org.hk.*

## Learning support

The Institute provides a variety of learning support services for students to assist them with preparing for the CGQP examinations.

### CGQP examination technique workshops

The three-part examination technique workshops for the CGQP June 2024 examinations will be held online between April and mid-May 2024. In parts one and two, students will attend a 2.5-hour online workshop and receive one take-home mock examination paper. In part three, students who have attended and submitted their answers to the mock examination paper will receive feedback and further guidance. The enrolment deadline is 28 March 2024.

*For details, please visit the News & Events section of the Institute's website: www.hkcgi.org.hk.*

## Call for support: Student Ambassadors Programme internship 2024

The Institute's Student Ambassadors Programme (SAP) 2023/2024 serves as a platform for local undergraduates to better understand what a career in governance entails. The internship programme under SAP aims to provide participating undergraduates with an opportunity to experience the business operations and working environment of a governance professional, as well as to explore their future career paths.

The Institute is inviting companies and organisations to offer job opportunities – including summer internship positions, as well as part-time and full-time jobs – to the student ambassadors.

The summer internship period usually runs from June to August, with flexibility for an intern period of up to a maximum of eight weeks. Full-time offers will be applicable to final year undergraduates.

*For enquiries, please contact Kathy Leung: (852) 2830 6001, or email: kathy.leung@hkcgi.org.hk.*

## Studentship activities: January 2024

### 20 January

**Student Ambassadors Programme: T · PARK guided tour**

### 25 January

**Student Ambassadors Programme: Asian Financial Forum guided student tour**


## Forthcoming studentship activities

| Date | Time | Event |
|---|---|---|
| 20 March 2024 | 7.00pm–8.00pm | Student Gathering: sharing from outstanding students in the CGQP examinations |

*For details of forthcoming studentship activities, please visit the News & Events section of the Institute's website: www.hkcgi.org.hk.*

# Notice

## Update of the CGQP study materials

The online study materials for the following CGQP module have been updated and are available on the PrimeLaw online platform.

- Hong Kong Company Law

These updates will apply to the CGQP June 2024 examinations and onwards.

*For details, please visit the Online Study Materials page under the Learning Support subpage of the Studentship section of the Institute's website: www.hkcgi.org.hk.*

## Featured job openings

| Company name | Position |
|---|---|
| Computershare | Officer, Governance Services |
| Frank Wong & Co | Company Secretarial Officer [5-day work] |
| The Hong Kong Chartered Governance Institute | Officer, Membership and Student Registration Section (Ref: MEM2024-02) |
| The Hong Kong Chartered Governance Institute | Senior Officer/Officer, Marketing and Communications (Ref: MKT 2023-04) |

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

# New GHG emissions calculation and estimation tools

On 21 February 2024, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) and The Hong Kong University of Science and Technology launched two greenhouse gas (GHG) emissions calculation and estimation tools to facilitate sustainability reporting by corporates and financial institutions in Hong Kong.

With clearly disclosed methodologies and data sources, the tools are intended to enhance the availability and quality of sustainability-related data in the real economy and to support decarbonisation efforts by the private sector. The tools include:

- a calculation tool that enables users, especially small and medium-sized enterprises, to calculate their own GHG emissions based on actual activity levels, and
- an estimation tool that enables users, primarily financial institutions, to estimate the GHG emissions of their investees or borrowers where data of underlying companies is limited.

The tools will be available for free public access on the revamped website of the Steering Group (https://sustainablefinance.org.hk). This website, also launched on 21 February, is intended to be a one-stop green and sustainable finance information hub for financial institutions, corporates and the general public. In addition to the new tools described above, the website includes the key enhancements described below.

***Sustainability Disclosure e-Portal:*** the Climate and Environmental Risk Questionnaire for Non-listed companies (Questionnaire) has been digitalised. The Questionnaire is an easy-to-use template developed and launched in 2022 by the Steering Group and CDP Worldwide (a widely used global non-profit organisation that runs an environmental disclosure system for companies, cities, states and regions) to help corporates, particularly small and medium-sized enterprises, get started in sustainability reporting. The digitalisation facilitates reporting and will support broader consent-based data sharing between corporates and financial institutions.

***Centralised sustainability data and information:*** *s*ustainability- related data, regulation, news and events, training and internship opportunities will be featured on the Steering Group website with user-friendly browsing and search functions.

The Steering Group, established in May 2020, aims to coordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong, and support the government's climate strategies. It will continue to enhance its website to support Hong Kong's decarbonisation efforts and role as a regional and global green and sustainable finance hub.

*More information is available on the Steering Group's website: https://sustainablefinance.org.hk.*

# Virtual asset regulation in Hong Kong – moving to the next phase

### Virtual asset trading platforms

On 5 February, the Securities and Futures Commission (SFC) issued a press release urging investors to check the regulatory status of virtual asset trading platforms (VATPs). The SFC reminds investors to trade virtual assets only on SFC-licensed VATPs. If they are not certain about the regulatory status of the VATP they are currently dealing with, they can check the SFC's lists of VATPs on its website.

In particular, investors should check whether a VATP is on the 'list of licensed virtual asset trading platforms' or on the 'list of virtual asset trading platform applicants'. VATPs on the first list are formally licensed by the SFC. VATPs on the second list include VATPs operating in Hong Kong that have submitted licence applications to the SFC on or before 29 February 2024.

The transition period, set up under the licensing system for VATPs, which commenced operation on 1 June last year, closed on 29 February this year. Under the Anti–Money Laundering and Counter–Terrorist Financing Ordinance (AMLO), VATPs must have submitted a licence application to the SFC by 29 February 2024 in order to continue operating in Hong Kong on or after 1 June 2024.

Under the AMLO, it is a criminal offence for VATPs that were not carrying on a business of operating a virtual asset exchange in Hong Kong before 1 June 2023 to carry on their businesses in Hong Kong, or actively market their services to Hong Kong investors on or after 1 June 2023, without a licence. It is also a criminal offence for VATPs that have not submitted a licence application to the SFC by 29 February 2024 to continue operating in Hong Kong on or after 1 June 2024.

The SFC also reminded the public that the applications submitted by applicants on the 'list of virtual asset trading platform applicants' are still being processed and they may – or may not – be approved. Where these applicants are not eventually granted licences, they will be required to close down their businesses in Hong Kong and their names may be placed on the 'list of closing-down virtual asset trading platforms'.

### OTC trading of virtual assets in Hong Kong

In a related development, the Financial Services and the Treasury Bureau (FSTB) has published a consultation paper on its proposed licensing regime for providers of over-the-counter (OTC) trading services of virtual assets.

OTC venues, such as physical shops or online platforms, played a role in some fraud cases involving unlicensed VATPs last year. The government proposes to regulate OTC services under the AMLO to reduce money laundering and terrorist financing risks and safeguard investors. The proposals would:

- require any individual conducting a business that offers spot trading services for any virtual assets in exchange for money in Hong Kong to obtain a licence from the Commissioner of Customs and Excise (CCE)
- encompass all virtual asset OTC services, regardless of whether they are provided through a physical location and/or other platforms
- grant powers to the CCE to oversee the anti–money laundering and counter–terrorist financing practices of licensees, and to enforce the statutory and regulatory requirements under the new regime, and
- establish a transitional arrangement to facilitate the smooth implementation of the regulatory framework.

*More information is available on the websites of the SFC (www.sfc.hk) and FSTB (www.fstb.gov.hk).*