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February 2024
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The journal of the Hong Kong Chartered Governance Institute
香港公司治理公會會刊

Helping boards make better decisions

A primer for governance professionals

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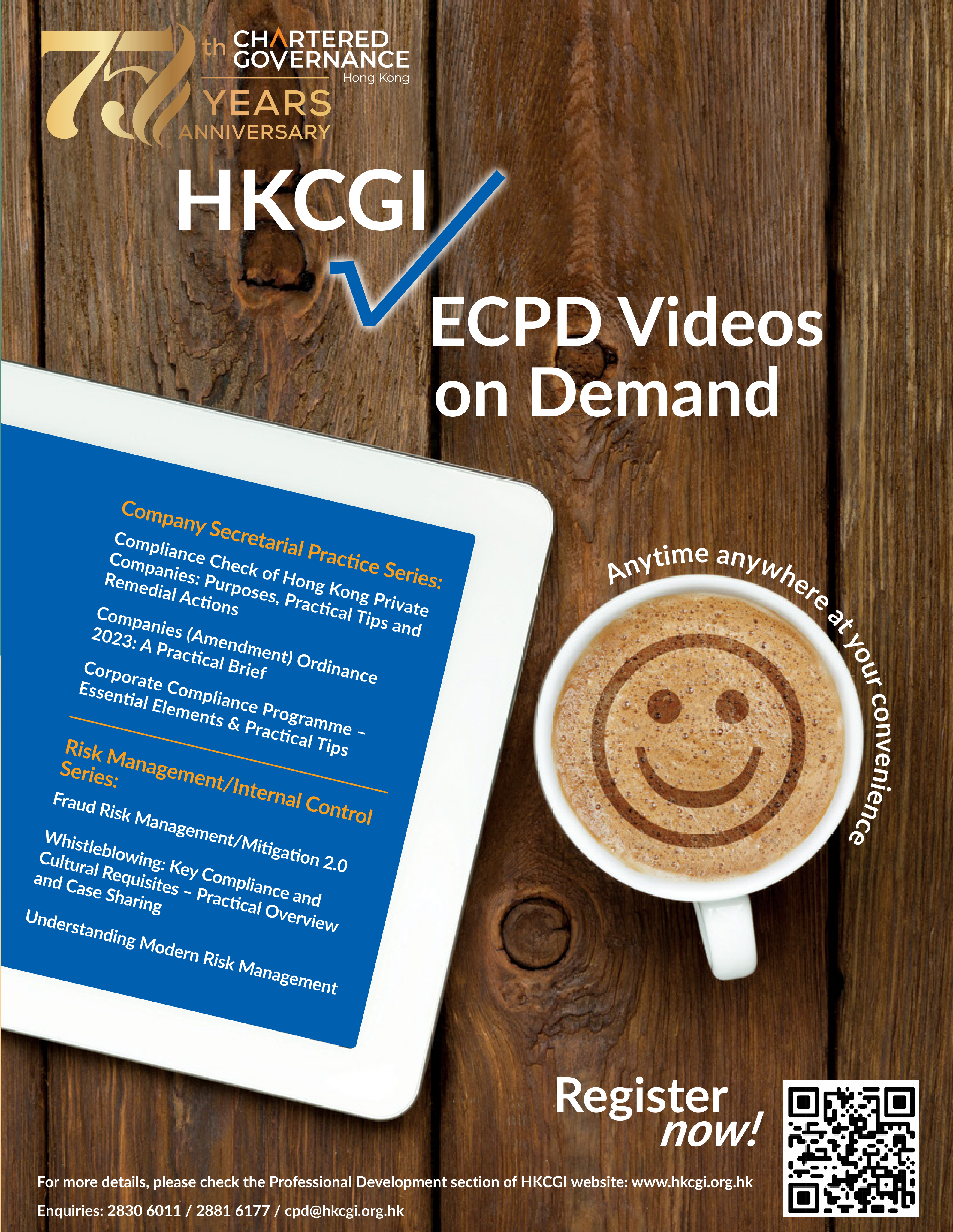

The Hong Kong Chartered Governance Institute 香港公司治理公會 (Incorporated in Hong Kong with limited liability by guarantee) www.hkcgi.org.hk

February 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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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 December 2023, the statistics were as follows:
Students: 2,702 **Graduates**: 481 **Associates**: 6,422 **Fellows**: 871

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ISSN 1023-4128

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DECISION MAKING
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Facilitating collaborative decision-making

Board decisions determine an organisation's future and creating the conditions for successful board decision-making is a critical component of our roles as governance professionals. This aspect of our work, however, is one of the toughest assignments we face in our careers. Not only does it require an in-depth understanding of the strategic issues facing the organisations we serve, it also requires us to understand and navigate the personal dynamics involved in a group of human beings coming together to make decisions about complex issues within the relatively short timeframe of a board meeting.

This month, our journal suggests some of the practical ways in which we can upgrade our board support work. Some of the suggestions in the pages ahead will be very familiar to anyone working in governance. Clearly, boards will make better decisions if the information provided to them is comprehensive, accurate and distributed in a timely manner. Some of the suggestions, however, relate to issues in decision-making that are relatively under-discussed. The psychology of collaborative decision-making, for example, tends to get less attention than it deserves, but governance professionals need to consider this aspect of the topic as it is pivotal to creating the right environment in which board discussions can deliver the best results.

Our two cover stories this month provide a primer in this area of practice. A key takeaway from both articles is that better decisions tend to get made where directors adopt an open mindset when considering the viewpoints and suggestions raised at board meetings. Strong views strongly argued should be a very welcome part of board discussions. Directors need to constructively challenge the information provided to them by management and to ask the hard questions. They also need to be capable of giving a fair hearing to viewpoints other than their own. Fundamentally, we should bear in mind that a primary motive behind having a board in the first place is that collaborative decision-making has significant advantages over leaving all decisions to a single individual. This is not only due to the pooling of the knowledge, skills and experience of many different individuals, it also harnesses the creative power of brainstorming. In general, groups are better able to generate more creative solutions than individuals working alone.

Nevertheless, like any collaborative exercise, board decision-making comes with some inbuilt risks and we as governance professionals can play a significant role in mitigating those risks for the boards we work with. Again, there is a key takeaway in both of our cover stories this month on this question. Probably the single most effective defence against those risks is to broaden the diversity of the people sitting at the table. When individuals with different backgrounds, experiences, ages and genders come together to solve a problem, they bring a variety of perspectives to the issues under discussion. That, when matched with the open mindset I mentioned earlier, is the not-so-secret formula for really effective collaborative decision-making.

David Simmonds FCG HKFCG

推动协同决策

董事会的决策决定着一个组织的未来，而为董事会的成功决策创造条件是我们作为治理专业人士的重要职责。不过，这也是我们职业生涯中面临的最艰巨的任务之一。它不仅要求我们深入了解所服务的组织所面临的战略问题，还要求我们在相对较短的董事会会议时间内理解并驾驭一群人聚集在一起就复杂问题做出决策时所涉及的人际互动过程。

本月会刊提出了一些提升我们对董事会的支持工作的实用方法。其中一些建议对于任何从事治理工作的人来说都不会陌生。显然，如果能够为董事会提供全面、准确、及时的信息，董事会就能做出更好的决策。不过，有些有关决策问题的建议相对来说讨论较少。例如，协同决策所涉及到的心理学知识往往得不到应有的关注，但治理专业人士需要考虑这方面的问题，因为它对于创造适当的环境，使董事会的讨论取得最佳效果至关重要。

本月的两篇封面故事为这一领域的实践提供了入门指南。从这两篇文章中可以得到的一个重要启示是，如果董事们在考虑董事会会议上提出的观点和建议时采取开放的心态，往往能做出更好的决策。在董事会讨论中，人们乐于见到有理有据的观点可以被充分的讨论。董事们需要对管理层提供的信息提出建设性的质疑，并提出尖锐的问题。他们还需要有能力公正地听取除自己观点之外的其他观点。从根本上说，我们首先应该牢记，设立董事会的一个主要动机是，与单人决策相比，协同决策具有显著优势。这不仅是因为可以汇集许多不同个人的知识、技能和经验，还可以利用集思广益的创造力。一般来说，团体比个人单独工作更能产生更有创意的解决方案。

尽管如此，与任何其它合作一样，董事会决策也存在一些内在风险，而我们作为治理专业人士，可以在为我们的董事会降低这些风险方面发挥重要作用。同样，本月的两篇封面故事都对这个问题提供了重要启示。抵御这些风险最有效的方法可能就是拓展董事会成员的多样性。当具有不同背景、经历、年龄和性别的人聚集在一起解决问题时，他们会用不同的视角来探讨问题。再加上我前面提到的开放心态，这就是真正有效的协同决策的秘诀。

司马志先生 FCG HKFCG

Board decision-making and the role of governance professionals

Patricia Hui FCG HKFCG(PE), lawyer and governance professional, looks at some of the ways in which governance professionals can facilitate better decision-making by boards.

The concept of corporate governance is constantly changing. The conventional governance model, known as shareholder primacy, which gives preference to the interests of shareholders and commercial profit over everything else, has been challenged by the increasing prominence of stakeholder capitalism. This approach demands that boards and executive leaders also consider the needs of clients and employees, as well as the impact of their decisions on other stakeholders, communities and the environment.

The Covid-19 pandemic accelerated several trends that had already been disrupting the business world. These include digitalisation, ESG issues, sustainability and resilience, as well as diversity, equity and inclusion. The pandemic also highlighted an increasingly volatile, uncertain, complex and ambiguous business environment. These factors add to the board's challenges, intensifying the 'issue load' it must manage and increasing the complexity of its leadership and governance roles.

As trusted advisers to the board, the role of the governance professional is one of constant adaptation, evolving to a multifaceted and increasingly pivotal position that incorporates a much wider remit than purely administrative and technical governance solutions. Those working in governance roles must continually advance and expand their skills while developing the organisation's governance model.

Effective sustainable governance

The board's fundamental role is to provide insights, foresight and oversight to steer the company in advancing its operations, financial performance, strategy and stakeholder engagement, while remaining true to its mission and purpose. A sound governance framework can assist the board in fulfilling its responsibilities and maintaining effectiveness during times of change and growth, without losing integrity and values or compromising quality and purpose. The following are the key pillars of board effectiveness.

Board mission and purpose

An effective board should clearly understand the mission and purpose of the organisation it serves and ensure that all decisions the board makes regarding its operations, policies and strategy are aligned with such mission and purpose.

Board structure and leadership

Due to regulations and exchange requirements, boards usually establish audit, remuneration and nomination committees. Today, more boards are establishing other standing committees, like executive, ESG/sustainability, governance, risk and compliance committees, to absorb some of the work overload and to drive focus on strategic issues. Ad hoc committees may be helpful at times to handle shorter-term board matters.

Once the board and committee structure is established, it is important to have a well-defined authority and decision matrix. This matrix will specify who is responsible and accountable for making the relevant decisions, whether it is the entire board, a committee or a particular director. It will also define who must be consulted or informed before or after the decision is taken. The matrix should be updated regularly to reflect changes in the business environment and priorities. It should be detailed enough to guide the management on when they need to seek board approval and what process they should follow to communicate

Highlights

- timely access to reliable and high-quality information is the bedrock of the board's rational and efficient decision-making process
- governance professionals are ideally placed to align the interests of different parties around a boardroom table, facilitate dialogue, gather and assimilate relevant information and enable effective decision-making
- the modern governance professional serves as a vital link between the board, the shareholders and the various business units

information on matters not requiring board decisions but still part of the governance process.

Board composition

Building a high-performing board is similar to managing an orchestra or a sports team. It requires careful planning and consideration of the skills, talents and competencies of each board member. Effective board members should possess core leadership skills and values that include ethics, integrity, communication (including active listening), inspiring and empowering others, and strategic and critical thinking.

It is essential for board directors to have a solid understanding of corporate governance principles, legal and regulatory requirements, and ethical standards. They should also demonstrate a commitment to progress, organisational values, ongoing professional development, and service and contribution.

In addition to these skills and qualities, behavioural attributes and competencies that enable directors to contribute to board effectiveness are also important. This includes engaging and collaborating with fellow board members, management and stakeholders. It also involves discretion and diplomacy.

Information infrastructure

Timely access to reliable and high-quality information is the bedrock of the board's rational and efficient decision-making process. An effective board information infrastructure delivers board meeting materials that are complete, accurate, clear and concise in a timely manner. The board should not be inundated with irrelevant details or information overload, nor should it be required to make decisions before all the information is provided and considered.

To make the most value out of it, the board information packs should be sent to the board of directors sufficiently in advance. This allows everyone to fully absorb, consider, prepare and actively contribute when the time comes. Information on complex issues and emerging trends should be presented in an easily understandable format, which may include visual presentations.

Also, it should not be a one-way download. All directors should understand that they must come prepared to engage, discuss issues and deliberate at meetings, not simply to review board materials and hear presentations. Boards should seek independent third-party reports and insights on stakeholder feedback, emerging trends, and economic challenges and opportunities.

Board culture

Culture has gained recognition as a crucial factor in good governance in recent years. Diversity is a major part of fostering a healthy culture, but this goes beyond gender and ethnicity – it encompasses multiple dimensions that are indispensable to board effectiveness. In my previous article in this journal, I discussed the promotion of diversity of thought as one value, or mindset. Groups that have a greater diversity of thought have more significant cognitive potential to generate alternative solutions, to communicate unique insights between group members and to reduce the risk of unchallenged decision-making. All board members should be receptive to different viewpoints and should feel included, heard and respected.

Other crucial characteristics of a robust board culture include a healthy and respectful partnership between the board and the executive, trust and candour between board members, thoughtful and productive resolution of issues or disagreements and a willingness to address poor board behaviour that negatively impacts the board.

The role of governance professionals

Corporate governance guidelines

As with any successful team, the board's effectiveness is rooted in having a shared mission, purpose, engagement strategy and vision. Governance professionals can assist the board in creating guidelines for corporate governance that clearly define the board's purpose, values, engagement practices and strategy.

Clarifying and communicating these standards offers a definite direction to the board members that helps them make informed decisions and advance the company's purpose, strategy, performance and long-term value. These guidelines can also act as a helpful reminder to board members of the higher purpose of their work, including the mission, vision and values statement, the people they are working for and the people they represent. Clarity in these issues is particularly important in times of conflict.

> **“those working in governance roles must continually advance and expand their skills while developing the organisation’s governance model”**

Board and committee meetings
Efficient and effective board meetings play an instrumental role in every organisation’s healthy and good corporate governance system.

One of the most common challenges to board effectiveness and performance is staying focused on strategic, performance and governance priorities, and a growing range of competing business-critical topics, without being distracted by unnecessary detail or time-consuming and energy-sapping administrative and procedural matters.

Governance professionals support the Chair and the board by being valued advisers promoting and sustaining the robustness and efficacy of corporate governance arrangements and practices, and by ensuring alignment of the board’s oversight focus with the company’s strategic priorities and governance considerations through proactive management of board and committee work programmes and agendas.

Board and committee meeting schedules and core agendas should be formalised for the upcoming year or two, reducing scheduling conflicts and director absences. The development of an indicative annual work programme for the board (and committees) will allow governance professionals to engage objectively with the Chair and CEO on the shape and proposed content of board and committee meetings a few months out. There must also be sufficient inbuilt flexibility to facilitate the addition of the inevitable last-minute imperatives.

The work programme for each meeting will typically need to cover the following topics:

- management update
- updates on strategic priorities and projects
- business and operational deep dives (these updates should also include market and competitor analysis, where relevant, to provide the board with a comprehensive understanding of the particular business and sector operating environments)
- material governance and regulatory considerations, and
- administrative imperatives such as minutes and progress on addressing matters arising from previous board meetings, and approval of amendments to key governance documentation.

When creating a meeting agenda from the work programme, it is important to allocate a significant portion of the agenda to discuss strategy, business and performance-related goals. While it is crucial to address governance, regulatory and administrative matters, the board’s focus should be on priorities that have the potential to create real value for shareholders and stakeholders. Unanimous written consent for board or committee action on routine, non-controversial matters could be an effective way to save time.

Information and communication conduit
Poor communication may block the board’s decision-making and collaboration. Ensuring best-in-class board information management,

processes and dynamics is at the heart of the governance professionals' role. Governance professionals hold a unique position encompassing strategic and operational activities, and acting as a bridge for information, communication, advice and arbitration between the board and management, as well as between the organisation, its shareholders and its stakeholders. Due to the nature of their role, governance professionals are ideally placed to align the interests of different parties around a boardroom table, facilitate dialogue, gather and assimilate relevant information and enable effective decision-making.

Governance professionals should ensure board papers are written in a style which is clear, concise, complete and in understandable language, answer all the questions that directors are likely to ask and adequately reflect the substantive matters for consideration, as well as the decisions or actions required, and that they are distributed well in advance of board and committee meetings. This should enable directors to contribute fully to board and committee discussions and debates, and enhance the board's capability for sound decision-making.

Sufficient time should be allocated to facilitate constructive dialogue and discussion. Board members should be encouraged to actively engage, ask questions and speak up. The directors' contributions will provide different perspectives, facilitating consideration of the problems from different angles before the board arrives at the solutions, thus avoiding the danger of groupthink.

After the board meeting, it is necessary for the governance professional to promptly deliver high-quality, concise, complete and coherent minutes for approval by the directors. This ensures that the directors' memories of the meeting are still fresh and allows all present directors to review the minutes before they are finalised. Governance professionals should also have a process for promptly communicating board decisions, such as complying with any regulatory filings resulting from the meeting's decisions and notifying the management team of any decisions that affect them or require their action.

Promoting board culture

The modern governance professional serves as a vital link between the board, the shareholders and the various business units. He or she acts as a facilitator, helping to convey important information between these parties. By attending board meetings, governance professionals gain a deep understanding of the board's goals and desired culture. Additionally, through their daily interactions with the business and the shareholders, they gain first-hand knowledge of the actual culture on the ground and any external perceptions. This places governance professionals in an ideal position to identify and escalate pertinent information and practical insights, help advance the cultural framework agenda and coordinate teams on behalf of the board.

Perhaps even more fundamental is the governance professional's ability to influence culture at the board level. By accentuating the positives, minimising the negatives and utilising tools like board training and development, and board effectiveness reviews, the governance professional can create a shift in mindset that will result in different role-modelling behaviours. As an expert in governance, the governance professional will be the key adviser to implement new corporate governance measures.

Governance professionals can help arrange for the board to engage in informal ways between meetings to foster trust and build relationships.

Induction, training and succession

Board evaluation is increasingly acknowledged as an integral part of the process for improving board performance and dynamics, regardless of size, status or type of organisation, but not when considered only once a year. Sustainability is central as boards must strive to achieve continuing effectiveness and high performance throughout recurring annual cycles, not just around annual review time to 'tick the box'.

Where possible, the board should develop and maintain, in collaboration with senior management, a competency map (or board skills matrix) that identifies and scopes the skills and type of experience needed on the board now and into the future based on an understanding of the company's strategies, key stakeholder demands and increasing regulatory scrutiny of board effectiveness.
A board should also ensure that directors are evaluated based on their behavioural competencies. These qualities impact their relationships with others on the board and their decision-making contributions.

Governance professionals support the Chair and the board in determining skills requirements and membership appropriate to the organisation's purpose and strategy, and in achieving the proper mix of diversity and experience on the board and committees, consequently facilitating related succession planning requirements, as well as board evaluation and directors' induction, development and training requirements.

Governance professionals also have a crucial role as 'talent managers' for the board, ensuring that the talent within the boardroom is effectively nurtured and that new directors are valuable additions to the board. This includes promoting an effective induction and transition process, and providing customised continuous learning and development opportunities for board members.

Conclusion

In today's corporate world, there is a growing emphasis on the effectiveness of the board and its ability to continuously improve as a high-performance team. A highly effective board of directors can contribute significantly to the success of an organisation beyond its statutory requirements. It is a powerful source of added value to the company, as well as its customers, shareholders, directors, executives, employees and many other stakeholders. An equally effective governance professional plays a decisive and influential role in ensuring the board achieves sustainable effectiveness.

Patricia Hui FCG HKFCG(PE)
Lawyer and governance professional

Ms Hui's previous CGj article was published in the November 2023 edition of this journal.

The fundamentals of sound decision-making

Karin Malmström and Christine Houston, Co-founders and Managing Directors of Corporate Governance Reality Check, offer some tips for better decision-making by boards and senior executives.

Decision-making is the fundamental function and process of boards and senior executives. How decisions are made and by whom carries with it material risks for the organisation.

In recent years, we have seen examples of decision-making failures resulting in financial, legal and reputational meltdown. Two recent examples are FTX and OpenAI. Large corporations were caught up in global scandals because those at the top did not make sound choices or keep in mind the best interests of the company and its stakeholders. Why does this happen and how can we improve governance?

Decision-makers come to the table from different backgrounds, experience and expertise, and potentially come with a variety of assumptions and blind spots. Blind spots in the decision-making process can limit the effectiveness of any organisation. Being aware of, identifying, accepting and navigating blind spots is crucial for making well-informed decisions.

Primary areas where blind spots can occur

Confirmation bias

This happens when decision-makers seek out and focus on information that supports their pre-existing beliefs or preferences, while disregarding conflicting evidence or ideas. Coming into a board meeting with a fixed mindset – having already made up one's mind regarding a preferred outcome to an issue on the agenda – obscures and diminishes critical discussion. This can lead to important issues that may carry underlying, percolating risks not being considered and thus swept under the carpet, often to surface later in the shape of a crisis.

Highlights

- it is essential for organisational growth that the board and executive team are comprised of individuals who have diverse backgrounds and skill sets, as this leads to optimum functionality and competitiveness
- while consensus-building among executives is essential to decision-making and operating an organisation, simply agreeing because there is a lack of diversity of thought is dangerous
- overconfidence, whether it originates from personal or professional arrogance, is a deterrent to healthy group decision-making

> **groupthink is not governance – it is governing by taking the path of least resistance**

Groupthink
When the desire and push for consensus and cohesion within a group overrides critical thinking and independent analysis, flawed decision-making may result. There are many causes and reasons for groupthink. For example, some board members may not wish to rock the boat or table potentially contentious, complex or time-consuming topics for discussion that may displease others in the group. Another example is having too many decision-makers with the same backgrounds. Groupthink is not conducive to constructive problem-solving. Instead, it hinders and can possibly limit the company's opportunities for competitive growth due to insufficient thoughtful, varied discussion concerning essential issues.

Overconfidence
Executives may have an exaggerated belief in their own abilities or the organisation's capabilities, leading to underestimating risks or being dismissive of alternative viewpoints. Should fellow decision-makers bow to dominant executives who push their positions and views, especially if those dominant personalities are veterans of the company's industry sector, this can lead to subservience or acquiescence. Overconfidence, especially by the chairperson if he or she has an agenda that blinds them to realities and risks, can pose a material threat to the organisation.

Time pressure
Tight timelines and a need to come to resolution can force decision-makers to rely on incomplete or insufficient information and/or ignore issues of perceived lesser importance. Both lack of information and ignoring other 'smaller' issues can result in overlooking critical factors and risks. Making decisions because a resolution is required, but without conducting due diligence and gathering adequate information that supports or challenges the decision, can bring dire consequences at a later date.

Lack of diversity
Homogeneous decision-making teams lack perspectives from different backgrounds and experiences, leading to limited and biased decision-making. It circles back to groupthink and a closed mindset, which can either stagnate or, worse, dampen an organisation's growth. Engaging executives with varied professional experience, age, gender and cultural background can produce highly rewarding results. Fresh ideas and diverse opinions that trigger animated discussion and debate can potentially propel an organisation forward with new competitive advantages. It is essential for organisational growth that the board and executive team are comprised of individuals who have diverse backgrounds and skill sets, as this leads to optimum functionality and competitiveness.

Suggested solutions

How then does an organisation identify and navigate blind spots so that decision-making can become a highly productive process with optimal outcomes?

Confirmation bias
To enable and encourage best practices in the decision-making process, executives – having done their due diligence and while holding their own views clearly and firmly – can adopt an open mindset to consider others' viewpoints and opinions. This will allow for potentially alternative and even surprisingly good results that can yield enormous benefits for the organisation. The essential element of entering meetings with a mindset that has shifted to wider consideration, as well as trust in the people and the process, can relegate existing bias to the junkyard. By opening thought processes to expanded consideration, and not stubbornly clinging to opinions and beliefs that may no longer serve the company, leaders can catapult their organisation forward into a position of enhanced competitiveness.

Groupthink
Groupthink is not governance – it is governing by taking the path of least resistance. Going through the motions, box-ticking and not questioning or challenging the status quo is rife with material risk. While consensus-building among executives is essential to decision-making and operating an organisation, simply agreeing because there is a lack of diversity of thought is dangerous. To address this fundamental issue, look

> time pressure is not an excuse for the avoidance of sound decisions based on independent information, research or information-gathering

at the board structure to see if there are too many members with the same skill sets or backgrounds, and how long they have been serving on the board. While potentially unpleasant or temporarily upsetting, it may be necessary to consider adopting a fresh board structure to secure a sounder footing for the future.

Overconfidence

Overconfidence by any one decision-maker can be dangerous for the entire organisation. Overconfidence, whether it originates from personal or professional arrogance, is a deterrent to healthy group decision-making. Thinking one knows better than others and pushing agendas to make decisions slanted toward one's own views can steer the organisation off course from its strategic direction and create even more blind spots. Choosing decisions-makers who are professionally strong and capable, yet do not seek to project their opinions over other members, can bring not only the desired harmony and consensus but also better overall decisions for the greater advancement of the organisation.

Time pressure

Time pressure is not an excuse for the avoidance of sound decisions based on independent information, research or information-gathering. Nor is it a valid reason for simply passing resolutions. Doing one's homework prior to decision-making will have wide, long-lasting benefits. In addition, the decision-making process will be more productive and less time-consuming.

Lack of diversity

This is one of the most typical blind spots, because most companies look at diversity only in terms of gender. A dearth of diversity of opinions – made possible by including executives of varying ages, as well as different cultures, professional backgrounds and genders – is problematic. Individuals with similar backgrounds can create confirmation bias, groupthink and complacency, triggering a tendency to make the same decisions under time pressure. While having a group of diverse decision-makers may make the process lengthier or lead to livelier discussions, it can also lead to a far better result.

We call this 'corporate longevity'. The concept of corporate longevity is driven from the top and is practiced throughout any organisation, creating the future it sees for itself. Silo-bust those blind spots. Walk the talk.

Karin Malmström and Christine Houston, Co-founders and Managing Directors

Corporate Governance Reality Check

> *Corporate Governance Reality Check (CGRC) is a leadership consultancy focused on the governance of listed companies, SMEs, start-ups, and institutional and non-profit organisations. They can be contacted at: malmstrom@cg-realitycheck.com and houston@cg-realtiycheck.com.*

Board oversight after Covid and Ukraine

Philip Sidney, Senior Associate, Lintstock Ltd, provides a concise overview of the firm's latest research report on board oversight in challenging times, published in November 2023, and highlights the six key governance themes that emerged from the study.

Crises are a fact of corporate life and, as such, boards must always be prepared to respond to shocks as part of their oversight role, as well as assisting in their company's recovery once the crisis has passed. Whatever the size of a given organisation or the geography or sector it operates in, it is inevitable that business as usual will be disrupted by an unexpected problem or incident that has material consequences, perhaps even threatening the survival of the company. In these situations the board must oversee the company's response and communication with investors and stakeholders, as well as ensure that lessons have been learned once the dust has settled. While certainly not the most eagerly anticipated aspect of board service, most directors embrace the challenge when called upon. Certainly the events of recent times have tested the mettle of board members. The Covid-19 pandemic and the outbreak of war in Ukraine have made the past three years the most challenging period for corporate boards since the global financial crisis of 2007–2008.

Much in the same way as the financial crisis had an enduring impact on corporate governance, the pandemic and the Ukraine war will change how companies are run in the future – though in contrast to the financial crisis, the crises that hit in 2020–2022 were notably non-financial in nature. The response post 2008 was principally focused on financial services companies and on improving their financial risk monitoring and resilience. In contrast, the recent non-financial crises have implications for boards in a much broader range of areas, including employee well-being, geopolitical tensions, ESG, digital transformation, supply chain distribution and many more.

As a board evaluation firm that witnessed companies tackling the Covid and Ukraine crises in real time, we wanted to capture the learning from this period and explore director sentiment around the longer-term implications for corporate boards. Accordingly, we asked the boards of leading UK companies for their views on how the recent crises would affect corporate governance going forward. Over 150 directors and company secretaries participated (see Figure 1), and we are grateful to them for their engagement and candour.

The resulting report, Board Oversight in Difficult Times: Out of Covid into War – published in partnership with the UK All Party Parliamentary Corporate Governance Group – dives into the six key themes that emerged from our inquiry and examines the spread of opinion amongst directors on how Covid and Ukraine will affect governance at the top of organisations over the longer term, both in the UK and internationally. This article briefly outlines these themes.

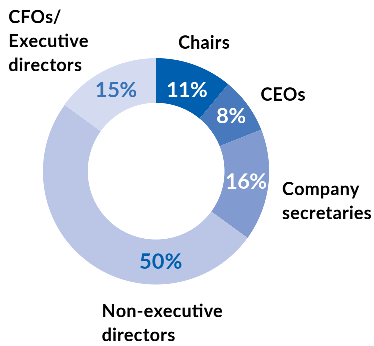
Risk management and scenario planning

Covid and the invasion of Ukraine took many boards by surprise. The pandemic in particular blindsided a lot of companies, and even companies in highly relevant industries such as insurance and pharmaceuticals did not have a health crisis on their radar, let alone their risk register. In board review exercises in 2021 it was common to see directors admit that they had not seen Covid coming, but also consoling themselves that other boards had not spotted it either.

As a result, much of the commentary on risk in our research suggested that companies need to rethink their approach in this area – there was a sense that focus on the minutiae of risk registers and risk matrices had left boards unprepared to face threats at a macro level. The need to widen the lens on risk was stressed and it was felt that even seemingly impossible risks ought to be analysed more closely – respondents repeatedly emphasised the importance of expecting the unexpected and thinking the unthinkable.

That said, there was recognition that it is not possible for boards to predict the future. In the absence of a crystal ball, it is unreasonable to expect organisations to consider and prepare for every possible scenario. Instead, it was suggested that boards need to focus on what they can control – namely the systems and processes that they have in place to respond to risks. Ensuring the companies that boards oversee can maintain business continuity, safeguard the well-being of employees and communicate with and reassure key stakeholders is crucial, whatever the nature of the next crisis.

Figure 1: Research participants



Agility and resilience

Agility and resilience were identified as hallmarks of a successful company coming out of the past few years. The

Highlights

- over 150 directors and company secretaries in the UK participated in Lintstock's latest research report on how the recent crises of 2020–2022 would affect corporate governance going forward
- these crises were predominantly non-financial in nature, impacting boards in a wide range of areas, such as employee well-being, geopolitical tensions, ESG, digital transformation and supply chain distribution
- companies in the future will need to be flexible enough to move quickly when required, while also possessing sufficient financial, material and human resources to weather a period of extreme turbulence

events of 2020–2022 have amply demonstrated that companies can be placed under severe pressure very quickly and it is clear in the continuing atmosphere of global instability that organisations worldwide are extremely vulnerable to being overtaken by events. The past few years have provided multiple stress tests and have drawn boards' attention to the dangers of being overlean – the emphasis is now less on 'just in time' and more on 'just in case'.

Encouragingly, the lessons that many companies learned in this area were felt by participants to have come in useful when dealing with the initial shock from the war in Ukraine – boards had become used to making quick decisions under conditions of uncertainty and then implementing them at pace, and so were in a position to deal swiftly with issues around employee safety and flexing their supply chain.

There is of course a balance to be struck between being swift-footed enough to respond to crises and having sufficient resilience to withstand the initial shock, but it is clear that companies in the future will need to have the flexibility to be able to move quickly when required, while also possessing the necessary financial, material and human resources to weather a period of extreme turbulence.

Technology and AI

Technological capability has long been an important attribute of a successful company, but Covid forced an acceleration on all organisations in this area. Amid national and international lockdowns, the need to move operations online effected a digital transformation overnight. Technology is now essential, and participants in our research noted the benefits in terms of increased efficiency and the environmental positives of paperless working and reduced travel.

There was also widespread consciousness of the risks that come with the growing dependency on IT and digital, however. It was noted that – having plugged into the technological revolution – companies must continually reinvest in up-to-date systems in order to stay ahead of their rivals, while the move online also heightens exposure to cyber risk. Boards are increasingly vigilant in this area and conscious of the need to keep up – in the board reviews we conduct, the addition of greater technological or digital expertise regularly features as a key recommendation.

Artificial intelligence (AI) also attracted considerable comment among our participants and recent developments in this area have meant that this topic has risen up boards' agendas this year, having attracted relatively little attention in board review exercises before then. Several board members identified AI as a significant risk, but there was a spread of opinion on whether the changes that this technology could make in the business paradigm present more potential upside or downside. We have spoken to a number of company secretaries who acknowledge the significant benefits of implementing AI (for example, improvements to pricing algorithms), but have serious concerns around the potential risks.

> “respondents repeatedly emphasised the importance of expecting the unexpected and thinking the unthinkable”

ESG and climate

ESG was a major area of focus among the participants in our research, reflecting the increased degree of airtime that it has received both in boardrooms and in wider conversations around corporate practice – one Chair stated that 'sustainability has rightly taken centre stage'. ESG is now 'the second bottom line' in the words of one non-executive – the success of a company is now judged by its environmental and social impact, as well as its operational and financial performance, and there is growing emphasis on stakeholder interests alongside shareholder returns.

The pandemic and the Ukraine conflict have intensified companies' awareness of the need to focus on non-financial as well as financial performance, and to ensure that their working practices, executive remuneration, tax affairs and supply chain do not expose them to reputational risk – and consequent commercial fallout.

There was, however, a degree of resistance to the level of focus on ESG, with some participants expressing particular concern around the reporting burden that it places on businesses. There are still question marks around how ESG performance should be assessed and measured – there was controversy earlier this year over tobacco companies such as Philip Morris International scoring higher than Tesla on the S&P 500 ESG Index – and we know of more than one board that is questioning whether they may have overreached themselves in their public ESG commitments.

Redrawing the working contract

Covid brought about significant changes in working practices, which in turn have major implications for companies' relationships with their workforce going forward. Working through the stresses of the pandemic brought many companies closer to their employees – boards demonstrated real interest in and focus on the safety and well-being of their staff, who are themselves grateful to boards for their support and concern through the crisis.

Yet if the pandemic has rewritten the contract between organisations and staff, it has also led to a change in expectations around ways of working, especially remote work. Many employees are unwilling to relinquish the benefits of working from home, but some companies are finding that this has negative implications for productivity – we know of one company who surveyed their employees and found that most felt that they were more efficient when working remotely, but then conducted an objective analysis of their output that suggested the opposite was the case.

The lack of time in the office was said to have had a particularly negative impact on young people at the beginning of their careers. Coupled with the level of competition for talent internationally – and with technological advancements making high-quality employees more mobile than ever – there is now a greater need for companies to devote serious focus to attracting, retaining and developing talent in order to ensure they have the requisite human resources for future success.

UK environment and policy

A remarkable feature of the feedback we received for our study was the pessimism around the UK business environment, as well as the level of disillusionment with the UK government and regulators. Directors expressed strong opinions around the level of regulatory and compliance burden faced by their companies and bemoaned the uncertainty and short-termism that make it impossible to plan for the longer term. One non-executive made reference to 'thoughtless game-changing policy leaps which overnight blow up business models'.

On the face of it, this theme might be less relevant to readers of this journal as Hong Kong does not necessarily face the same challenges as the UK – among them stagnating productivity, decaying infrastructure and the fallout of Brexit. Nevertheless, it does underscore the closeness of the link between political decisions and business success, and the need for trust between corporates and government. The UK government's handling of the pandemic, as well as the instability arising from the swift turnover of prime ministers in the last year, has engendered a lack of confidence that will impede growth.

Conclusion

Emerging from the pandemic and the initial fallout of the Ukraine conflict, companies face a complex and interconnected set of challenges that give rise to a bewildering array of risks. Alongside the traditional financial and operational considerations come geopolitical risk, climate risk, people risk and supply chain risk, among many others, with the ever-present threat of reputational consequences if they fail to succeed in any of these areas.

In many ways the fundamental task for boards today is to prioritise appropriately, allocating their limited time so as to be able to address short-term challenges while giving thought to the longer-term strategic picture. The key themes highlighted above each demonstrate the need for boards to balance the demands of the moment with the future success of their organisations.

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Lintstock is a London-based corporate governance advisory firm specialising in board effectiveness reviews. The firm conducts leading-edge research into governance issues, and hosts webinars and workshops for company secretaries around the world.

Climate change disclosures – is the world too focused on this topic?

Corporate Governance Paper Competition 2023 – Best Paper

In this second and final part of the Best Paper of the Institute's latest Corporate Governance Paper Competition, the authors provide justification for their stance that that the world is not too focused on climate change disclosures, but rather that it is still in its infancy, and envisage the future direction of climate change disclosure as we shift to a more sustainable future.

The Institute's annual Corporate Governance Paper Competition and Presentation Awards has been held since 2006 to promote awareness of corporate governance among local undergraduates. In 2023, the theme of the paper required students to discuss the issue of climate change disclosure and if the world is too focused on this topic. Part one, published in last month's journal, explored the current environmental, social and governance (ESG) regimes on a global basis and whether the world is excessively preoccupied with climate change disclosures.

Justifications for upholding our stance

With the widespread adoption of extensive climate change disclosure, it might appear that the world has become overly fixated on this issue. Yet, this proposition is countered by the following arguments.

Climate change disclosure as one of the green measures

Climate change disclosure is not the sole approach to achieving a green economy under the ESG frameworks. Other ways the world has emphasised this include the imposition of carbon tax, investing in energy transition and signing of cross-border agreements.

Carbon pricing is an effective economic signal to hold businesses accountable for their emissions and to encourage consumers to shift away from carbon-intensive goods and services, underpinning climate mitigation efforts. Singapore, Finland, Norway and Sweden are some jurisdictions where a carbon tax has been implemented. Take Singapore as an illustration. The Carbon Pricing Act was amended on 7 March 2023 to progressively increase carbon tax rates. Currently, 80% of the total national greenhouse gas (GHG) emissions from around 50 facilities in the power, water, waste and manufacturing sectors are covered by the carbon tax. It is undisputed that carbon tax plays a critical role in encouraging companies to adopt cleaner practices and reduce carbon emissions to cut costs, and in promoting sustainable customer behaviour by increasing the cost of carbon-intensive goods and services. Thus, carbon tax appears to be given much weight in forming part of a comprehensive suite of mitigation measures to support the global transition to a low-carbon economy.

Very often, the driving force behind business efforts is the government, which takes a leading role in fostering clean energy manufacturing by creating new opportunities to innovate. The Mainland, the biggest emitter of GHGs in 2021, topped the world in clean energy investment in 2022. With approximately half the world's low-carbon spending taking place in the Mainland, the country spent US$546 billion in 2022 on investments such as electric vehicles, batteries and renewables. In particular, much capital was allocated to developing renewables. In 2022, coal was used to generate more than half the national electricity, causing coal burning to become the major cause of global warming in the Mainland. To alleviate reliance

Highlights

- there is a wide gap between the increased coverage of climate change disclosure and the quality of that reporting, which remains a major concern, indicating that disclosure is still at an immature stage
- climate change disclosure significantly contributes to the promotion of green and sustainable finance in the global investment market, benefiting businesses, investors and geopolitical stability in the long term
- by providing a more comprehensive picture of a company's ESG risks and opportunities, technological advancements – including AI – may help prevent a disproportionate focus on climate change disclosure and ensure a broad range of sustainability issues is being addressed

allocating more resources towards climate change disclosure is a rational and proportional response

on coal, the country's Ministry of Finance has set the renewable power subsidy at US$607.26 million, which was allocated to wind farms, solar power stations and biomass power generators. Therefore, investment in energy transition is also at the heart of global green measures.

Intergovernmental collaboration is also of great significance in cultivating a global resilient corporate market amid the climate crisis. The Singapore–Australia Green Economy Agreement (GEA), signed by their respective trade ministers on 18 October 2022, is the world's first agreement combining trade, economic and environmental objectives. By reducing barriers to the trade in green goods and services, the GEA has resulted in a higher availability of environmentally friendly goods and services in the markets of Singapore and Australia. The GEA also boosts regulations and benchmarks that facilitate cross-border green activities, and support the advancement and commercialisation of green technologies. This could create favourable conditions for businesses and research institutes to collaborate with foreign partners, explore overseas investment opportunities and implement innovative technologies on a greater scale. The binding cross-border agreements could link like-minded international partners to contribute to the global disclosure on the environment and the economy, as well as to enhance global capacity to address climate change.

Nature of climate change disclosure justifies increased resource allocation

Considering the pressing nature of climate risks and the significant benefits arising from climate change disclosure on social, political and environmental aspects, allocating more resources towards climate change disclosure is a rational and proportional response.

Climate change is an imperative and irreversible crisis that necessitates immediate global action. According to a report by the Intergovernmental Panel on Climate Change in August 2021, the current rate of global warming has been described as a 'code red for humanity'. Despite current commitments to climate mitigation, global GHG emissions are projected to drop by only 1% by 2030. This falls short of the United Nations (UN) Net Zero Coalition's target of 45% reduction by 2030 to limit global warming to 1.5°C – thus, achieving the goals of the 2015 Paris Agreement will be beyond reach. The data therefore suggests that there is a need for rapid and deep reductions in GHG emissions in the upcoming decades.

As the UN has stated that the transition to a net zero global economy requires a minimum of US$90 trillion, the capital market will play a crucial role in attracting related large-scale investments. Climate change disclosure significantly contributes to the promotion of green and sustainable finance in the global investment market, benefiting businesses, investors and geopolitical stability in the long term.

First, climate scenario analysis helps businesses facilitate risk management or even foresee business opportunities. The 2°C scenario, a widely recognised threshold for limiting the growth of climate change, helps businesses to effectively identify and evaluate the potential impacts of climate risks on their business performance under a reasonable diversity of possible future climate states. This assists companies in mapping out strategic and financial plans resilient to climate change. The analysis could also project future business opportunities in emerging green markets, including but not limited to waste recycling, energy storage and green buildings. These markets are foreseen to be worth US$10.3 trillion to the global economy by 2050. Second, transparency and accountability in climate-related reporting can boost companies' reputations by demonstrating their commitment to sustainability and responsible business practices. Aside from attracting more capital from investors, such an approach helps retain employees and business partners who are concerned about environmental issues. Third, by providing clear and consistent climate-related data, climate change disclosure enables investors to make more informed decisions about where to allocate their capital. This allows investors to assess and compare different companies' financial exposure and risk management strategies in the long run, leading to more effective investment decisions. Fourth, climate change disclosure is likely to reduce geopolitical conflict. By building a common understanding of the challenges and opportunities associated with climate risks, different corporate sectors and countries can work hand in hand to address climate issues on a global scale. This is liable to reduce disagreements and conflicts that may arise due to differing priorities and perspectives, thus promoting a more sustainable global economy.

Climate change disclosure is in its infancy

Despite gaining increasing attention in the business world, climate change disclosure is still in its early stage of development, regardless of whether it is in developed, developing or underdeveloped jurisdictions. The following demonstrates that achieving a sustainable global economy with the use of climate change disclosure will be a gradual and long-term process.

While well-developed jurisdictions are stepping forward to bring the city-state in line with global standards, the scope of mandatory climate change disclosure remains limited since it only applies to certain sectors or companies. The UK, as the first G20 country to mandate climate change disclosure, only requires Britain's largest businesses to disclose climate-related financial information, commencing from April 2022. A similar case occurs in Hong Kong, Australia and Singapore. Starting from January 2024, mandatory climate change disclosure will apply to all listed companies in Hong Kong, while in Australia, large listed entities and large financial institutions will be required to disclose climate risks from the 2024/2025 financial year. In Singapore, only listed businesses in the finance, agriculture, energy, materials and transportation industries are required to prove full climate disclosures at present, while listed companies in other industries must follow the 'comply or explain' approach. Nonetheless, it is worth noting that Singapore also aims to make climate change disclosure mandatory for unlisted companies by fiscal 2030, as announced by the Sustainability Reporting Advisory Committee on 6 July 2023.

With fewer resources and capital, the less affluent and underprivileged countries will likely be more vulnerable to the impacts of climate change as they have less capacity to adapt and mitigate climate risks. Yet, the coverage of climate change disclosure is even narrower there, compared to wealthier countries. For example, in 2022, the Securities and Exchange Board of India introduced mandatory climate change disclosure under the new Business Responsibility and Sustainability Report, applying only to the top 1,000 listed companies. In South Africa, the government encourages businesses to make climate change disclosure in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework, however it has not made TCFD reporting mandatory. The above suggests that there is still room and potential for uniting the pace of developing a comprehensive climate change disclosure across the globe.

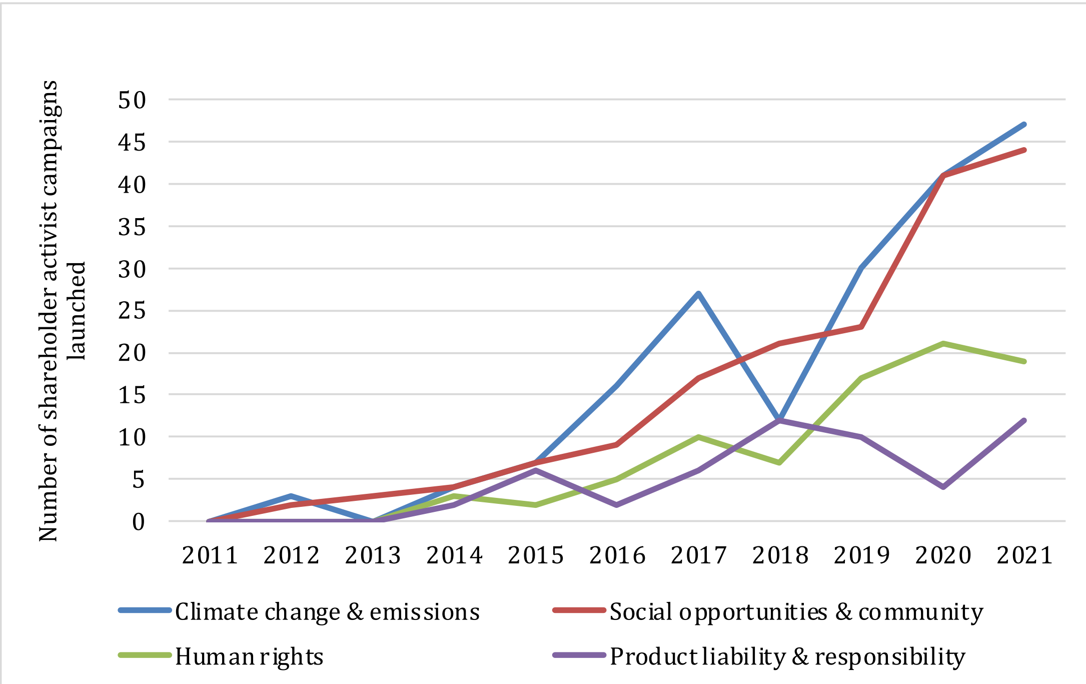
Besides, although more companies have taken part in climate change disclosure worldwide, the quality of the reporting remains a major concern. The fourth EY Global Climate Risk Barometer revealed that of the corporate reports analysed, while the score for coverage of climate change disclosure was 84% in 2022, the average score for quality was merely 44%. The wide gap between coverage and quality implies that some companies are not providing useful disclosures, or could even be practising greenwashing by making false disclosures. This indicates that climate change disclosure is still at an immature stage at present, especially in terms of lacking scrutiny regarding the quality of reporting.

Future direction

Call for continued focus

In response to mounting pressure from investors, governments and other stakeholders to prioritise sustainability, organisations will inevitably continue to place a strong focus on climate change disclosure. As a result of heightened scrutiny, businesses are now more motivated to put responsible practices first when making decisions about operations and expenditures. Regulation and policy should nonetheless continue to drive the incorporation of climate change disclosure and ESG into corporate strategy. Recommended climate change disclosure contents may be adopted by organisations in the framework of governance, strategy, risk management, and

Figure 1: Climate change as a top theme for environmental and social shareholder activist campaigns in recent years



Source: S&P Capital IQ, April 2022

metrics and targets, as discussed in part one under Governance.

Research and development (R&D) teams may further play an important role in retaining industry's focus on climate change disclosure through advancing sustainability practices. For example, R&D teams in automotive companies could develop electric or hybrid vehicles that reduce GHG emissions, while those in home appliance companies could develop energy-efficient products that reduce energy consumption. R&D teams could also collaborate with external stakeholders, such as universities and research institutions, to develop new solutions to environmental challenges. Companies can lessen their environmental effect while offering customers more sustainable options through developing these products. As a consequence, businesses would be able to disclose more precise and in-depth information in their climate change disclosures, thus propelling such disclosure practices forward.

Strike a balance

As justified above, the world is not overly concerned with climate change disclosure. Besides, there are adequate existing resolutions to prevent any overemphasis. Several regulatory bodies around the world, such as those identified in part one of this article under Environmental, have established frameworks and guidelines for climate change disclosures. It should be noted that these regulatory bodies not only provide regional and global frameworks for companies to report on climate change sustainability-related risks and opportunities, they also work to strike a balance between addressing climate change and addressing other crucial ESG issues in order to steer clear of any overemphasis. For instance, CDP Worldwide (CPD) provides businesses with a framework for disclosing their carbon emissions and risks associated with climate change. CDP also addresses additional ESG problems, ranging from supply chain management to water management. Instead of focusing merely on combating climate change, businesses can more thoroughly assure that they address a broad spectrum of ESG issues by adhering to the CDP framework.

Steps ahead

In support of existing resolutions it is proposed that, in the future, shareholder activism will revolutionise how firms approach ESG problems. Corporate disclosure of climate risks has been compelled by shareholder activism, with climate change themes at the top of shareholder activist campaigns in recent years (see Figure 1). This makes it harder for businesses to skirt these issues if they wish to remain competitive. To this end, dialogue with stakeholders can build confidence between companies and their external constituencies, while providing invaluable insights into potential improvement areas related to climate change disclosure objectives.

On top of that, it is submitted that technological advancements like artificial intelligence (AI), machine learning, blockchain, big data analytics and natural language processing designed specifically for climate change disclosures may enhance the precision and effectiveness of presenting such disclosures. These technologies can also be used to automate the monitoring and reporting of ESG metrics across all levels of an organisation's operations to ensure transparency. Furthermore, in terms of satellite data analysis as a cutting-edge technology, a variety of environmental variables, including carbon emissions, deforestation and air quality, may be monitored in real-time. AI algorithms can then be used to analyse financial data and identify companies that are exposed to climate-related risks, such as those in high-carbon industries or those with significant exposure to climate-related disasters. Such information can be used by investors and other stakeholders to make informed decisions about their investments and to encourage companies to improve their sustainability practices. Also, to spot gaps or inconsistent disclosure, natural language processing algorithms can be employed when reviewing ESG reports and other sustainability-related materials. By providing a more comprehensive picture of a company's ESG risks and opportunities, AI may help prevent a disproportionate focus on climate change disclosure and ensure a broad range of sustainability issues is being addressed.

Overall, advanced technology has the potential to revolutionise climate change disclosure by providing more comprehensive information on environmental impact, identifying climate-related risks and opportunities, and improving sustainability practices to ensure an equitable focus on sustainability in lieu of simply climate change. Nevertheless, it is of utmost importance to make sure that governments and businesses use emerging technologies with integrity and responsibility, and that its use in promoting climate change disclosure is transparent and accountable.

Conclusion

As the globe grapples with the ripples of climate change, an immediate response is needed to this worldwide catastrophe. Climate change disclosure serves as an essential tool for companies to address the challenges and opportunities associated with climate change, and to promote transparency and accountability in their operations. With the goal of tackling the global challenge of climate change, which was stated as SDG 13 (Climate Action) in the 2030 Agenda for Sustainable Development, an assortment of regimes is currently available in various jurisdictions, delivering frameworks and guidelines for businesses' climate change disclosures and sustainability practices. In conclusion, it is our stance that the world is not too focused on climate change disclosures, but rather that it is still in its infancy. As we pursue our transition to a more sustainable future, continuing our focus on climate change disclosures with extra support from technological advances is unequivocally a step towards the ideal path.

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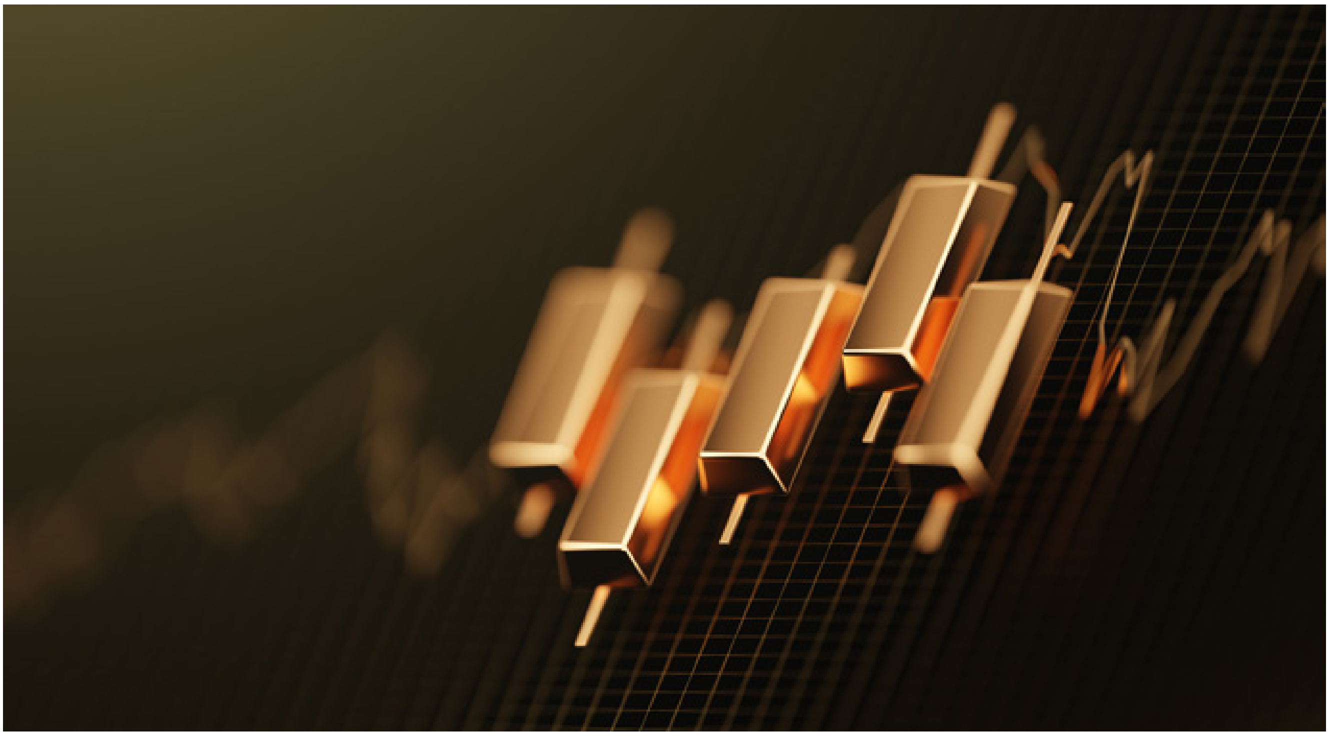
This two-part article is the winning paper of the Institute's annual Corporate Governance Paper Competition for 2023, titled 'Climate change disclosures: an overlooked priority in the world's agenda?', under the theme 'Climate change disclosures – is the world too focused on this topic?' More information on the competition and the full version of the Best Paper, along with those from the First Runner-up and Second Runner-up, are available under the Studentship section of the Institute's website: www.hkcgi.org.hk.



HKEX announces consultation on proposed changes to treasury share Listing Rules

Billy Wong, Partner, Morgan Lewis, provides a clear overview of the recent proposals to introduce a new treasury share regime in Hong Kong and how this would benefit Hong Kong incorporated companies.

Hong Kong Exchanges and Clearing Ltd (HKEX; the Exchange) recently published a consultation paper announcing the launch of a two-month consultation on proposed rule amendments to introduce a new treasury share regime, giving issuers greater flexibility in managing their capital structure through the resale of treasury shares.

HKEX is proposing to remove the requirement to cancel repurchased shares under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd (the Listing Rules). If such a requirement is removed, listed companies would be able to repurchase shares and hold them in treasury for future resale, if authorised by the laws of their places of incorporation and their constitutional documents.

It is worth noting that such a proposed removal will be accompanied by a framework in the Listing Rules to regulate the resale of treasury shares. The proposed framework will ensure a fair and orderly market, as well as fair and equal treatment of all shareholders on the resale of treasury shares.

HKEX's proposals apply equally to the Rules Governing the Listing of Securities on GEM.

Treasury shares not currently permitted in Hong Kong

Currently, upon a listed issuer repurchasing its own shares, Rule 10.06(5) of the Listing Rules automatically cancels the listing of the repurchased shares and requires the issuer to ensure that the documents of title of the repurchased shares are cancelled and destroyed as soon as reasonably practicable following the settlement of any such repurchase.

Similarly, the Hong Kong Companies Ordinance requires a Hong Kong incorporated company to cancel repurchased shares. Therefore, both the Listing Rules and the Companies Ordinance presently prevent repurchased shares from being held in treasury for later resale.

The main reasons for such limitation are to:

- safeguard against the risk of market manipulation by issuers repeatedly repurchasing and reselling their own shares on the market, and
- prevent insiders from trading in the shares to benefit from non-public information about share repurchases and resales of treasury shares.

Motivation behind proposed treasury share regime

HKEX's proposals are triggered by the following factors:

Development of regulatory framework for treasury shares in Hong Kong and overseas jurisdictions

Since the rewriting of the Companies Ordinance in 2008, the laws of various jurisdictions have changed to allow companies to hold treasury shares for future resale. As of today, approximately 92% of issuers listed on the Exchange are incorporated in overseas jurisdictions (for example, Bermuda, the Cayman Islands or Singapore) that allow holding and flexibly using treasury shares.

However, due to the Listing Rules' requirement to cancel repurchased shares that these overseas issuers must follow as a listed company on HKEX, those overseas issuers are still unable to hold treasury shares despite development in the regulatory framework in their respective place of incorporation.

Meanwhile, the Companies Ordinance in Hong Kong has remained unchanged in this regard since 2008 and listed issuers incorporated in Hong Kong – accounting for the remaining 8% – are still prohibited from holding treasury shares under the Companies Ordinance.

Therefore, HKEX's proposals seek to address this inconsistency by aligning the Listing Rules with the prevailing regulations in other jurisdictions that permit treasury shares.

Benefits of a treasury share regime

On the one hand, HKEX acknowledges that repurchasing shares can serve various purposes for companies, including:

Highlights

- the proposed rule amendments to introduce a new treasury share regime in Hong Kong would give issuers greater flexibility in managing their capital structure, and would enable listed companies to repurchase shares and hold them in treasury for further resale, subject to a regulatory framework
- the proposed amendments would align the Listing Rules with the prevailing regulations in other jurisdictions, where 92% of the HKEX listed issuers are currently incorporated
- the comprehensive proposals of the treasury share regime are a positive development in optimising the attractiveness of Hong Kong's listed market

- returning cash to shareholders
- adjusting the debt-to-equity ratio
- increasing earnings per share or other metrics based on the number of outstanding shares
- facilitating the exit of shareholders from the company, and
- signalling to the market that its shares are undervalued.

On the other hand, HKEX's proposals aim to allow issuers to hold repurchased shares in treasury for subsequent resale when market conditions allow. This would provide an alternative means of raising funds through reselling treasury shares in small lots on the market at full market price, rather than via a placing that involves new shares typically sold at a discount.

As a result, issuers would have greater flexibility in adjusting their capital structure quickly, thereby potentially reducing their cost of capital.

HKEX's proposals for the Listing Rules

We discuss below the key features of the proposed amendments to the Listing Rules relating to treasury shares.

Proposal to remove requirement to cancel repurchased shares

HKEX proposes to amend the Listing Rules to remove the requirement to cancel repurchased shares. By doing so, HKEX would enable issuers to hold repurchased shares in treasury subject to the laws of their places of incorporation and their articles of association or equivalent constitutional document.

Proposals to treat resale of treasury shares as new shares

Since a resale of treasury shares impacts existing shareholders in a similar manner as an issuance of new shares, HKEX proposes to amend the Listing Rules to apply the current requirements for an issuance of new shares to a resale of treasury shares by a listed issuer.

Resale of treasury shares to be conducted on a pre-emptive basis or with a shareholders' mandate. HKEX proposes that a resale of treasury shares shall:

- be subject to pre-emption similar to an issuance of new shares under the Listing Rules, and
- be offered to all shareholders on a pro rata basis or, alternatively, approved by shareholders under a specific mandate or a general mandate approved in advance by shareholders.

Share scheme. Under HKEX's proposal, a share scheme using treasury shares to satisfy share grants would be treated as a share scheme funded by new shares under the Listing Rules.

Other proposals for resale of treasury shares. HKEX proposes the following additional requirements on the resale of treasury sales to ensure the protection of shareholders:

- a resale of treasury shares to a connected person subject to the same connected transaction requirements as an issue of new shares under the Listing Rules
- a requirement for issuers to disclose their resale of treasury shares and any movement in the number of treasury shares under different parts of the Listing Rules in relation to the announcement, listing document, next-day disclosure return, monthly return and annual report, and
- a requirement for issuers to comply with the documentary requirements under the Listing Rules for its resale of treasury shares.

Risk mitigation proposals

Currently, the Securities and Futures Ordinance (SFO) restricts all activities, including any dealings by a listed issuer in its treasury shares, that amount to stock market manipulation and insider dealing. In addition to the SFO's restriction, HKEX proposes additional requirements to ensure that a fair and orderly market is maintained after the proposed relaxation.

Proposed 30-day moratorium period for share repurchases and resales of treasury shares. HKEX proposes to impose a 30-day moratorium period on:

- any resale of treasury shares (whether on or off market) after a share repurchase, and

- an on-Exchange share repurchase after an on-Exchange resale of treasury shares.

The proposed restriction on resale ensures that resales do not take place at a price that has been affected by the issuer's previous share repurchase. Further, the proposed constraint on on-Exchange share repurchase deters issuers from repeatedly repurchasing and reselling their own shares on the market to make a trading profit or manipulate the share price.

Dealing restrictions for resale of treasury shares on the Exchange. HKEX proposes to prohibit a resale of treasury shares on the Exchange:

- when there is undisclosed inside information
- during the one-month period preceding a results announcement, or
- if the resale is knowingly made with a core connected person – however, HKEX proposes that an on-market resale of treasury shares to a connected person without knowledge would be fully exempt from the Listing Rules relating to connected transactions.

New listing applicants
Under HKEX's proposals, new listing applicants can retain their treasury shares upon listing but must disclose details of its treasury shares in its prospectus.

HKEX also proposes a lock-up requirement to restrict new listing applicants from reselling their treasury shares or entering into any agreement for resale within six months after listing.

Amendments in other parts of the Listing Rules
Voting rights attached to treasury shares. Despite voting rights attached to treasury shares normally being suspended by law, HKEX's proposals make it clear under the Listing Rules that issuers (being holders of treasury shares) should abstain from voting on matters that require shareholders' approval under the Listing Rules. This would also prevent controlling or substantial shareholders from using treasury shares as a means to consolidate their control of the issuer.

Excluding treasury shares in the calculation of issued shares. As treasury shares are held by issuers themselves and the rights attached to them are normally suspended by law, HKEX proposes to exclude treasury shares when calculating an issuer's issued shares and voting shares for the purposes of determining:

- the issuer's public float
- the issuer's market capitalisation
- the equity capital ratio for size test calculation
- the size limit for issuing or purchasing securities as a percentage of the issued shares
- a person's percentage of rights to vote at a general meeting of the issuer, and
- a person's percentage interest in the issuer.

Disclosure of an issuer's intention to hold treasury shares. HKEX proposes to require an issuer to disclose in the explanatory statement its intention as to whether the repurchased shares will be cancelled or kept as treasury shares. This would enable shareholders to understand the potential impact of the proposed share repurchases and to vote accordingly.

Resale of treasury shares through agents or nominees. HKEX proposes to clarify that a resale of treasury shares by an issuer or its subsidiary through an agent or nominee would also be subject to the proposals set out in the consultation paper.

Conclusion
While affording more flexibility for issuers to hold treasury shares, HKEX's proposals also include several important regulatory safeguards for preventing market manipulation and ensuring fair shareholder treatment.

The comprehensive proposals of the treasury share regime are therefore a positive development in optimising the attractiveness of Hong Kong's listed market. The two-month consultation ended on 27 December 2023.

Billy Wong, Partner
Morgan Lewis

Freshfields whistleblowing survey 2023: the Hong Kong perspective

Stephanie Chiu, Counsel and Head of Asia People & Reward, and Rachel Harris, Associate, People & Reward, of global law firm Freshfields Bruckhaus Deringer, reflect on the results of the firm's latest whistleblowing survey with a spotlight on trends in Hong Kong, where attitudes to whistleblowing remain generally positive, although some work still needs to be done.

The results of the latest Freshfields whistleblowing survey suggest that attitudes towards whistleblowing remain positive in Hong Kong. Over 2,500 participants across 13 industries and five regions (the UK, the US, France, Germany and Hong Kong) responded to the survey, which aims to gauge attitudes towards whistleblowing. This is a survey we run every three years and was last conducted in 2020.

In recent blog posts, we examined the impact of hybrid working on speak-up culture and the US trends emerging from the survey results. In this article, we consider the key points for Hong Kong, particularly compared with the results of the 2020 whistleblowing survey, as well as the key takeaways for employers.

Increased involvement in whistleblowing

Overall, 47% of respondents in Hong Kong reported being involved in whistleblowing in some way, whether as the whistleblower, the recipient of a whistleblowing report or seeing a colleague blow the whistle. This is slightly higher than the percentage of respondents who reported the same in all five jurisdictions (43%) and was surpassed only by the US (60%).

As in the 2020 survey, Hong Kong topped the charts for the number of respondents who have been whistleblowers themselves, at 27%. The average across the five jurisdictions was much lower, at 17%. In 2020, the proportion of Hong Kong respondents who identified as having been whistleblowers was 19%.

The increased involvement in whistleblowing suggests that respondents continue to recognise whistleblowing as the key channel to report wrongdoing in Hong Kong. The willingness of respondents in Hong Kong to blow the whistle is surprising for two main reasons. For one, Hong Kong has a more reserved working culture (particularly compared with the US and the UK) and individuals are generally less willing to speak up, especially in relation to matters involving their managers or someone more senior than them.

Another reason is that there are still no formal or comprehensive protections for whistleblowers in Hong Kong.

Nevertheless, there have been some positive developments in this area since our 2020 survey. For example, the Hong Kong Stock Exchange upgraded the requirement for listed issuers to implement a whistleblowing policy from a Recommended Best Practice to a Code Provision in the Corporate Governance Code (the Code). The Code Provision requires listed issuers to establish a whistleblowing policy and system for employees and those who deal with the listed issuer to raise concerns, in confidence and anonymously, with the audit committee (or a designated committee comprising a majority of independent non-executive directors) about possible improprieties or any matter related to the listed issuer. This Code Provision came into effect on 1 January 2022 and imposes a ‘comply or explain’ obligation on listed issuers.

However, there is currently no general obligation for non-listed companies in Hong Kong to put in place whistleblowing policies, nor any binding requirements as to what those policies might look like.

Highlights

- over 2,500 participants across 13 industries in the UK, the US, France, Germany and Hong Kong responded to a recent survey on attitudes towards whistleblowing, with 47% of respondents in Hong Kong reporting being involved in some way, a percentage only surpassed by the US
- given that almost half of the respondents did not think an average employee would know about their employer’s whistleblowing policy, employers could increase awareness of such policies by holding regular training for all employees on the importance of speaking up, including details of the company’s whistleblowing policies and key points of contact
- employers could put in place whistleblowing policies with robust non-retaliation provisions – and demonstrate their resolve to enforce these protections – to reassure employees that making a whistleblowing report will not have any negative impact on their career prospects or lead to retaliatory treatment

> **Hong Kong topped the charts for the number of respondents who have been whistleblowers themselves, at 27%**

The fact that a speak-up culture is still prevalent in Hong Kong, particularly in contrast to jurisdictions that are more protective of whistleblowers (or even offer financial incentives), is therefore noteworthy.

Awareness of whistleblowing policies and procedures

51% of respondents in Hong Kong felt that the average employee would know that there is a whistleblowing procedure in place in their organisation and would therefore know what to do should an incident of wrongdoing arise. This is up from 45% in our 2020 survey results and is higher than the overall percentage of respondents across all five jurisdictions (47%).

72% of respondents in Hong Kong felt that managers in their organisation are adequately trained to handle incidents of whistleblowing, which is higher than the overall average across other jurisdictions (61%).

These results are positive for employers in Hong Kong, indicating that implementation of whistleblowing policies, and efforts to publicise them, is not going unnoticed by employees. It is equally positive that these policies are not simply put in place and forgotten about, as respondents clearly feel that managers understand their company's position on whistleblowing and would know how to deal with a report appropriately. There is, however, still some work to do in this area, given that almost half (49%) of the respondents did not think an average employee would know about their employer's whistleblowing policy. Employers could increase awareness of their whistleblowing policies by holding regular training for all employees on the importance of speaking up, including details of the company's whistleblowing policies and key points of contact.

Decreased trust in direct managers?

Publicising a company's whistleblowing policies, and in particular any non-retaliation provisions, may also assist in rebuilding trust in managers as whistleblowing channels, which appears to have decreased since 2020. The number of Hong Kong respondents who would report wrongdoing to their direct line manager in the first instance has gone down from 45% in 2020 to 31% this year, and the number of respondents who would go directly to external authorities has increased (30% in 2023, up from 23% in 2020).

The fluctuation in these responses – and the fact that respondents are now just as likely to report wrongdoing to their line manager as they are to report externally to the authorities – suggests that whistleblowers in Hong Kong are becoming less trusting of their line managers, despite the high percentage of respondents who thought that managers in their organisation were adequately trained. The reluctance to report to their direct line manager is partly explained by half (52%) of Hong Kong respondents citing potential harm to their reputation or career prospects as a reason why an individual would not blow the whistle. The same number of respondents (52%) also agreed that a whistleblower might be prevented from making a report if their report would not remain anonymous.
The apparent drop in respondents who would make a report to their line manager is therefore less of a reflection on the managers and more a question of the perceived impact on the whistleblowers.

Employers have a key role to play in addressing these concerns. By putting in place whistleblowing policies with robust non-retaliation provisions (and demonstrating their resolve that these protections will be enforced), employees can be reassured that making a whistleblowing report will not have any negative impact on their career prospects or lead to retaliatory treatment. For respondents in Hong Kong, anonymity is clearly a key concern. Employers should therefore consider how best to address this in their policies, whilst balancing the consideration that anonymous reporting often makes it difficult for companies to gather further information for an investigation.

Stephanie Chiu, Counsel and Head of Asia People & Reward, and Rachel Harris, Associate, People & Reward
Freshfields Bruckhaus Deringer

To access the full survey, please click here.

HKU SPACE
香 港 大 學 專 業 進 修 學 院
HKU School of Professional and Continuing Education

75th CHARTERED GOVERNANCE Hong Kong YEARS ANNIVERSARY

Certificate for Module

(The Hong Kong Chartered Governance Institute Examinations Preparatory Programme)

This programme is endorsed by The Hong Kong Chartered Governance Institute (HKCGI). The aim is to develop students with the knowledge and skills necessary to write the professional examinations of the Chartered Governance Qualifying Programme (CGQP), which is recognized worldwide.

COURSE INFORMATION

Intake: 3 intakes per year (Spring, Summer & Autumn)
Teaching Venue: Any of the HKU SPACE's Learning Centres on Hong Kong Island

Programme Title	QF level	QR Registration No.	QR Registration Validity Period
Boardroom Dynamics 4	4	21/001317/L4	01 Dec 2021 - on-going
Corporate Governance 4	4	21/001318/L4	01 Dec 2021 - on-going
Corporate Secretaryship and Compliance 4	4	21/001319/L4	01 Dec 2021 - on-going
Hong Kong Company Law 4	4	21/001320/L4	01 Dec 2021 - on-going
Hong Kong Taxation 4	4	21/001321/L4	01 Dec 2021 - on-going
Interpreting Financial and Accounting Information 4	4	21/001322/L4	01 Dec 2021 - on-going
Risk Management 4	4	21/001323/L4	01 Dec 2021 - on-going
Strategic Management 4	4	21/001324/L4	01 Dec 2021 - on-going

TARGET STUDENTS

1. Be 21 years old or above. (Students should be either a Hong Kong permanent resident or have valid permit to study in Hong Kong)
2. Students aiming to prepare for the HKCGI CGQP examinations.

Award:

Certificate for Module

Fee per subject:

HK$4,700 (36-hour lectures)
HK$6,200 (45-hour lectures)

All fees paid are NOT refundable, unless the programme is oversubscribed or cancelled. All fees are subject to revision.

This course has been included in the list of reimbursable courses under the Continuing Education Fund.

4 This course is recognised under the Qualifications Framework (QF Level 4).

CONTACT INFORMATION
Programme Enquiries (HKU SPACE)

(852) 2867 8485
hkcgi@hkuspace.hku.hk

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> sustainability and ESG are not only beneficial for your own company, they also help transform the entire industry and contribute to global change

Emily Ng ACG HKACG,
Senior Manager, ESG,
ANTA Sports Products Ltd

Emily Ng ACG HKACG

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

'I studied finance at university and my first job was in banking as a relationship officer. After working for one to two years, I realised it wasn't what I wanted, so I went to HKU SPACE to take an executive certificate course in investor relations. After completing the course, I joined my current company – a listed sportswear company – and have been here for nine years. When I first joined, I worked in the Investor Relations Department but later moved to the Sustainability Department, where I am responsible for publishing ESG reports, data management and more.'

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

'I heard the term company secretary from friends. At that time, we had just graduated and were considering further qualifications that we could pursue, such as Chartered Financial Analyst, Certified Public Accountant, Financial Risk Manager and Association of Chartered Certified Accountants. I asked many people what would be helpful if I wanted to pursue a career in investor relations. A senior colleague suggested that I could obtain a qualification to become a company secretary. She explained that working in investor relations requires frequent interactions with different institutional investors who may not be familiar with Hong Kong's Listing Rules. This recommendation really made an impression on me.'

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

'Company secretaries have to be very detail-orientated as they handle a lot of confidential information. They also need to constantly update their knowledge of the Listing Rules and to stay informed of changes in both the Hong Kong and overseas markets. As regulatory authorities in Hong Kong routinely issue consultation papers and seek opinions, the company secretary needs to be aware of current market developments. Other required skills can be developed through the course of the job.'

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 chose to take the Chartered Governance Qualifying

Programme examinations. In the month leading up to the exams, I studied until 3am or 4am every day. Students who decide to take the exams need to be mentally prepared as this requires a significant amount of effort and can take one or two years of groundwork. I would therefore recommend that, if you have no prior knowledge of the subject, you enrol in some short-term courses. For the younger generation who want to enter this field, it would be useful to experience different types of job. There are many aspects to governance and I believe that, while young, you should explore and find a job you enjoy and then develop your career from there.'

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?

'The change I see now is that everyone is making a concerted effort to promote sustainability and ESG, but many companies don't know how to go about it. Sustainability and ESG are not only beneficial for your own company, they also help transform the entire industry and contribute to global change. So it's an interesting career because you engage both with companies and with various stakeholders. I believe that as times change, many people – including the general public – will come into contact with governance. Nowadays, many companies are relatively small and it's possible that an administrative employee could also be responsible for governance-related tasks. One outcome of the pandemic is the increased attention being paid to governance issues by everyone.'

吴汝怡女士ACG HKACG

> 可持续性与 ESG 不只对你的公司有好处，还可帮助改变整个行业，以及整个世界

吴汝怡女士 ACG HKACG — 安踏体育用品有限公司高级ESG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？

‘我大学修读金融，第一份工作是银行的客户主任。在工作一、两年之后，我发觉这不是自己想要的东西，于是到香港大学专业进修学院报读投资者关系的行政人员证书课程。完成课程后加入了现职的上市体育用品公司，到现在已经九年。我刚入职时是在投资者关系部门工作，之后转职到可持续发展部门，负责出版 ESG (环境、社会及治理) 报告、数据管理等等的工作。’

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？

‘我是在朋友口中听到公司秘书的，当时大家刚刚毕业，正考虑可以再考取什么资格，比如特许金融分析师、会计师、金融风险管理师、特许公认会计师。我当时问过很多人的意见，如果我想在投资者关系这行业发展，究竟修读什么会对我有帮助呢？当时有位前辈建议我报读公司秘书有关的课程，她说，因为从事投资者关系需要经常接触不同的机构投资者，他们未必熟悉香港的上市规则。这建议留给我很深的印象。’

您认为成为一名成功的治理专业人士需要具备哪些素质？

‘做公司秘书一定要很细心，因为要处理很多机密信息。公司秘书也要随时更新自己对上市规则的知识，了解香港和国外的市场发生了什么变化。香港的监管机构经常发出咨询文件，征求意见，所以公司秘书要知道市场的最新发展。其他需要的技能都可以在工作过程中慢慢训练出来。’

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？

‘我选择参加特许公司治理专业资格考试。考试前一个月，我每天温习到清晨三、四点。所以决定要考试的同学要有心理准备，考试需要付出很大努力去温习，可能需要准备一、两年。所以我会建议，如果对这个专业完全不了解，可以先报读一些短期课程。年轻的朋友想入行的话，可以多尝试不同类型的工作。治理有很多层面，我觉得应该要趁年轻多作不同的尝试，找一份自己喜欢的工作，然后发展下去。’

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？

‘我现在看到的改变是，大家都很努力推动可持续性与ESG，但很多公司都不知道从何入手。可持续性与 ESG 不只对你的公司有好处，还可帮助改变整个行业，以及整个世界。所以这个职业挺有趣的，你不只接触到公司，还接触到很多不同持份者。我相信随着时代变化，很多人、包括公众都有可能接触到治理。现在很多公司规模比较小，可能一位行政人员也需要负责与治理有关的工作，而且疫情之后大家对治理也更加关注了。’

Professional Development

Seminars: December 2023

4 December
Company secretarial practical training series: change in directors, officers and other corporate positions – practice and application

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

6 December
Learning from mistakes: Listing Rules compliance and enforcement

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

Speakers: *Christina Lee, Partner, Brian Wong, Partner, and Roberta Chan, Partner, Baker McKenzie*

12 December
Audited financial statements: where and what can we look for?

Chair: *Daniel Chow FCG HKFCG(PE), Institute Treasurer, Professional Development Committee Vice-Chairman, Qualifications Committee member and Investment Strategy Task Force member, and Senior Managing Director, Corporate Finance and Restructuring segment, FTI Consulting (Hong Kong) Ltd*

Speakers: *John Wong, Managing Director, Somerley Capital Ltd; Ricky Lai FCG HKFCG(PE), Company Secretary, China Renewable Energy Investment Ltd; and Sean Lam, Senior Managing Director, Forensic & Litigation Consulting, FTI Consulting*

14 December
Navigating fund governance: best practices for effective fund setup and fund administration

Speakers: *Willa Chan ACG HKACG, Founding Principal, Willa Legal; Derek Tsoi, Commercial Director, Fund Services, Intertrust Group (a CSC company); and Eric Chow, Founding Chairman, The Association of Fund Administrators of Hong Kong and the Greater Bay Area (panellist)*

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 Fellows

The Institute would like to congratulate the following Fellows elected in November and December 2023.

Chan Wai Mee FCG HKFCG

Ms Chan is the Executive Director of CEO Corporate Services Ltd. She has extensive experience in global company formation and financial licence applications. Ms Chan holds a master's degree in professional accounting and corporate governance from City University of Hong Kong and a master's degree in corporate governance from The Hong Kong Polytechnic University.

Liu Wei FCG HKFCG

Dr Liu is one of the leading professional legal practitioners in Hong Kong. He has extensive experience in mergers and acquisitions and foreign-related litigations, and provides advice on corporate and capital market affairs. Dr Liu has held various positions as Senior PRC Legal Advisor, Head of PRC Business, Managing Partner and Chief Representative of the PRC Office in several internationally renowned law firms.

O Ching Yuan FCG HKFCG

Ms O is a solicitor of the High Court of Hong Kong and is a Legal Counsel of Modern Terminals Ltd. Ms O holds a bachelor of arts degree from The University of Hong Kong and an LLB from Manchester Metropolitan University. She also holds a master's degree in strategic human resources management from Hong Kong Baptist University. Ms O is also an appointed Civil Celebrant of Marriages in Hong Kong.

Pang Chau Sheung, Rosa FCG HKFCG

Ms Pang is a Chartered Governance Professional and a solicitor based in Hong Kong. She was admitted to the Institute of Chartered Secretaries & Administrators as an associate in 1988 and is currently a Partner of Messrs Elsa Law & Co Solicitors. Ms Pang obtained an LLM from Peking University and an LLM from The University of Hong Kong. Her areas of practice are intellectual property law and business law.

Wang Jiaojiao FCG HKFCG

Ms Wang is the Assistant Company Secretary of China Oriental Group Company Ltd (Stock Code: 581). She has previously held managerial positions at several listed companies in Hong Kong and has extensive experience in company secretarial practice, corporate governance and financial reporting. Ms Wang obtained a bachelor's degree in English from Fujian Agriculture and Forestry University, a master's degree in computer-aided translation from The Chinese University of Hong Kong and a master's degree in corporate governance from The Hong Kong Polytechnic University.

Wang Jun FCG HKFCG

Mr Wang is the Director, Senior Vice-President and CFO at Huayou Cobalt Industry. Mr Wang has had extensive experience in management of the non-ferrous metal and new energy materials industry for almost 30 years. He also has many years of practical experience in industry management, corporate governance, financial management, capital operation and on-site management of large overseas mining companies. Mr Wang holds an MBA from Tsinghua University. He is a member of the Chartered Institute of Management Accountants and a member of the China Enterprise Standards Advisory Committee.

Wang Yanfeng FCG HKFCG

Mr Wang is the Co-Managing Partner of the China office of Clifford Chance. He has extensive experience in cross-border mergers and acquisitions and equity capital markets. He has actively advised large Chinese companies on their outbound investments and overseas listings, and was an in-house counsel of two large Chinese listed companies. Mr Wang obtained his LLB from Wuhan University and an LLM from the University of London.

Zeng Wenjia FCG HKFCG

Ms Zeng is the Head of Investor Relations and Corporate Communications of Tiande Chemical Holdings Ltd (Stock Code: 609). Ms Zeng has over 15 years of experience in corporate governance, investor relations, corporate finance and M&A across multiple industries and jurisdictions. Ms Zeng holds a master's degree in corporate governance from The Hong Kong Polytechnic University and a master's degree in communication from Hong Kong Baptist University.

Membership (continued)

Zhang Rui Xiang FCG HKFCG
Mr Zhang has long-term experience in the operation of listed companies, information disclosure and financing in the capital market. He is an economist. He serves as Board Secretary and Director of the Board Secretary's Office, Company Secretary and Authorized Representative of Tsingtao Brewery Co Ltd (Stock Code: 168). Mr Zhang obtained an EMBA from Shanghai University of Finance and Economics.

Zhu Qin FCG HKFCG
Ms Zhu is the Vice-President, Chief Compliance Officer, Chief Risk Officer and Secretary of the Board of Directors of Everbright Securities Company Ltd. She is responsible for company compliance, risk management and corporate governance. Ms Zhu obtained a bachelor's degree in economics from Wuhan University and a master's degree in economics from Shanghai University of Finance and Economics.

Cheung Ka Ki FCG HKFCG
Company Secretary and Head of Corporate Governance
Hang Seng Bank (Stock Code: 11)

Kwok Yan Ting, Jennis FCG HKFCG
Company Secretary
Radiance Holdings (Group) Company Ltd (Stock Code: 9993)

Lam Wing Hung FCG HKFCG
Senior Finance Manager
Town Health Corporate Advisory and Investments Ltd (Stock Code: 3886)

Wong Yan Yan FCG HKFCG
Associate Director
Acclime Corporate Services Ltd

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

Au Pui Chi	Ip Chun Wai	Lam Hoi Hing	Ma Shanae
Au Yeung Kit Ying	Ko Kei Wa	Lau Wa Sing	Shi Huangao
Chan Hei Tung	Kong Wai Ying	Law Hoi Yung	So Ka Wai
Cheng Kun Yiu	Lam Chin Ming	Law Sui Yin	Zhang Jiaying

Membership activities: December 2023

13 December
Joint professional Christmas party

15 December
Christmas neon light workshop

Forthcoming membership activities

Date	Time	Event
9 March 2024	10.00am–12.00pm	Governance professional mentorship training (by invitation only)
16 March 2024	1.00pm–4.00pm	Community Service – Easter cookie baking

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

Governance Professional Mentorship Programme 2024

Since its inception in 2015, the Institute's Governance Professional Mentorship Programme has served as a valuable platform to nurture young governance professionals. On 5 December 2023, the Institute held a mentorship ceremony to celebrate the completion of the 2023 programme and to launch the 2024 programme.

Then President Ernest Lee FCG HKFCG(PE) welcomed all participants and expressed his appreciation to mentors and mentees, while Chief Executive Ellie Pang FCG HKFCG(PE) provided updates on the Institute's affairs. We also invited mentor Patrick Wong FCG HKFCG and mentees Jacob Wang and Agnes Luk to share their insights on mentorship, as well as how the next generation can play a role in the governance profession. Mentors and mentees also had the opportunity to network with each other.

A series of activities will be arranged for the 2024 programme, details of which will be reported in future editions of CGj.

Advocacy

Listed Enterprises 2023

On 4 December 2023, then Institute President Ernest Lee FCG HKFCG(PE), Technical Partner, Deloitte China, participated in the 8th Listed Enterprises 2023 event by Bloomberg Businessweek/Chinese Edition as an award presenter. The event, of which the Institute is one of the supporting organisations, recognises companies with outstanding performance, including corporate governance.

Institute representatives visit Shenzhen Qianhai

On 8 December 2023, a delegation of Institute representatives led by then President Ernest Lee FCG HKFCG(PE), Past President Dr Maurice Ngai FCG HKFCG(PE), Council member and Chair of the Professional Development Committee Wendy Ho FCG HKFCG(PE), then Council member and former Vice-Chairman of the Membership Committee Bill Wang FCG HKFCG and Chief Executive Ellie Pang FCG HKFCG(PE) visited Shenzhen Qianhai. During the visit, the delegation met with Wen Ping, Deputy Director of Shenzhen Qianhai Administrative Bureau and a number of officials to promote the company secretary and governance profession, and to explore opportunities for collaboration between the Institute and corporates in Qianhai with the support of the Qianhai government.

The visit was kindly organised by China Resources Corporate Services Ltd.

The 13th Hong Kong International Financial Forum & the Golden Bauhinia Awards Ceremony, and the Hong Kong International ESG Annual Awards Ceremony

On 15 December 2023, the 13th Hong Kong International Financial Forum & the Golden Bauhinia Awards Ceremony, and the Hong Kong International ESG Annual Awards Ceremony, hosted by Ta Kung Wen Wei Media Group, was held at the Grand Hyatt Hong Kong.

Institute Treasurer Daniel Chow FCG HKFCG(PE), Institute Past President Dr Maurice Ngai FCG HKFCG(PE) and Institute Chief Executive Ellie Pang FCG HKFCG(PE) attended as representatives of the Institute. Ms Pang gave a speech on behalf of the Institute, which is a coorganiser of the event. She also presented the awards to the Best Board Secretaries and the Best Securities Service Providers recipients.

The Hong Kong Medical Association (HKMA) Annual Dinner

On 9 December 2023, then Institute President Ernest Lee FCG HKFCG(PE), Technical Partner, Deloitte China, attended the HKMA Annual Dinner as a representative of the Institute to celebrate HKMA's achievements this year.

Advocacy (continued)

Congratulations to Saint Francis University

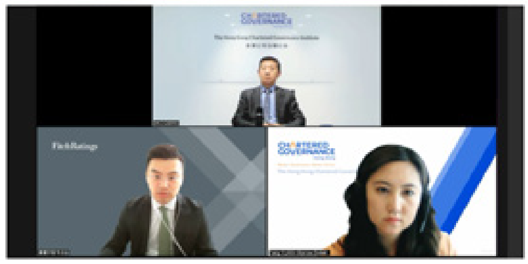
The Institute would like to congratulate Caritas Institute of Higher Education, which was granted university status and renamed Saint Francis University (Saint Francis) on 9 January 2024.

Saint Francis is well known for its commitment to offering flexible and diversified study pathways in line with societal and student needs. The Institute collaborates with Saint Francis to enrich its programmes to nurture future governance professionals.

The first postgraduate programme run by Saint Francis – Master of Corporate Governance – was launched in January 2022 under the Institute's Collaborative Course Agreement. The programme's curriculum was developed in line with the Institute's Chartered Governance Qualifying Programme (CGQP), which means that its graduates are eligible for full exemptions from the CGQP examinations and graduateship of the Institute.

Saint Francis's Bachelor of Business Administration (Hons) in Corporate Management and Governance was accredited by the Institute in January 2020 under the Institute's Partnership Bachelor's Programme. Graduates of this programme are eligible for a maximum of four modules of exemption under the CGQP.

The 74th Governance Professionals ECPD seminars



The Institute held its 74th Governance Professionals ECPD seminars (online) on 7 and 8 December 2023 under the theme of Financial Control and Risk Management. The event attracted over 110 participants, mainly comprising directors, supervisors, and board secretaries and equivalent personnel, as well as other senior management from companies listed or to-be-listed in Hong Kong and/or the Mainland.

Kenneth Jiang FCG HKFCG(PE), then Chief Representative of the Institute's Beijing Representative Office, chaired the seminars. Mr Jiang, along with other senior professionals and governance practitioners, then shared their insights on the following topics:

- governance duties of company secretaries and directors
- panel discussion: international investors' expectations for ESG
    - Fitch Evergreen's ESG rating focuses
    - ESG's influence on investors
- risk management practices for corporate investment, and financing and financial decision-making
- case study on transaction control and non-compliance penalties
- overview of the Institute's Guidelines on Connected Transactions Practices of Companies Listed in Hong Kong and the Mainland, and
- experience sharing: how to improve ESG performance and international ratings.

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

Chartered Governance Qualifying Programme (CGQP)

November 2023 examination diet

The results of the November 2023 examination diet will be released on 27 February 2024. Candidates will be able to access their examination results from their accounts on the Institute's website. The examination papers, mark schemes and examiners' reports will also be downloadable from the Login area of the Institute's website.

Candidates may apply for a review of their examination results by submitting a completed examination review application form, along with the review application fee of HK$2,200 per module, to the Institute by 12 March 2024.

Key dates for the November 2023 examination diet

Date	Description
27 February 2024	Release of examination results
27 February 2024	Release of examination papers, mark schemes and examiners' reports
12 March 2024	Closing date for examination results review applications

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

For details, please visit the Examinations page under the Chartered Governance Qualifying Programme subpage of the Studentship section of the Institute's website: www.hkcgi.org.hk.

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

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 Tuesday	12 June Wednesday	13 June Thursday
9.15am–12.30pm*	Hong Kong Company Law	Interpreting Financial and Accounting Information	Corporate Secretaryship and Compliance

Week two

Date/Time	17 June Monday	18 June Tuesday	19 June Wednesday	20 June Thursday
9.15am–12.30pm*	Corporate Governance	Strategic Management	Risk Management	Hong Kong Taxation 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.

Chartered Governance Qualifying Programme (CGQP)

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 period is from 1 February to 28 March 2024.

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

HKU SPACE CGQP Examination Preparatory Programme – spring 2024 intake

HKU SPACE has been endorsed by the Institute to organise the CGQP Examination Preparatory Programme, which helps students to prepare for the CGQP examinations. One assignment and one take-home mock examination will be provided to students. There are 36 contact hours for each module, except for Hong Kong Company Law, which has 45 contact hours. The spring 2024 intake will commence in early March 2024.

For details, please contact HKU SPACE: (852) 2867 8485, or email: hkcgi@hkuspace.hku.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 more details, please visit the News & Events section of the Institute's website: www.hkcgi.org.hk.

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

Studentship activities: December 2023

14 December

Student Ambassadors Programme: HKCGI Annual General Meeting

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
Conyers Corporate Services Ltd	Corporate Administrative Assistant (CCA)
Hong Kong Exchanges and Clearing Ltd	Assistant Vice President, Secretarial Services
Hongkong Land Group Ltd	Company Secretarial Officer
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.

HKEX GEM listing reforms

The revised GEM Listing Rules and Main Board Listing Rules to implement the GEM listing reforms proposed by Hong Kong Exchanges and Clearing Ltd (HKEX) took effect on 1 January 2024. The reforms, proposed in a consultation paper issued in September 2023, are intended to reduce compliance costs for current GEM issuers, while at the same time upholding market quality and investor protection. HKEX also hopes the reforms will enhance GEM's attractiveness to small and medium-sized enterprises seeking a listing.

The new Listing Rules introduce a streamlined transfer mechanism to enable eligible GEM issuers to transfer to the Main Board without the need to appoint a sponsor to carry out due diligence, or to produce a 'prospectus-standard' listing document. In addition, the revised rules introduce an alternative route for an initial listing on GEM that targets high-growth enterprises heavily engaged in research and development activities. Further, the new regime removes mandatory quarterly reporting requirements and aligns other continuing obligations of GEM issuers with those of the Main Board.

The consultation conclusions setting out the new regime are available on the HKEX website: www.hkex.com.hk.

Consultation on proposals to implement a new regulatory regime for stablecoin issuers

On December 27, the Financial Services and the Treasury Bureau (FSTB) and the Hong Kong Monetary Authority (HKMA) jointly issued a public consultation setting out new proposals to regulate issuers of stablecoins. As part of its measures to regulate and facilitate the Web3 and virtual asset (VA) ecosystems in Hong Kong, the government considers that a regulatory regime should be introduced for fiat-referenced stablecoin (FRS) issuers.

'Bringing FRS issuers into the regulatory remit under a risk-based and agile approach will facilitate a proper management of the potential monetary and financial stability risks, and provide transparent and suitable guardrails with the increased prevalence of VAs,' the government stated in a press release.

The proposed regime takes into account the feedback received in ongoing engagement exercises with stakeholders, local market conditions and needs, and applicable international standards. It would introduce a licensing regime requiring all FRS issuers that meet certain conditions to be licensed by the Monetary Authority (MA), and require that FRS could only be offered by specified licensed entities. Moreover, only FRS licensed by the MA could be offered to retail investors. The regime also prohibits the advertising of:

- FRS issuance by unlicensed entities, and
- non-specified licensed entities' offering of FRS.

The regulatory regime would also provide the necessary powers for the authorities to adjust the parameters of in-scope stablecoins and activities having regard to the rapid VA market development and provide a transitional arrangement to facilitate the implementation of the new regime.

Additionally, the HKMA will introduce a sandbox arrangement for communicating supervisory expectations and guidance on compliance to entities having a genuine interest in, and a reasonable plan for, issuing FRS in Hong Kong, as well as obtaining their feedback on the proposed regulatory requirements, with a view to facilitating the subsequent implementation of the regulatory regime and ensuring that it is fit for purpose.

The consultation paper is available on the websites of the FSTB and the HKMA: www.fstb.gov.hk and www.hkma.gov.hk. The consultation concludes on 29 February 2024.

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[1]NBAA IFR theoretical range at Mach 0.85 with 8 passengers, 4 crew and NBAA IFR reserves. Actual range will be affected by ATC routing, operating speed, weather, outfitting options and other factors. All performance is based on preliminary data and subject to change.