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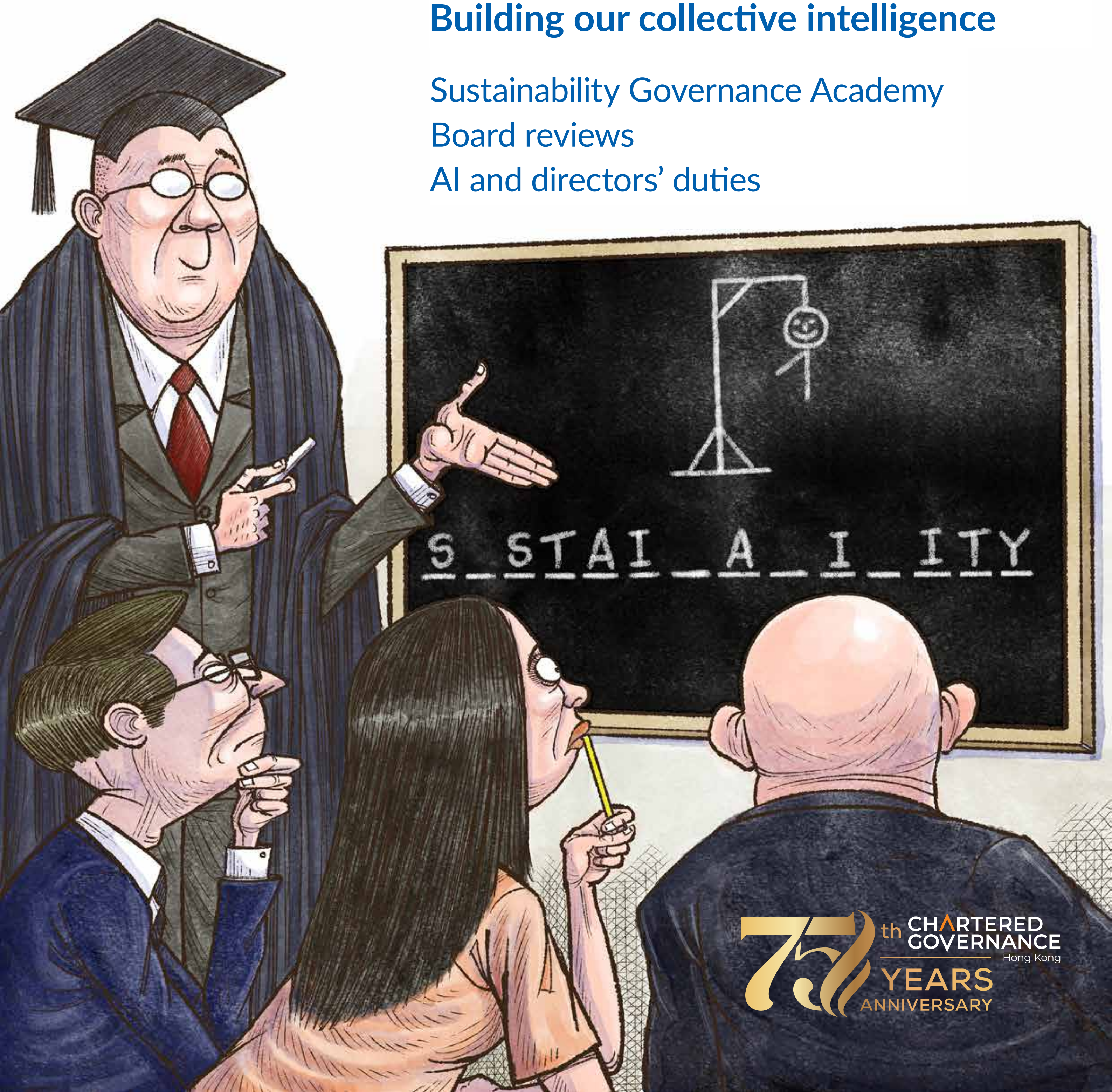
The journal of the Hong Kong
Chartered Governance Institute
香港公司治理公會會刊

Sustainability

Building our collective intelligence

Sustainability Governance Academy
Board reviews
AI and directors' duties



75th CHARTERED GOVERNANCE Hong Kong YEARS ANNIVERSARY

75th CHARTERED GOVERNANCE Hong Kong YEARS ANNIVERSARY

14th Biennial Corporate Governance Conference 2024

Reviewing, Rethinking and Resetting Corporate Governance for a New Era

Friday 20 September 2024

8.45am - 4.45pm

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CGj

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 Chinese 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 July 2024, the statistics were as follows:
Students: 2,453 **Graduates**: 384 **Associates**: 6,428 **Fellows:** 887

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Introducing a new home for sustainability professionals

Readers of this journal will be well aware that in recent years the work of governance professionals has been diversifying from traditional practice areas such as regulatory compliance and board support to a myriad of applied governance topics, including sustainability as a foremost topic with business relevance. As a consequence, our Institute's work has also been diversifying and a clear demonstration of this is the much greater focus given to sustainability issues.

The latest innovation in this space was the launch of the HKCGI Sustainability Governance Academy (the Academy) on 31 July at the HKEX Connect Hall and this month's CGj updates us on the significance of this new venture. Our cover story reviews the launch of the Academy and the Climate-related Disclosure Update seminar that preceded it. I will not steal any thunder from those articles, but I would like to put both of these events into the context of our Institute's strategy for the years ahead.

Our Institute is celebrating its 75th anniversary this year and over the last three quarters of a century it has gained increasing recognition, not only as the key provider of expertise, skills and knowledge to those seeking the Chartered Secretary and Chartered Governance Professional qualification in Hong Kong and the Chinese mainland, but also as the natural professional home for practitioners involved in many different areas relevant to good governance.

The recent launch of the Academy and that of our recurring ESG Reporting Certification Course (Certification Course) in February 2023 are good examples of this at work in the sustainability space. Over 1,300 people have completed the Certification Course and registration for the fifth cohort of participants started on 1 August this year.

The launch of the Academy takes the next logical step – it provides a collaborative platform for practitioners to share knowledge, network and engage in creative problem-solving. In an area of practice as complex and fast moving as sustainability, this is crucial. It is not just a matter of staying up to date with the latest regulations and stakeholder expectations, it is also about bringing together individual capabilities and building the synergies needed to successfully address the complex challenges involved.

A similar dynamic can also be seen in other areas of governance-related practice. Our Institute has for a number of years, for example, been facilitating networking and knowledge sharing in anti–money laundering and counter–financing of terrorism (AML/CFT). This has included the launch of our AML/CFT Charter bringing together key players in this area of practice. In March this year, our AML/CFT Certification Course got underway and the first cohort of participants completed the course in May.

The launch of the Academy is therefore both an innovation and a logical extension of the role that our Institute has been fulfilling for many years. It demonstrates the potential we have not only as a key provider of skills and knowledge, but also as a hub for the enhancement of networking and collaboration among our wider professional community. I look forward to working with you in the years ahead in developing our full potential in this regard – watch this space!

David Simmonds FCG HKFCG

可持续发展专业人士的新家园

本刊的读者一定了解，近年来，治理专业人士的工作已经从合规和支持董事会等传统实践领域转向了更多元的应用治理主题，包括与商业紧密相关的可持续发展主题。因此，公会关注的主题也日益多元化，其中之一，就是对可持续发展问题给予了更多的关注。

7月31日，香港公司治理公会可持续发展治理学院（学院）在香港交易所大厅正式成立，这是公会最新的一个创新举措。本期会刊的封面故事回顾了学院的启动仪式，以及在此之前举办的气候相关信息披露研讨会。我想把这两件事放在公会未来几年的发展战略背景下加以阐述。

在过去的四分之三个世纪里，作为一家专业机构，公会不仅为寻求获得特许秘书和公司治理师资格的香港和内地人士提供专业资格体系、技能和知识，也是众多来自不同领域的良好治理相关从业者之家，因而获得了越来越多的认可。

最近推出的学院以及公会于 2023 年 2 月推出的ESG报告证书课程（证书课程），都体现了公会在可持续发展领域所发挥的良好作用。目前已有 1300 多人完成了证书课程，第五期课程的报名工作已于今年 8月1日开始。

学院的成立是公会继证书课程后实施的又一个明智举措 – 学院为从业者提供了一个分享知识、建立联系和参与创造性解决问题的协作平台。在可持续发展这样一个复杂而快速发展的实践领域，这一点至关重要。可持续发展议题不仅需要从业者及时了解最新法规和利益相关者期望，也需要汇聚每一位从业者的智慧，合力以成功应对相关复杂挑战。

公会在其他与治理相关的实践领域也有类似举措。例如，公会多年来一直在促进打击洗钱及恐怖分子资金筹集(AML/CFT)方面的交流平台建设和知识共享。其中包括推出“打击洗钱及恐怖分子资金筹集宪章”，旨在汇聚相关实务从业者。今年 3 月，公会开设了打击洗钱及恐怖分子资金筹集证书课程，第一批学员已经于今年5月完成了课程。

因此，学院的成立既是一种创新，也是对公会多年来所致力发展的专业工作的拓展。由此可见，公会作为一个专业技能与知识的提供者，以及作为一个促进广大专业社群联络与合作的枢纽，都具有巨大的潜力。本人期待未来与大家广泛合作以充分发挥公会在这方面的潜力 - 敬请期待！

司马志先生 FCG HKFCG

Sustainability: building our collective intelligence

On 31 July this year, the Institute launched a new platform for continuous learning, networking and collaborative problem-solving in sustainability. CGj looks at the significance of this new initiative and at the issue at the top of the agenda for sustainability professionals in Hong Kong – the upcoming climate-related disclosure requirements of the Listing Rules.

Sustainability is one of the most complex challenges facing organisations today, and the need to ensure the right level of expertise to address this challenge has been climbing the agenda for organisations around the world. Directors, managers and professional practitioners involved in managing and/or overseeing sustainability practice and strategy need to stay ahead of fast-moving developments in a wide range of different areas – including climate change and carbon emissions, stakeholder engagement, supply chain management, and metrics and reporting. This means staying up to date with the latest sustainability-related laws, regulations and standards, as well as emerging technologies (such as those in renewable energy, energy storage and clean transportation), and sustainability-focused research and thought leadership.

Into this space comes the Institute's Sustainability Governance Academy (Academy). In his welcoming speech at the Climate-related Disclosure Update seminar and Academy launch, held at the Hong Kong Exchanges and Clearing Limited (HKEX) Connect Hall on 31 July, David Simmonds FCG HKFCG, Institute President and Chief Strategy, Sustainability and Governance Officer, CLP Holdings Ltd, pointed out that the Academy builds on the community forged by the Institute in running its ESG Reporting Certification Course (Certification Course) in February 2023. All certificate holders of the Certification Course are eligible to register as Sustainability Professionals under the Academy free of charge, and Mr Simmonds emphasised that those doing so will be taking the next logical step in both developing and demonstrating their professional competency in this area. Graduates of the Certification Course have the knowledge and expertise they need to advise on the many different areas relevant to sustainability and practice, but joining the Academy adds the vital ingredient of ongoing collaboration and knowledge-sharing with other sustainability professionals.

'We didn't want the Certification Course to be a full stop for the many passionate advocates of sustainability in Hong Kong and the Chinese mainland,' Mr Simmonds said. 'We want to provide a home for sustainability professionals and for everyone who wants to better understand the nuts and bolts of ESG reporting and why it matters. The Academy will provide a platform for continuous learning, sharing best practices, networking and creative interaction, as well as providing a go-to resource on ESG sustainability, governance and reporting issues. We believe that this platform will be extremely valuable in supporting the development of capability in the market and in assisting us all to navigate what is a very significant new area of regulation.'

He added that sustainability professionals are much better recognised now as essential enablers of long-term value creation within organisations, and enhancing their knowledge and effectiveness will make a major contribution towards better sustainability practices in the market. 'We want to help businesses build trust through the better governance of sustainability,' he said.

Highlights

- building market capacity through the improvement of knowledge and awareness of sustainability and ESG issues is an urgent task for Hong Kong
- the Institute's Sustainability Governance Academy is part of a collective effort to cultivate the skills and knowledge necessary to drive meaningful change
- by investing in the development of specialised expertise, organisations can position themselves at the forefront of the sustainability revolution

> **the direction of travel is very clear – you can wait to be told what to do later, or you can be proactive and start the journey now**

Teresa Ko BBS JP FCG HKFCG, Senior Partner, Hong Kong and China Chairman, Freshfields Bruckhaus Deringer; Vice-Chair, IFRS Foundation

Market capacity building – a collective effort

In March this year, the government issued a statement which set out the vision and approach for Hong Kong to develop a comprehensive sustainability disclosure ecosystem. The Hong Kong Institute of Certified Public Accountants (HKICPA) is being tasked to develop local sustainability disclosure standards, which are expected to be aligned with the IFRS S1 and S2 standards issued in June 2023 by the International Sustainability Standards Board (ISSB).

Both HKEX and the Securities and Futures Commission (SFC) have been enthusiastic supporters of the above goals. Michael Duignan, Executive Director, Corporate Finance, SFC, a guest speaker at the Academy launch, congratulated the Institute on the launch of the Academy, pointing out that building market capacity through the improvement of knowledge and awareness of sustainability and ESG issues is an urgent task for Hong Kong.

'The Institute undeniably plays an instrumental role in improving ESG reporting comprehension and skills. Today we applaud the inauguration of the Institute's Sustainability Governance Academy, a significant stride towards cultivating professional skills in this field and offering a beneficial platform for knowledge exchange. The Academy is a significant landmark in the Institute's efforts towards championing sustainability through advocacy, education and research,' he said.

Ultimately, however, it is the responsibility of organisations themselves to ensure they have the expertise they need to address sustainability issues and Mr Duignan emphasised that this should be a strategic goal and high priority for entities in Hong Kong. By investing in the development of specialised expertise in this area, organisations can position themselves at the forefront of the sustainability revolution, he said.

He added that capacity building can take many forms, including the establishment of dedicated sustainability departments within organisations, the implementation of comprehensive training programmes for employees, and the fostering of collaborative partnerships with sustainability experts and industry associations.

'This holistic approach not only addresses the immediate challenges, but also lays the foundation for long-term, sustainable success, positioning organisations as leaders in their respective fields and driving positive change for the betterment of our planet and society,' he said.

Preparing for Hong Kong's incoming ESG Code

While the end goal is to have the local sustainability disclosure standards adopted across all sectors of the economy in Hong Kong, the listed company sector will be in the vanguard and participants in the Institute's Climate-related Disclosure Update seminar, held immediately before the launch of the Academy, were fortunate to have Kelly Lee, Senior Vice President, Policy and Secretariat Services, Listing Division, HKEX, to highlight how companies can prepare for the new Listing Rule regime relevant to climate change disclosure.

The new requirements set out in the ESG Code will come into effect in a phased schedule from 1 January 2025 and Ms Lee urged seminar participants to access the guidance materials on the HKEX website, in particular the Implementation Guidance for Climate Disclosures under HKEX ESG Reporting Framework, to help them prepare for the incoming regime.

A key aim of the Institute's Certification Course is to provide participants the essential information that companies, and those advising them, need in their preparations for Hong Kong's incoming regulatory regime relevant to climate change disclosure.

Aligning with the ISSB standards

A core goal of Hong Kong's incoming ESG Code is to align with the IFRS S1 and S2 standards issued by the ISSB. The second speaker at the seminar, Teresa Ko BBS JP FCG HKFCG, Senior Partner, Hong Kong and China Chairman, Freshfields Bruckhaus Deringer; Vice-Chair, IFRS Foundation, urged participants to be proactive and start their journey to full compliance with the ISSB standards now.

'Hong Kong is developing a road map to provide a transparent and well-defined pathway to develop local sustainability disclosure standards and this is being done by the HKICPA. These standards will be aligned with the ISSB standards, so the direction of travel is very clear – you can wait to be told what to do later, or you can be proactive and start the journey now,' she said.

She added that, since the ISSB standards are only one year old, nobody is behind. In fact 2025 will be the first year that sees the publication of ISSB compliant reports. 'We're starting from the same sprinting line,' she said.

She went on to outline five reasons why companies will benefit from adopting the ISSB standards.

1. Continuity with previous standards. While the ISSB standards were published in 2023, they are built on standards already widely adopted in markets around the world, including the recommendations published by The Task Force on Climate-related Financial Disclosures (TCFD) and the standards published by The Sustainability Accounting Standards Board (SASB), which in 2021 merged with the International Integrated Reporting Council to create the Value Reporting Foundation. 'Trying to streamline what there is in the world has been in our DNA from the get go,' Ms Ko said.

2. Supplying the information investors need. Since the ISSB itself was created for global investors, and both IFRS S1 and S2 were the product of extensive outreach and feedback from global investors, organisations compliant with the standards can be confident that the information they are supplying in their reports is the information that global investors want. Ms Ko pointed out that entities that comply with the ISSB standards will therefore be better able to attract global investors and global capital.

3. Harmonising standards. The ISSB is trying to reduce the duplication of the many different sustainability disclosure frameworks available globally. Its mission is to create a global baseline of sustainability-related financial disclosure to enable comparability and reliability. Ms Ko emphasised that this consolidation has brought significant benefits for reporting entities in terms of the reduction of their disclosure burdens.

4. Focusing on sustainability strategy. An even more significant benefit for reporting organisations complying with the ISSB standards, Ms Ko pointed out, is that the process they need to go through helps them identify their strategic value drivers and ensures that their business models and assets are well positioned to create value for companies for the long term. She emphasised that the ISSB standards should not be seen only as a compliance exercise – they can help companies recognise their material risks and opportunities going forward.

5. Interoperability. While the ISSB standards have achieved a level of consolidation of the various sustainability reporting standards around the world, this journey is by no means over. The IFRS Foundation, Ms Ko said, recognises that interoperability is still a work in progress and discussions are ongoing with jurisdictions and other leading standard setters such the Global Reporting Initiative (GRI) and the CDP (formerly known as the Carbon Disclosure Project) to ensure consistency across reporting requirements and to reduce complexity, fragmentation and barriers to comparability, which may undermine the usefulness of sustainability information in decision-making.

This issue was raised in the Q&A following Ms Ko's presentation. Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Past International President, Institute Past President and Honorary Advisor, and Executive Director and Company Secretary, CK Hutchison Holdings Ltd, a panellist at the seminar, pointed out that multinational companies such as her own, are still subject to many different regulations relevant to ESG and sustainability disclosures.

Companies doing business in Europe, for example, need to consider many different EU regulations, such as the European Climate Law, the EU Deforestation Regulation and the standards published by the European Financial Reporting Advisory Group.

> “we believe that this platform will be extremely valuable in supporting the development of capability in the market and in assisting us all to navigate what is a very significant new area of regulation”

David Simmonds FCG HKFCG, Institute President and Chief Strategy, Sustainability and Governance Officer, CLP Holdings Ltd

Ms Shih emphasised the importance of practitioners staying on top of the compliance requirements their organisations are subject to, but she added that having a comprehensive set of standards subscribed to by all relevant parties would help to ensure that the burden of compliance does not keep increasing.

Practical challenges

In addition to the interoperability issue discussed above, the Q&A session at the end of the seminar addressed a number of practical challenges organisations might encounter in their compliance journeys.

Materiality assessments

Identifying what information is material for an organisation's stakeholders is no simple task. The Q&A addressed in particular the issue of how companies can address the different approaches taken to materiality assessments in the multiple frameworks still relevant to reporting organisations around the world. The ISSB standards adopt a single materiality approach, but many other standards (including the GRI for example) have adopted a double materiality approach. Hong Kong's Listing Rules have aspects of both approaches and Ms Lee was asked how companies can reconcile these differences.

She explained that the materiality threshold required for the purposes of climate-related disclosures under Part D of the Listing Rules aligns with the ISSB standards and is a minimum threshold. HKEX recognises that listed companies should be reporting on issues that are material to their wider stakeholder base and the existing materiality principle in the ESG Code is therefore widely defined to encompass different materiality considerations.

Gill Meller FCG HKFCG(PE), International Vice President, Institute Past President, and Legal and Governance Director, MTR Corporation Ltd, a panellist at the seminar, pointed out that getting the enterprise value approach to materiality right – financially quantifying the potential impacts that climate change could have on the business – will require a much closer working relationship between teams (in particular the sustainability and finance teams) within the organisation.

She added, however, that companies have at their disposal an impressive level of resources and training to gear up for the incoming regulatory regime. In addition to the materials made available online by regulatory bodies in Hong Kong, platforms like the Institute's Sustainability Governance Academy will be a great resource for collaborative information sharing.

She emphasised that getting the right level of expertise, both on the board and at all levels within the organisation, will be a key part of organisations rising to the challenges ahead, and she urged companies to bear in mind the need for ESG and sustainability expertise on the board when looking for new directors.

Implementation reliefs

HKEX will also introduce implementation reliefs to address the concerns over the reporting challenges that some issuers may face. As listed companies are at different stages of their reporting journeys, some may require additional capabilities and resources to comply with the new climate disclosure requirements. 'We don't expect everyone to come up with a perfect report from the beginning,' Ms Lee explained.

Companies should bear in mind, however, that their use of reliefs cannot be a static thing, she added. They will need to reassess their situation every year to see whether the implementation reliefs are still relevant and applicable to them.

Talking strategy

CGj talks to David Simmonds FCG HKFCG, Institute President and Chief Strategy, Sustainability and Governance Officer of CLP Holdings Ltd, about how the Institute is staying agile and responsive to fundamental shifts in the governance arena.

Can we start by discussing the issues addressed at the strategy review meeting held by the Institute's Council earlier this year?
'Certainly. As you know, in recent years we have been shifting the focus of our branding to reflect fundamental changes in the governance arena. One of those changes has been the broadening scope of issues that come across the governance professional's desk – particularly around themes of sustainability and risk management. Recognising that, we launched our ESG Reporting Certification Course last year and over 1,400 people have already graduated from the course – reflecting the timeliness of this initiative and the leadership position of the Institute in this area.

One of the major initiatives coming out of our strategy review was to build on that momentum by creating the Sustainability Governance Academy within the Institute. This is about how we evolve and what the Institute does to reflect the broadening role of governance professionals. Sustainability is a pivotal aspect of that, particularly in light of the moves to implement the reporting standards of the International Sustainability Standards Board (ISSB) in Hong Kong. In this context, the Institute has a key role to play in developing the capability of the market. We can fulfil that role – as we have been doing so successfully over the last 75 years – by advocating for the sort of change that will be required and by providing the professional education and training required. People who have gone through our ESG Reporting Certification Course and/or have joined the Sustainability Governance Academy will have the Institute's stamp of quality that employers can depend on.

The Academy is also, just as importantly from my perspective, about providing a home for sustainability professionals. It provides a platform for networking opportunities, advocacy and knowledge sharing about the challenges and potential solutions to issues that have come up as we go about putting the ISSB standards into effect. This will be a work in progress for many years, given the timeframe for the establishment of the ISSB standards.

As you know, the ISSB started with climate, but will be turning to other topics in sustainability. The climate standards themselves have been designed to apply initially to large listed companies and to progressively be implemented by the rest of the business world. So having a platform that provides ongoing continuous learning opportunities for people working in sustainability is going to be critical in the years ahead and the Institute will be a key enabler of that.'

The Institute's ESG Reporting Certification Course has attracted many participants from beyond the Institute's membership base – do you think the Academy will similarly have a wider appeal for non-members working in sustainability?
'Absolutely – and that was another theme of our strategy review. The Institute has been cultivating more relationships than those pertaining only to membership. Full membership of the Institute provides the privilege of being qualified to be a company secretary of a listed company, but not everyone is seeking that privilege and many of the people in our network do not necessarily aspire to be full members. This is about providing different avenues for professional development, association and connection – all those things that the Institute does so well – in areas that go beyond the traditional corporate secretarial and corporate governance roles of the company secretary.

So the Academy is one of the ways our Institute is adapting to the much more extensive set of issues that governance now entails and that companies have to address. Another way is to provide some level of intermediate certification of company secretary essentials.

Highlights

- the Academy is one of the ways our Institute is adapting to the much more extensive set of issues that governance now entails
- governance professionals will be increasingly called upon to oversee the application of AI tools to improve the decision-making process
- we can learn a lot from listening to the concerns of younger members about the challenges they're dealing with and how they might be addressed

> this is about how we evolve and what the Institute does to reflect the broadening role of governance professionals

We're still debating exactly what this will look like, but again it's about recognising that not everyone has the aspiration to qualify in all of the subjects required to be become a member of the Institute with a view to becoming a listed company secretary. People may wish to focus on particular components of the coursework and we are looking at providing recognition of core groupings of subjects as an intermediate qualification or certification.

Council member Kenny Luo FCG HKFCG(PE) used a very expressive metaphor for this. He suggested that, while those seeking full membership are intent on climbing the mountain to get the spectacular view from the lodge at the top, there are other viewpoints at other levels on the mountain that will be equally appealing to other people.'

Did the strategy review meeting also address the challenges faced by students and younger members of the Institute?

'Yes, and addressing the downturn in student numbers was certainly on our agenda at the meeting. We recognise that the coursework to complete all of the modules in the Institute's professional qualification examinations is not easy and we discussed ways to provide more examination support for students as they go through that process. There is already quite some effort going into developing examination technique workshops and we want to make those as widely available as we can for students, not only in Hong Kong but also in the Chinese mainland.

In addition, we're looking at removing obstacles to completing the assessments where we reasonably can, but we have to be realistic about the bigger picture here. Historically, Hong Kong has long been a one-way bet in terms of its additional listings of companies and very considerable growth rates in roles for governance professionals. That created a consistent demand for students to attain our qualifications, but as the market matures and the pace of growth in the Chinese mainland slows, together with the complications in the expanded geopolitical environment, there's likely to be – for a period of time at least – less of that demand drawing students in.

On the other hand, there's more choice for people who are interested in getting involved in our profession. Sustainability, for example, is clearly a topic that prospective students are taking a keen interest in, as are themes around adapting to emerging technologies. So having a mindset that we should only be appealing to students who want to follow a traditional career path in governance would not serve us – or our students – well into the future.'

There has been greater inclusiveness of younger members' perspectives in this journal – for example the NextGen Governance column we have been running this year. Do you think this refocusing towards the views of younger members will help boost the attractiveness of joining the profession among younger generations?

'Up until last year, I was the Chair of the Membership Committee and the NextGen initiative was one of the ideas coming out of that committee. I think giving a greater platform to younger members of the profession will certainly help with maximising the attractiveness of the profession for the students of tomorrow, but it will also significantly help the profession stay relevant. Younger members of the profession can see things differently from those who have been in the profession for quite some time, and it's not always obvious to the more senior people what the challenges and obstacles are to progression. The potential career paths are less linear than they were in the past, so we can learn a lot from listening to the concerns of younger members about the challenges they're dealing with and how they might be addressed.'

Is this particularly relevant when it comes to technology-related challenges?

'Yes, and I'm sure technology governance issues will be rising up the agenda in the years ahead. Cybersecurity creates unique governance challenges and all organisations have to come to terms with how they effectively organise and govern themselves to be as resilient to cybersecurity threats as possible. Moreover, it's highly likely that, in order to be competitive, companies will need to move to widespread adoption of artificial intelligence (AI) tools and this raises a host of challenges from a governance standpoint.

In terms of students' perspectives on where they should focus their career, I think it's very sensible for them to be thinking about how the adoption of AI might provide them with opportunities and how it might change workplaces going forward.'

Where do you think all of this is leading and what sort of role will governance professionals have in, say, 20 years' time?

'Technology is already making the traditional company secretarial and compliance-type functions a lot more efficient, and this is likely to reduce the need for as many people in that area of work. To give just one example, trawling through a recording of a meeting and preparing the minutes can be quite a time-consuming task, but there are already many tools that can produce a set of minutes and identify the key actions that came out of a meeting. These tools are not going to replace the human in the loop – it is vital to have a company secretary looking at the minutes and ensuring that they are accurate and appropriate – but they will reduce the time involved in getting to that point very appreciably.

On the opportunity side, there will be a huge need for people to get clear on what's in those AI tools and how they should be managed. The decision-making around the use of technology, in particular in terms of complying with the relevant regulatory requirements and the ethical judgements that need to be made, is a developing area of governance. I see AI as a kind of cognitive prosthetic – it can help make things faster and better, and should ideally improve decision-making. Governance professionals will be increasingly called upon to oversee the application of AI tools to improve the decision-making process.'

Nevertheless, there have already been attempts to automate governance – I am thinking here of the governance frameworks of decentralised autonomous organisations. Is there a danger that AI and blockchain could succeed in removing the need for intermediaries such as lawyers, accountants and company secretaries?
'There is no doubt that AI is an efficiency tool, so for a lot of those kinds of role less people will be required. On the other hand, governance in its more comprehensive form is about how you regulate relationships between people, and how you make trade-offs and judgements around the impact that you're having as an organisation. You can't outsource those sorts of thing to AI, so, while you may need fewer lawyers, accountants and company secretaries, you will need more people elsewhere in governance who can oversee the tools that are being used, make sure that usage is appropriate and be confident about the outputs that are coming from it.

These tools require oversight by professionals who know about the issues relevant to governance, so some jobs will be reduced and new ones will be created. The message I would have for the CGj readership is that this scenario has actually been around from day one in our profession – we have always had to stay alert to changes of this type, and to assess how we can stay relevant and add value. Undoubtedly, in my view, even in a world with a significant adoption of AI, there is still going to be a crucial role for governance professionals.'

Were there any other issues addressed at the strategy review meeting that you can share with CGj readers?
'Another issue that we grappled with, and are still grappling with, is the role and position of the Institute in the Chinese mainland. Here too we need to adapt to the changes in the market, such as the fewer new listings in Hong Kong, as well as the growing level of competence and sophistication in the Chinese mainland regulatory and professional environment as it relates to governance. I believe there is an enduring role for us in the mainland governance ecosystem, but to achieve it we need to build our own capabilities along with the connections and relationships we have there.'

Differences exist between international governance mechanisms and practices and those followed in the Chinese mainland – is this a problem for the Institute in terms of its training and advocacy work?
'I see the Institute's role in the mainland and the broader China ecosystem as being similar to Hong Kong's role as a gateway – we provide a valuable connection with the world outside China. International investors require a certain level of corporate governance and a certain level of reporting, and we are a conduit for market competence and greater confidence in that space. We act as a bridge to the outside world, helping Chinese companies to adopt the latest standards, as well as best practices in governance and reporting, and that will be invaluable for any business wanting to attract foreign capital.'

Has the shift away from multilateralism and the intensification of geopolitical conflicts we have seen over the last decade made that mission harder to achieve?
'The trend towards deglobalisation can be overstated – global developments in sustainability are a good example of the opposite trend. Look at the encouraging direction of travel that we're having with the ISSB standards, which have been adopted by Hong Kong, the Chinese mainland, Europe and in large part by the US.

It is possible, of course, for there to be some regional variations that are appropriate to the local context. Europe and Hong Kong have opted to mandate Scope 3 reporting, for example, whereas the US has not gone down that route. That reflects the different economic drivers at play, with Asia largely being the home of European Scope 3 emissions, so it is absolutely appropriate that that level of reporting happens here. The bigger point, though, is that – these local variations aside – you've basically got uniform application of ISSB in most parts of the global economy now, which cuts against that deglobalisation trend.'

What advice would you give to a new recruit to the profession?
'I get asked this question a lot and not just in terms of the profession. Generally, I think former US President Barack Obama gave the best advice on this – he suggested that we should always look for ways to make ourselves useful. So my advice would be to look for how you can add value and bear in mind that that will change over time. Don't lock yourself into something that is static because the world moves on and if you focus on looking for how you can add value and be useful, you will be able to move ahead with the times.'

PILOT GREEN AND SUSTAINABLE FINANCE CAPACITY BUILDING SUPPORT SCHEME

Centre for Green And Sustainable Finance

ESG Reporting Certification Course - 5th Cohort

(Based on Hong Kong practice)

Overview

This Course will give you the Certification that your employer and those working with you can trust regarding your competencies in understanding ESG and sustainability, and the process and procedures leading to ESG reporting under the HKEX Listing Rules.

A Certificate that matters

Those who complete the Certification course, meet the attendance requirements (between October and November 2024) and pass the final assessment in December 2024 will receive two years of accreditation (from 1 January 2025 to 31 December 2026). During this time, they can use the post-nominal 'HKCGI Cert: ESG', and will be listed on the Institute's dedicated webpage for potential employers and public searches.

Topic Covered

In line with the new climate-related disclosure requirements, the ESG Reporting Certification Course will cover:

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

Government Funding (for the 5th Cohort)

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

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

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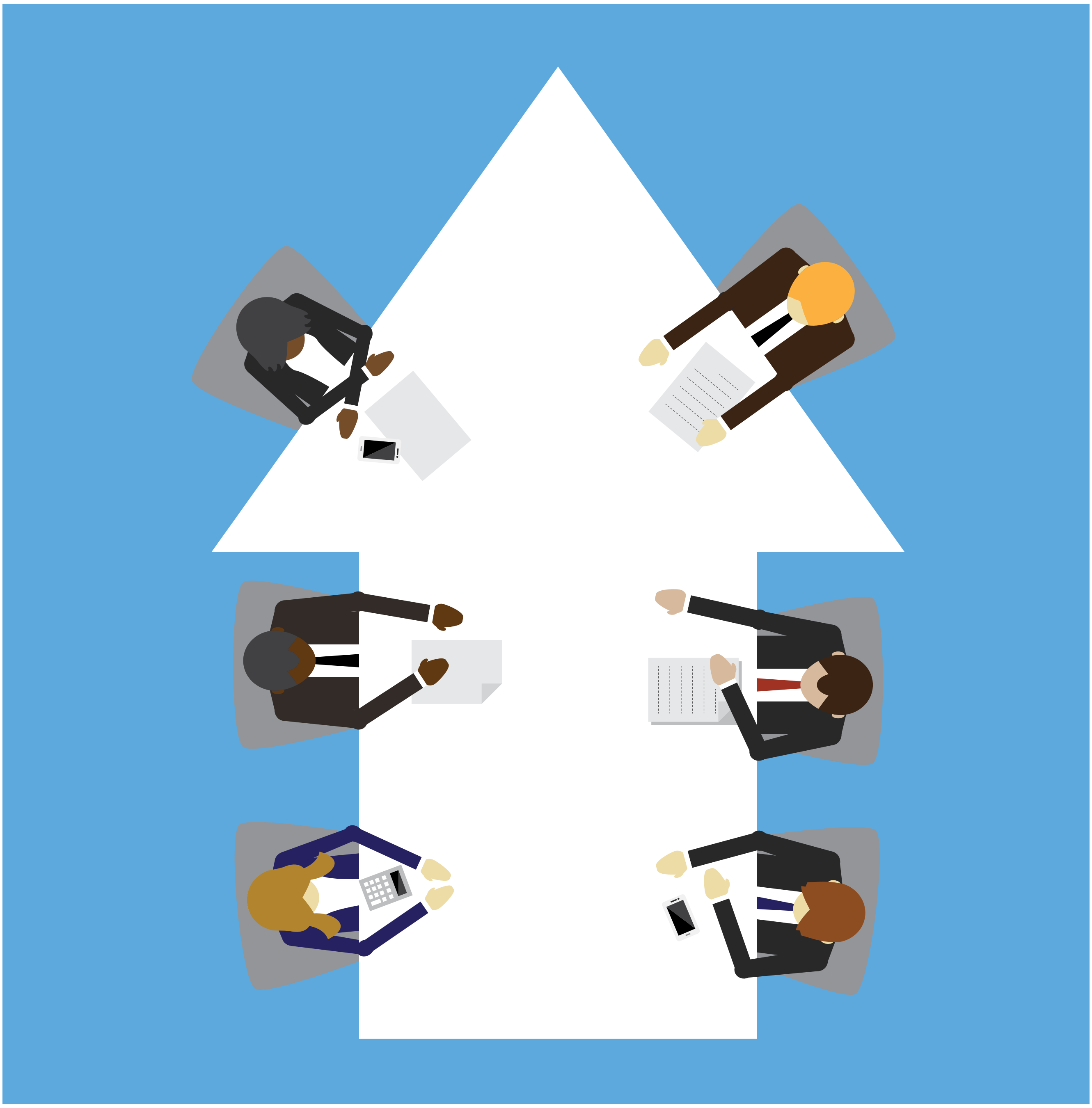
Unlocking the value of board reviews



Philip Sidney, Senior Associate, Lintstock Ltd, shares a number of insights into the benefits of board evaluations, and how corporate secretaries and governance professionals can more effectively help unlock the value of board reviews.

Board effectiveness reviews are now an established part of the corporate cycle across the globe. Assessment of the performance of directors is mandated in Articles 55 to 57 of the PRC Code of Corporate Governance for Listed Companies, while a regular evaluation of board performance is a recommended best practice under the Hong Kong Corporate Governance Code – and is expected to become a requirement on a 'comply or explain' basis in the future. In the UK, where the requirement to undertake an annual effectiveness evaluation has been in place for over 20 years, the board review is fully integrated into the calendar of FTSE 350 businesses, with a requirement to undertake an externally facilitated review every three years.

While they may have originally been instituted as a result of regulatory requirements, board reviews – certainly in the UK – are accepted as best practice and are valued by the boards that undertake them. There are undoubtedly some boards who feel the requirement to be a burden (compared by board evaluator Dr Sabine Dembkowski to 'eating cabbage before you can get to something more appealing'), but they would seem to be in the minority. Research on the state of the sector undertaken by Lintstock in 2018 found that 86% of FTSE respondents would undertake a board evaluation even in the absence of a regulatory requirement to do so and evaluations are increasingly being undertaken by organisations for whom it is not mandatory – unlisted companies, government bodies and charities to name but a few.

As board review practitioners, it is encouraging to see evaluation exercises becoming increasingly sophisticated across the sector – board members' engagement with the process is continuing to grow as they come to recognise the benefits beyond 'ticking the box' and satisfying regulatory requirements. A virtuous circle is being created whereby directors expect more from the process and are consequently willing to provide more input with greater enthusiasm, encouraging board evaluators to up their game in turn.

This article will explore some of the main benefits of board evaluations, and how corporate secretaries and governance professionals can assist the process to extract as much value from the exercise as possible.

Reflecting and raising issues

A key function of board reviews – and one that directors find highly useful – is to provide a space, outside the board's regular meetings, in which issues can be raised and problems identified. Boards are busier than ever, and their packed agendas cover a vast range of issues from big-ticket strategy to employee well-being to ESG. It is very easy for issues to fall by the wayside, especially potentially awkward or challenging topics such as succession.

The board evaluation is a point at which issues can be addressed, rather than being left to simmer and possibly boil over at a later date. While it should not be a forum for

Highlights

- board evaluations – currently a recommended best practice in Hong Kong – are likely to become a 'comply or explain' requirement in the future, while annual board effectiveness evaluations have been a requirement in the UK for two decades
- a board review provides a space, outside regular board meetings, in which issues can be raised, and problems can be identified and resolved before they develop further
- participation in a board evaluation can strengthen board dynamics by ensuring that all parties have a chance to contribute – a well-run process, where there is assurance of anonymity and confidentiality, can help to unite the board

whistleblowing (we would hope that directors would immediately raise or report any serious concerns around misconduct or financial irregularity, for example, rather than waiting for the evaluation to come around), a review allows the board to stand back and consider potential challenges both in relation to its own effectiveness and the company in general, enabling it to resolve problems before they develop or deteriorate further.

As well as issues within the board or the company, the board review is also a valuable opportunity for directors to identify potential developments in the wider environment that may need further thought or focus. At a time of radical uncertainty for businesses, it's a chance for the board to ensure that it is current on the latest challenges, be they geopolitical, regulatory, environmental or otherwise. An exercise this year for a Hong Kong listed company, for example, might include consideration of climate reporting and the board's readiness for the new Scope 3 emissions disclosure requirements in January 2025.

Corporate secretaries can play a crucial role in maximising a review's potential to highlight key issues and prompt open discussion. When the exercise is being scoped, they can assess whether it covers the most pressing areas of sensitivity and, as keepers of the board agenda, they will have a sense of issues that may not have received adequate airtime. For maximal engagement, it is vital for directors to be asked thought-provoking questions that encourage them to reflect on the fundamental issues. When designing surveys, the emphasis should be on open-ended questions that leave plenty of room for commentary, rather than binary judgements of whether a particular aspect of board performance is satisfactory or unsatisfactory.

Directors (particularly independent directors) also ought to be given a chance to bring their experience of other companies and the external environment to bear, to make sure the board and the organisation are abreast of leading-edge issues. External facilitators can come into their own here, as their knowledge of wider markets can help to form the line of enquiry and ensure that it is relevant and up to date.

Defining the board's focus and priorities

As well as raising issues and bringing potential challenges to the surface, evaluation exercises can help to orient boards around the issues that matter most to them. A review offers an opportunity to recalibrate the board's focus and agree priorities – both for its own improvement and for the future of the underlying business. It is increasingly common for boards to schedule their evaluation after their annual strategy day, so that – as well as assessing the usefulness of the day itself while it is fresh in the mind – they can align themselves around the strategic direction that has just been decided upon or reaffirmed.

In order that, having been identified, these priorities 'land' with the board, and changes in focus are recognised and embedded, it is important to schedule time for all board members to discuss the evaluation output together. Having been discussed and agreed, the key points can then be incorporated into a programme of continuous improvement to be carried out over the next year and beyond. As the guardian of good governance, this is a golden opportunity for the corporate secretary to step up by formulating and implementing a robust action plan that ensures all salient recommendations are followed up. The action plan can help to frame the next year's board review, helping to guarantee that it builds upon and evolves from the previous exercise.

In an externally facilitated exercise, providers should not simply deliver a report and then skip off into the sunset – in the interest of supporting the board and maximising the value of the process, it is best practice for a member of the facilitation team to brief the full board on the results, as well as to conduct individual feedback sessions with principal project sponsors such as the Chair and the company secretary. This will often involve peer comparison. From conversations with Chairs and board members in Hong Kong, we know that one of the most highly prized benefits of a good facilitator is the ability to compare and contrast performance with peers and to share best practices, and we will often put clients in touch with other boards that have experienced similar challenges.

Facilitators ought to support the creation of an action plan, bringing in their knowledge of best practice to give the plan the best chance of success, and facilitators should also remain available to clients to discuss the progress of the plan. Boards should, however, be wary of providers using the review to sell on other services such as recruitment. Independence has become a critical ingredient for successful providers in the UK and this is increasingly the expectation overseas – and certainly among the boards we have spoken to in Hong Kong.

Improving board dynamics and engagement

The impact of board reviews on dynamics and cohesion is also appreciated by directors. Assessment of board performance can of course bring with it the potential for conflict, particularly when it touches on the contribution of individual directors. In addition, the potential for confrontation or an atmosphere of accusation and condemnation to arise as a result of a review has historically been a notable concern for board members in Hong Kong. But a well-run process, where there is assurance of anonymity for respondents and confidentiality for the results, can help to unite the board.

By affirming their strengths and recognising areas they need to work on, as well as aligning around priorities and a programme for continuous improvement, board members can create a sense of teamwork through their engagement in the board review exercise. Indeed, the change of terminology from 'board evaluation' to 'board performance review' in the most recent update to the UK Corporate Governance Code reinforces the sense of the board getting better, together.

Participation in a board evaluation can strengthen board dynamics by ensuring that all parties have a chance to contribute. A director who is more reticent in meetings owing to time constraints, or who is feeling bound by conventions of hierarchy or respect (often the case when multiple generations of a family sit on a board), can come to the fore and have their voice heard. The knowledge that all directors' contributions are valued helps to build enduring, productive relationships around the board table.

Consideration of the board's performance promotes openness and honesty, and – providing that criticism is constructive – this makes boards more effective and better able to focus on material issues that might otherwise be swept under the carpet for fear of creating conflict. Clearly it is essential to make certain that the process is kept confidential and that the anonymity of respondents is assured, as a lack of trust in the process will lead to minimal engagement. Corporate secretaries and external facilitators alike must be scrupulous in safeguarding these aspects of the review.

One highly prized aspect of board reviews is the assistance they provide in helping management to understand the concerns of independent directors, both inside the boardroom and – increasingly – beyond. While executive directors have always taken part in board evaluation exercises, more and more companies are adopting a 'more the merrier' approach and asking top management personnel (typically the executive committee) to assess board performance in an 'upward review'. As well as pointing out any gaps in the board's oversight (often a board that is highly confident can benefit from management challenging their level of understanding in certain areas), an upward review exercise can add lasting value by promoting executive understanding of the non-executives' point of view, and inviting greater openness on both sides once the review process is over.

Conclusion

In all cases, it is important for participants – be they board members, governance professionals or external facilitators – not to lose sight of the central purpose of a board review, which is for boards to gain a clear picture of their own effectiveness, as well as their challenges and priorities for the future, and to thereby safeguard their organisation's governance, resilience and ongoing success. It should be an engaging and business-focused (even enjoyable!) process, and each exercise is an opportunity to build on the last, both continuously improving the performance of boards and enhancing the practice of board reviews themselves.

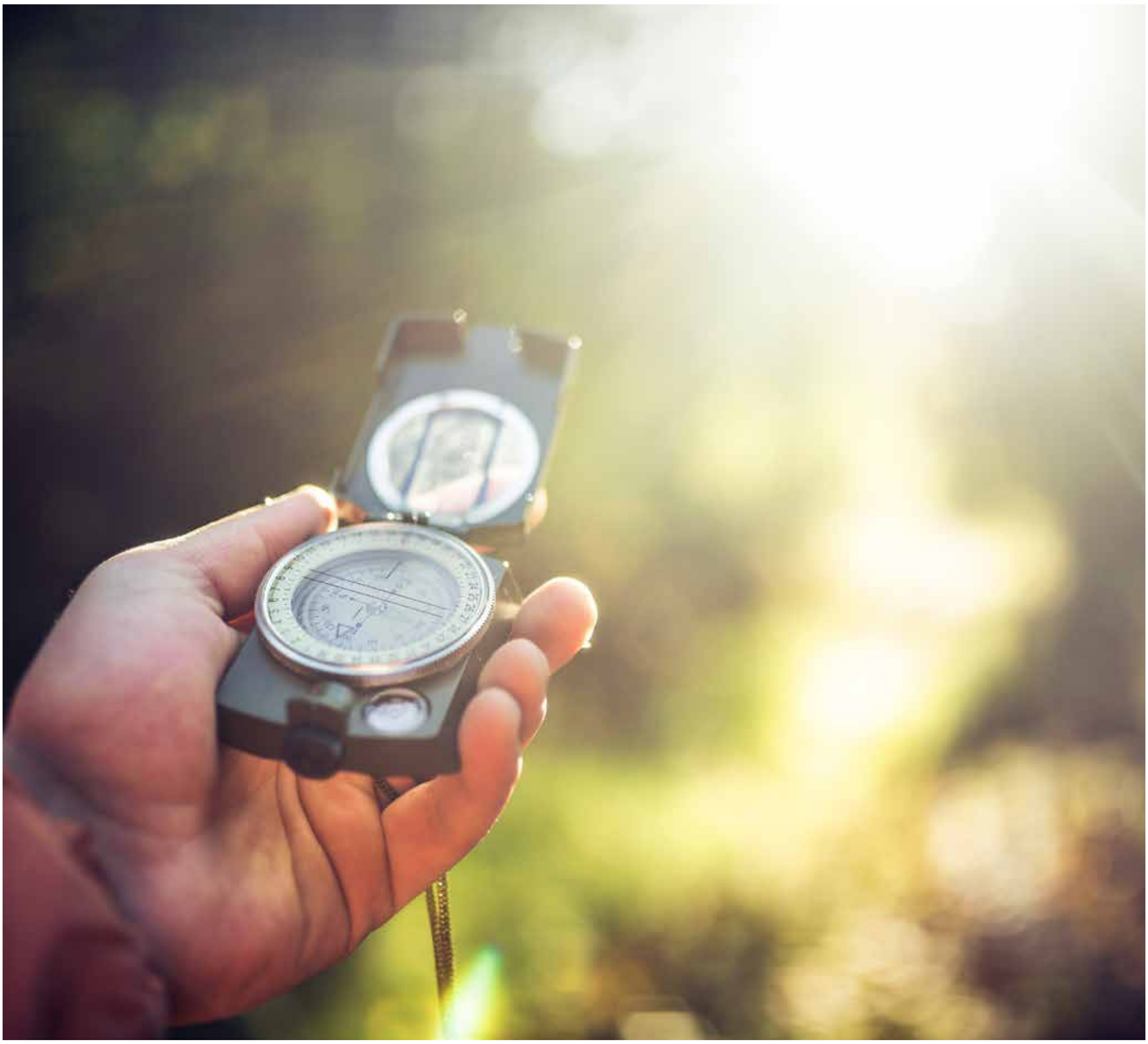
Philip Sidney, Senior Associate

Lintstock Ltd

> *Lintstock is a London-based corporate governance advisory firm that specialises in board reviews. The firm conducts research into topical governance issues and hosts webinars and workshops for company secretaries around the world.*
>
> *For more information on the firm and its research activities, or to receive a copy of the 2018 Lintstock publication mentioned in this article, please contact Lintstock Partner Neil Alderton at na@lintstock.com.*

Navigating social responsibility

CGj reviews a thought leadership paper published by The Chartered Governance Institute (CGI) to assist governance professionals guide their companies' approach to corporate social responsibility (CSR) amid evolving stakeholder expectations.



A paper published in February 2024 by CGI's Thought Leadership Committee, titled 'Navigating social responsibility: A study of evolving stakeholder expectations', aims to support governance professionals in their role of helping companies navigate their approach to CSR against the backdrop of today's growing demands from stakeholders, investors and society at large. 'Organisations must now navigate the many risks and rewards that come with the broadening social terrain in order to realise value for all stakeholders,' the paper explains.

The pitfalls of getting it wrong – and the benefits of getting it right – can be enormous. The paper draws on three very different case studies, all from global brand names, but each with a different set of circumstances, complexities and outcomes. These companies – Shell plc (Shell), The Walt Disney Company (Disney) and the Inter IKEA Group (IKEA) – each 'stepped into the spheres that used to be a preserve of the state', the paper observes, but with very different results. Each case epitomises the challenge of navigating CSR in this fast-changing social terrain, for which there is no defined road map.

The paper also suggests a number of valuable institutional solutions, and provides practical guidance to governance professionals to help their organisations contribute to a better society for us all.

Background to the report

Companies have responsibilities both to their shareholders and to the wider stakeholder community. Stakeholder expectations have grown over the last decade to include the concept that major corporations should not just pursue their profit motive but should also operate in a manner that benefits the common good. That might mean taking a public stand on important social issues, but this can be complicated and can create difficulties.

As Jill Parrat, the then International President of CGI, points out in her foreword to the paper: 'We are not suggesting that companies should take a public position on a social issue. That is a matter for the organisation. But as experienced governance professionals we are in a position to evaluate the experiences of other organisations and hopefully to provide useful guidance to our members and all governance professionals.'

Evolving stakeholder expectations

CSR has evolved from being a philanthropic exercise to being a matter that is of strategic importance. Governments, communities, employees and other stakeholders now expect companies to act responsibly on ESG issues on a consistent basis, and to create value not just for the organisation but also for its wider stakeholder community as part of their social licence to operate.

The cost of meeting these evolving stakeholder expectations has increased with 'geopolitical impacts, such as wars, global supply chain issues, net-zero commitments, corruption, and cultural and ideological shifts', the paper explains.

The challenge for organisations today is finding a balance between shaping their attitudes towards emerging social concerns, such as environmental issues, inclusivity and diversity, and avoiding being perceived as overstepping their corporate boundaries.

The paper outlines three different CSR frameworks, namely legitimacy theory, stakeholder theory and institutional theory, which are utilised in the analysis of the three case studies chosen. It also examines environmental forces caused by global ideological shifts and evolving governance models – such as the shift from shareholder

Highlights

- the pitfalls of getting one's CSR approach wrong – and the benefits of getting it right – can be enormous, as exemplified by the three case studies selected for the paper
- stakeholders now expect companies to act responsibly on ESG issues, and to create value for both the organisation and its wider stakeholder community as part of their social licence to operate
- governance professionals can no longer rely on historical ideas and narratives that may have worked in the past – instead, they need to find new CSR pathways with the aim of bettering society at large

primacy to stakeholder capitalism – to further inform the case study analysis. As the paper specifies: 'Governance professionals can no longer rely on historical ideas and narratives that may have worked in the past but which do not have the same relevance today; instead, they should endeavour to find new CSR pathways with the aim of bettering society at large.'

Case studies

For their assessment, CGI's Thought Leadership Committee selected three very different organisations, each of which is a household name, the aim of which was to highlight the contradictions and the harmonious possibilities of CSR, and how governance is impacted by both.

The paper considers four factors that have affected the organisations' strategic approaches, although not all are relevant to each organisation: ideological factors, social factors, political factors and governance factors, the last of which applies to all three case studies.

Shell

Dating back to 1907 and operating in more than 70 countries, Shell became embroiled in protracted tensions with increasingly vocal social, environmental and climate forces after it was discovered that oil leaks had remained undetected from 2004 to 2007, negatively impacting the ecological systems of three villages in Nigeria.

The resultant court case, filed by Milieudefensie (Friends of the Earth in the Netherlands), six other non-governmental organisations and a number of private individuals, was finally resolved at the Court of Appeal in The Hague in 2022, resulting in a settlement of €15 million to be paid by Shell to the communities of the affected villages and an instruction from the Court for Shell to install leak detection equipment on all its pipelines.

Shell has since made a number of significant changes in an effort to address the societal expectations of stakeholders. Shell, and its subsidiary in Nigeria at the time, had seriously underestimated the advent of ideological pressure since the 1990s on businesses to uphold human and environmental rights, as well as the power of communities. This illustrates that the legitimacy of CSR is time and place dependent, and that what worked in, say, the 1960s does not work today.

Disney

In March 2022, Disney, which was founded in 1923, came up against serious criticism from a number of its employees, including through walkouts and resignations, as well as from various human rights groups and individuals, when the company initially declined to take a stance against Florida's passage of the Parental Rights in Education Act, which restricted the teaching of sexuality and gender identity in schools. This was seen as a failure to integrate diversity, equity and inclusion as one of its core values, despite claiming to do so. The backlash resulted in the then CEO reversing the decision, with Disney now opposing the bill and pausing their funding to all anti-LGBTQ+ politicians.

This then led to a protracted, complex legal battle of approximately two years with the Government of Florida. Since the publication of CGI's paper, on 27 March 2024, the case was finally settled in court to mutual agreement. This case exemplifies the dangers of getting caught in the crossfire between polarised social groups.

IKEA

CGI's Thought Leadership Committee selected IKEA an example of what works in CSR. Founded in 1943 by 17-year-old Ingvar Kamprad, who grew up on a farm called Elmtaryd near the village of Agunarryd (the four initials of which make up the company name), IKEA's business model is based on sustainability and affordability, as well as ethical business practices. The paper asserts that 'the company's visionary stance on circularity and ambition to become a circular business by 2030, as well as to transform the world into circularity, make IKEA a pioneer'.

Despite a few setbacks in terms of some accusations of poor labour practices and human rights violations through age discrimination, and of tax avoidance in certain cases, IKEA consistently ranks highly for its reputation and CSR initiatives. As the paper points out: 'In the case of IKEA, the lesson to be learnt is being deliberate about social purpose and to include a sustainability factor in business modelling and institutional organisation.'

Institutional solutions

'Navigation of the ever-changing CSR terrain requires organised and

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S221, Hong Kong Convention and Exhibition Centre creative thinking, both within organisations and within their networks. This means developing structures and systems to include thought leadership, policy design and collaboration,' the paper recommends. Four institutional solutions are suggested as set out below.

1. Clarity on social purpose. This helps define why a company does what it does and how that helps create a better world, including for the stakeholders and investors. As the paper states: 'In an increasingly polarised world, social purpose helps navigate polarised social issues, which is what Disney faced.'

2. Transformational leadership. Transformational executives lead fresh thinking, and inspire and encourage innovation. 'Relevant experience of an organisation's executive group in social and political issues will help navigate difficult terrains,' the paper advises, and cites the approach taken by IKEA's founding leader as being an example of one that still positively impacts the institutional organisation and structure.

3. Integrated strategic approach. 'A fully integrated approach to stakeholder inclusivity helps in mitigating financial loss, reputational damage, recruitment and retention problems, and political retaliation for organisations,' the paper asserts. Organisations need to be aware of the social and environmental issues impacting them, accept the complexity of those issues and adapt by addressing the issues using creative and innovative approaches.

4. Communication and reporting. It is vital in today's digital era that governance professionals help establish transparent and inspirational stakeholder communication channels and strategies for their organisations, while reporting and disclosure helps build harmony and trust with stakeholders.

Practical guidance for governance professionals

The paper sets out five recommendations for governance professionals to help their organisations deal with the evolving stakeholder expectations and lists a number of practical steps that represent good practice, which can be adapted for each organisation, some of which may require external input.

1. Full integration of CSR
Integrating CSR issues into strategies facilitates the decision-making process. Organisations need to identify which social issues are most relevant to them, clearly articulating why these issues have been selected and exactly how they will go about developing them.

2. Mandatory professional development for executives
Emerging social and political factors in an organisation's ecosystem should first be identified, and any capacity gaps within the executive team need to be evaluated and addressed. Training should be made available for the C-suite and executive teams, and peer communication standards need to be developed and implemented.

3. Collaboration with stakeholders
Working in partnership with CSR networks in the organisation's jurisdiction, as well as building collaborative initiatives in an organisation's chosen area of CSR, enhances effectiveness.

4. Communication
The organisation's purpose, strategy for political engagements and influence, and any collaborative initiatives, should be clearly and coherently communicated, with regular updates of the strategy.

5. Reporting
A company's CSR initiatives and activities, along with its progress towards social purpose, should be disclosed on a regular basis, while research and insight papers on CSR to identify opportunities for better performance should be created.

Conclusion

The paper highlights that CSR concerns will continue to grow in line with evolving stakeholder expectations and the increasing demands of society. Effective CSR is a vital tool for creating a better world and its benefits go beyond the economic or financial. 'Notwithstanding the inherent contradictions, tensions and risks within the CSR space, clarity in social purpose, transformative leadership, an integrated strategic approach and communication can help professionals and corporations to pilot CSR activities,' the paper concludes.

The paper reviewed in this article is available on The Chartered Governance Institute website: www.cgiglobal.org.

Who's in charge – directors or AI?

AI in corporate decision-making

Danny Kan, Corporate Partner, Stephenson Harwood, and Adjunct Assistant Professor, The Chinese University of Hong Kong, and Michael Mok, Associate, Stephenson Harwood, look at the benefits and challenges of AI to corporate governance, as well as the related responsibilities of directors.

Artificial intelligence (AI) refers to a family of technologies that involve the use of computer programmes and machines to mimic the problem-solving and decision-making capabilities of humans. This is achieved through data analytics and automated decision-making or recommendations, thanks to AI's self-learning capability. With the proliferation of data and increased computing power, AI has become capable of performing certain human functions at a fraction of the time and a fraction of the cost. Such efficiency gains and cost-saving opportunities present an enticing prospect for companies.

While companies enjoy the benefits AI brings about, the use of AI is not without risks – any wrong decisions made by AI might have a profound impact on a company and the persons to whom such decisions relate. The consequences of these wrong decisions vary, but are the directors of the company responsible for such consequences? The management and mitigation of those risks may require companies to adapt their corporate governance frameworks by implementing certain governance structures, processes and systems. To adapt corporate governance frameworks, does AI have a role to play? Some companies have adopted AI to enhance corporate governance by empowering directors to make more informed decisions for the benefit of the company and its shareholders.

Corporate governance

'Corporate governance' refers broadly to the governance of companies. In many cases, the shareholders of a company are different from its directors, who run and manage the company, and accordingly their respective motivations and interests may be different. For this reason, the law has recognised a need to protect the shareholders and their interests. This protection is achieved through the imposition of duties and obligations on the directors, which all strive to ensure that directors act in a manner that does not prejudice the company or its shareholders. This also means that if things go wrong, it is the directors who will have liability.

Practical business uses of AI include banks making loan decisions and preparing loan documentation, healthcare companies making diagnoses and formulating treatment plans, and shops creating personalised shopping experiences for consumers. What if, in reliance on a decision made by AI, a company makes a wrong decision, for example, rejecting a loan application based on an algorithm whose logic is flawed, making a wrong medical diagnosis based on an AI engine trained on biased data, or recommending products and services based on a wrong analysis of consumer preference? Would the company and its directors be held responsible for the consequences of such decisions?

What is the relevant legal framework?

From a legal point of view, AI is no different from other technological developments. However, given the use of AI applications and the potential of AI systems to mimic human decision-

Highlights

- there is currently no legislation in Hong Kong regulating AI or the use of AI applications, although guidance does exist, primarily built upon ethical principles
- AI is capable of performing certain human functions at a fraction of both time and cost, presenting an enticing prospect for companies in terms of efficiency gains and cost-saving opportunities
- AI has the potential to significantly improve the overall corporate governance system and empower directors to make more informed decisions, especially when large data sets are handled, for the benefit of the company and its shareholders

making, the implications for society of AI are much more wide-ranging than previous technological advances.

The European Union's EU Artificial Intelligence Act came into force on 1 August 2024, with the implementation of specific rules subject to a phased approach spanning beyond 2026. This Act is the first comprehensive regulation on AI by a major regulator anywhere in the world, and will operate by assigning risk categories to various AI applications and regulating their use – AI applications assigned as 'unacceptable risk' are prohibited, while those assigned as 'high-risk' are subject to a more stringent risk management system and human oversight.

At present, Hong Kong does not have any legislation specifically regulating AI or the use of AI applications. While the government launched a two-month public consultation in July 2024 on enhancing the existing copyright law to impose potential infringement liability for certain AI-generated works, as well as the need for responsible and trustworthy AI systems, these proposed amendments merely tangentially touch upon the governance of AI systems. However, this does not mean that there is no guidance at all. The Office of the Privacy Commissioner for Personal Data, Hong Kong has issued two sets of useful guidance – in August 2021 and June 2024 – containing practical tips for companies in their use of AI applications. These tips are primarily built upon ethical principles when using AI applications, including transparency, interpretability, accountability, fairness, reliability, data privacy and human oversight. Other regulatory codes and publications also provide guidance on corporate governance generally, and the use of AI should be considered in the context of such guidance.

Can directors delegate their powers to AI?

Under common law and the Companies Ordinance, directors are charged with the duty to exercise reasonable care, skill and diligence, the duty not to delegate powers except with proper authorisation and the duty to exercise independent judgement. Directors are ultimately responsible for the affairs of the company. Even if directors delegate or rely on AI in the exercise of certain powers and functions, they remain responsible and must exercise independent judgement. Arguably, directors may not completely delegate their decision-making power to AI applications.

To fulfil their duties when using AI, directors would need to put in place structures, controls and systems. These would vary from company to company based on the company's nature, size, industry and other factors. Companies in regulated industries, such as financial services and banking, will have additional requirements imposed on them by their regulators – the Securities and Futures Commission and the Hong Kong Monetary Authority hold directors and senior management accountable for autonomous decisions made by AI, while listed companies have additional requirements imposed on them by the Hong Kong Listing Rules.

How can the risks arising from the use of AI be minimised?

AI strategy and governance. At the highest level, a company should establish an AI strategy and formulate governance considerations for procuring AI solutions, set up an AI governance committee (or other form of governing body) and provide employees with AI-related training. A good governance structure would encompass the following:

- all personnel involved in the use of AI should have clear roles and responsibilities in this connection
- people with the right expertise should carry out the review functions described above
- training in the use and purpose of AI should be provided to the people who use the AI applications, as well to the people who are involved in the monitoring of its use, so that all relevant persons understand the use, capacity and limitations of – and the risks associated with – the AI applications
- the security of the AI applications and the relevant data should be protected, such as from external hacking, and
- access to the relevant data should be restricted to those who need such access (for example, where sensitive personal data or other sensitive information is involved) and the AI applications should not be used in a manner or for any other purpose other than as intended.

> **it is imperative that directors understand the underlying logic of an AI algorithm, instead of treating it as a black box**

Underpinning the governance structure should be the adoption of policies and practice manuals, as well as overall oversight by management.

Risk assessment and human oversight. A company should identify and assess the risks of each AI application it uses. This involves understanding the applications, including their uses and limitations. A risk assessment should then be carried out to determine the extent of human oversight required. In very general terms, risks to companies of the use of AI applications may include the risk that the AI application makes a wrong decision or generates inappropriate output, the risk arising from the use of personal data in AI applications and the risk of abuse of AI applications. Risks may also arise in relation to the security of the AI applications and, in turn, the data contained in the applications, as these may use online facilities.

Factors to consider in such an assessment would include the potential impact on the affected persons and the wider community of the occurrence of the identified risks, and the probability of occurrence of such impact – as well as its severity and duration – and the adequacy of risk mitigation measures. Where the risks are assessed as high, the company may consider taking the decision-making out of the AI application and retaining control over that decision-making (a 'human in the loop' approach). Where the risk is low, there may not be a need for human oversight (a 'human out of the loop' approach), while for medium-risk applications, a combination of the two approaches might be considered where humans oversee the operation of the AI application and intervene where necessary (a 'human in command' approach).

The occurrence of such risks could have adverse impacts on the persons in connection with whom such output is generated. It could potentially also result in liability for the company towards the persons affected by such occurrences, or for reason of any resulting breaches of law and/or liability for directors towards shareholders for breaches of their duties to the company and the shareholders.

What actions can the company's directors take?

Companies should have in place corporate governance frameworks that ensure that either directors, an AI governance committee (or an equivalent body) or senior management take the following actions.

System design and testing. It is imperative that directors understand the underlying logic of an AI algorithm, instead of treating it as a black box. They should avoid relying completely on the decision logic under AI applications, but should demonstrate that they have taken all reasonable steps to understand the potential biases underlying such decision logic.

An AI application is only as good as the data provided to it. If the data on which an AI application relies is itself unreliable, the output would in turn also be inappropriate – the phrase 'garbage in, garbage out', coined in the 1960s in the context of computer science, seems especially apt in relation to AI, with its vast amount of data. Therefore, at the algorithm design stage, if the underlying data contains biases towards certain characteristics, the outputs generated by the AI application may also be skewed by those biases. The biases can potentially be exacerbated by the machine learning process used by the AI application. The AI application should be tested to ensure it performs as designed. Records of the relevant designs and tests should be maintained for future audit.

System implementation. Prior to the use of AI-generated output, review the output to ensure that it is in line with expectations. If any defects are found, or if the directors consider any output to be inconsistent with their expectations, the directors should take the necessary steps to rectify this. Rectification may simply be to rerun the data in the AI application, or to adjust the way the AI application is operated.

The reason for taking such steps is to demonstrate the exercise of independent judgement and due care

> “companies should periodically review and test the AI applications to ensure they are operating and performing as intended”

and skill, in that the directors are not relying solely or excessively on AI, but are also themselves taking steps to ensure that the AI applications are operating and performing as intended. Nonetheless, there is no obligation to ensure that each and every decision is correct, but if any of the directors do not exercise due care and skill or independent judgement, they may be regarded as having breached their duties.

Continuous monitoring and training. AI technologies are constantly evolving and the risk factors regarding the AI applications being used, as well as the reliability of AI models and data used for such a purpose, will inevitably change over time. Such changes will affect the reliability, robustness and security of AI applications. To guard against such impacts, companies should periodically review and test the AI applications to ensure they are operating and performing as intended. If necessary, retrain the AI applications with new data. It is also recommended that fresh risk assessments are regularly conducted and, if necessary, adjustments are made to governance structures.

Training in AI and AI ethics can empower directors with AI governance expertise. The Corporate Governance Guide for Boards and Directors issued by the Hong Kong Stock Exchange in 2021 lists technology know-how as one of the desirable skills the nomination committee of a listed company might consider when looking at a director candidate – and such technology know-how would conceivably include AI and AI ethics.

Can AI enhance corporate governance?

At the board level, AI may contribute to more informed decision-making, having taken into account a larger data set for evaluation. Theoretically, AI empowers human decision-making and board deliberations. AI could potentially be a positive disruptor of boardroom dynamics, enabling more objective and independent operational and strategic decisions to be made by companies, since it minimises the influence of human unconscious bias. AI can also assist with the setting and achievement of strategic goals and investment decisions. However, at present, Hong Kong does not have any legal framework for appointing an AI system as a director of a company. The law provides that unlisted companies may appoint natural persons and corporations as directors, while listed companies may only appoint natural persons as directors.

Certain listed companies have reported applying AI to risk management to ensure all risks are effectively identified and managed on a timely basis. In a more extreme case, in 2014 a Hong Kong–based venture capital management fund, Deep Knowledge Ventures, announced that it had appointed a machine learning algorithm called Vital (Validating Investment Tool for Advancing Life Sciences) to its board of directors. Vital was to be consulted and its views on potential investments were to carry equal weight to those of the fund's human directors. Although Vital did not have the legal status of a director, the board of Deep Knowledge Ventures used Vital to make purportedly more logical decisions, instead of investing in overhyped projects.

Concluding remarks

The use of AI can potentially be of great benefit to companies, but at the same time it presents challenges for corporate governance. While we await any laws and regulations directly related to the use of AI, company directors should remain aware of the potential consequences of the risks of AI. Despite the challenges it brings to corporate governance, AI has the potential to significantly improve the overall corporate governance system and empower directors to make more informed decisions, especially when large data sets are handled. It appears that directors and AI are both in charge, and will go hand-in-hand to impart new dynamics to corporate governance practices.

Danny Kan, Corporate Partner, Stephenson Harwood, and Adjunct Assistant Professor, The Chinese University of Hong Kong, and Michael Mok, Associate, Stephenson Harwood

75th CHARTERED GOVERNANCE Hong Kong
YEARS ANNIVERSARY

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> "in the startup world, knowing how to communicate with stakeholders can have a positive impact on the company's growth"

Ellen Lee ACG HKACG, Manager and Company Secretary – CUHK Innovation Ltd

Ellen Lee ACG HKACG

What is your current role and what was your career path to this role?
'I am currently the manager of CUHK Innovation and also carry out company secretarial duties. Our company is the investment entity of The Chinese University of Hong Kong (CUHK), which aims to commercialise the university's research outcomes that would benefit society. We started less than a year ago, but we have already formed an investment network in the hope that the investors' appraisals can help our entrepreneurial teams grow. Before joining CUHK Innovation, I worked in hedge funds, financial regulatory agencies and local startups.'

What role do you think governance professionals can play in the startup scene?
'Listed companies have regulatory requirements to follow but startups do not, so it is vital that they develop clear and effective internal governance standards. In my experience, most early-stage institutional investors pay attention to whether startup teams are trustworthy, whether they communicate well with stakeholders and whether information is transparent, all of which are aspects of governance. The work of a company secretary definitely affects investors' perceptions and attitudes towards the company, which in turn impacts the company's growth and fundraising capabilities.'

What was your chosen route to complete the Institute's qualifying programme and why did you choose that route?
'While working in hedge funds, I realised that – as well as the financial statements – ESG is also an important indicator for evaluating a company, which sparked my interest in governance. My background was in mathematics and finance, and I didn't have much understanding of company structure or board operations, so I wanted to fill this gap. I chose to take a part-time master's degree in corporate governance and compliance at Hong Kong Baptist University, which is one of the Institute's accredited programmes through the Collaborative Course Agreement, after which I became a member of the Institute and have since been participating in many of its continuing professional development courses.'

What qualities do you think are needed to be a successful governance professional and what advice would you give to people who are considering qualifying as a Chartered Secretary and Chartered Governance Professional?
'I am still learning myself, so I can only say that the professional knowledge of a company secretary is crucial for building a company. In the startup world, knowing how to communicate with stakeholders can have a positive impact on the company's growth. If someone wants to learn more about corporate governance, I would encourage them to take action immediately. Coming from a finance background, studying corporate governance gave me a new perspective. Each new skill you acquire adds another dimension to your viewpoint, making your world broader and richer.'

As a member of the younger generation, how do you think governance will evolve in the future?
'I believe governance will become increasingly important and more wide-ranging in the future. For instance, there is already a lot more discussion about ESG and sustainability issues. I would like to see these concepts being extended from listed companies to the startup community, so I will continue to play my part in providing information and support to ensure that startups are aware of corporate governance considerations from the beginning, which will help them grow in the future.'

李思敏女士 ACG HKACG

> **在创科的世界，当你知道如何有效地和持份者沟通，可以帮助公司更好地成长。**

李思敏女士 ACG HKACG，
中大创新有限公司经理兼公司秘书

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？

‘我现在在中大创新担任经理，同时负责公司秘书职务。我们公司是香港中文大学的风险投资公司，目的是将学校的科研成果商品化，为社会带来益处。虽然我们成立了不到一年，但已经成功建立了一个投资网络，冀广纳投资者的意见来协助我们的创业团队成长。加入中大创新之前，我先后从事对冲基金、金融监管机构及本地初创企业的工作。’

您认为治理在初创企业中可以发挥什么作用？

‘目前，上市公司有责任遵守监管要求，初创企业则没有，所以更加需要发展清晰有效的内部治理概念。在我的工作经验中，我发现大部分的早期机构投资者很重视创业团队是不是值得信任，有没有好好地与持份者沟通，信息是不是透明，而这些都是治理的一环。公司秘书的工作表现绝对影响投资者对公司的看法和态度， 进而也会影响企业的成长和集资能力。’

您完成公会的资格计划的路径是怎样的？

‘早在对冲基金任职期间，我了解到除了看财务报告之外，ESG 也是评价一间公司的重要指标，因此开始对治理产生兴趣。过去我的工作背景与数学跟金融相关，对于公司结构组成或是董事会的运作方式没有太大认识，我希望能补充这一方面的短板，于是在香港浸会大学读了一个在课程合作协议下获公会认可的公司治理兼读硕士课程，其后加入了公会，参与了很多公会的持续专业发展课程。’

您认为成为一名成功的治理专业人士需要具备哪些素质？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？

‘我也还在学习，所以我只能说公司秘书的专业知识对于建构一家公司是很重要的。在创科的世界，当你知道如何有效地和持份者沟通，可以帮助公司更好地成长。如果有人想学习更多关于公司治理的知识，我会鼓励他立刻行动。我是读金融出身，学习公司治理为我带来新视角。我觉得每学习一项新技能，就多了一个角度去看事情，你的视角会更多元，眼界会更广阔。’

作为年轻一代的一员，您认为‘治理’将来会如何发展？

‘我认为治理在未来一定会越来越重要，范围越来越广阔。像是现在大家已经对 ESG 和可持续发展议题有更多的讨论。我希望看到这些概念从上市公司扩展到初创企业，因此我将继续发挥我的作用，提供信息和支持，希望初创企业从一开始就意识到公司治理的考虑因素，这将有助于它们未来的成长。’

Calling for Nominations of HKCGI Prize 2024

2023
Dr Anthony Neoh
QC SC JP FCG HKFCG

2022
Samantha Suen
FCG HKFCG
Past President and Former Chief Executive, HKCGI

2021
April Chan
FCG HKFCG
Past President , HKCGI

2020
Ada Chung
FCG HKFCG
Privacy Commissioner for Personal Data

2019
Edith Shih
FCG(CS, CGP)
HKFCG(CS, CGP)(PE)
Past International President, CGI; Past President, HKCGI; Executive Director and Company Secretary, CK Hutchison Holdings Ltd

2018
Peter Greenwood
FCG HKFCG
Former HKCGI Representative to CGI Council

2017
Natalia Seng
FCG HKFCG
Past President, HKCGI

2016
Gordon Jones
BBS FCG HKFCG
Former Registrar of Companies

2015
Anthony Rogers
GBS QC JP FCG HKFCG
Former Vice-President of the Court of Appeal of Hong Kong

2014
Neil McNamara
FCG HKFCG
Past President, HKCGI

2013
Edwin Ing
FCG HKFCG
Past President, HKCGI

2012
John Brewer
Past Chairman, The Association of the Institute of Chartered Secretaries and Administrators in Hong Kong

2011
Duffy Wong
BBS JP FCG HKFCG
Past Chairman, The Association of the Institute of Chartered Secretaries and Administrators in Hong Kong

(Prize Awardees from 2011 to 2023)

The Hong Kong Chartered Governance Institute Prize 2024

The Hong Kong Chartered Governance Institute Prize will be awarded to a memeber or members who have made significant contributions to the Institute, and the Chartered Secretary and Chartered Governance Profession over a substantial period. Awardees are bestowed with the highest honour - recognition by their professional peers.

For details, please visit www.hkcgi.org.hk or contact Melani Au: (852) 2830 6007, or email: member@hkcgi.org.hk

Professional Development

Seminars: July 2024

3 July
New treasury share regime: overview and practical impacts

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

Speakers: *Amy Yu, Partner, Stephenson Harwood; Jeanne Au FCG HKFCG, Associate Director of IPO & Share Registry, Vistra; and John Wong, Managing Director, Somerley Capital Ltd*

8 July
Going abroad: notarisation requirements and company secretarial practices

Speakers: *Dora Chow, Consultant, Zhong Lun Law Firm LLP; Elen Lau, Consultant, Kwok Hei Law Office; and Frances Chan FCG HKFCG, Institute Professional Services Panel member, and Founder and Director, K. Leaders Business Consultants Ltd*

10 July
Board governance and investigation as an effective governance tool

Speakers: *Patricia Hui FCG HKFCG(PE); Christine Cuthbert, Partner, Baker & McKenzie; and Mavis Tan, Partner, Control Risks*

17 July
New HKEX corporate governance consultation paper

Speakers: *Gillian Meller FCG HKFCG(PE), International Vice President and Institute Past President, Nomination Committee Chairman and Governance Professionals Panel Chairman, and Legal and Governance Director, MTR Corporation Ltd; and Jason Webber, Partner, Slaughter and May*

26 July
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*

29 July
CSP foundation training series: statutory records of Hong Kong private limited companies

Speaker: *YT Soon FCG HKFCG(PE)*

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

Membership/graduateship renewal for the financial year 2024/2025 – final call

The renewal notice, together with the debit note for the financial year 2024/2025, was sent to all members and graduates by email in June 2024 to the email address registered with the Institute. Members and graduates should settle the payment as soon as possible, but no later than Monday 30 September 2024.

All members and graduates are highly encouraged to pay their annual subscription directly online. Please ensure that you settle your annual subscription by the deadline, as failure to do so will constitute grounds for membership or graduateship removal.

For enquiries, please contact the Membership Section: (852) 2881 6177, or email: member@hkcgi.org.hk.

New Fellows

The Institute would like to congratulate the following Fellows elected in July 2024.

Cheng Man Hon, Ricky FCG HKFCG

Ricky Cheng is a seasoned professional at BDO, where he serves as Head of Risk Advisory Services. With over two decades of experience, Ricky specialises in corporate governance, internal audit, risk management and regulatory compliance. His expertise spans various sectors, including financial services, healthcare and technology. Ricky holds Certified Public Accountant and Certified Internal Auditor designations, and is known for his strategic insights and leadership in navigating complex risk landscapes. He is a frequent speaker at industry conferences and a respected thought leader, contributing to numerous publications. Ricky is a governor of The Institute of Internal Auditors Hong Kong, a member of the Sustainability Committee of the Hong Kong Institute of Certified Public Accountants and a member of the Advisory Peer Group of Hong Kong Metropolitan University.

Dr Wong Tin Yau, Kelvin FCG HKFCG

Chairman, Accounting and Financial Reporting Council, and Executive Director and Deputy Managing Director, COSCO Shipping Ports Ltd (Stock Code: 1199)

Membership (continued)

New Associates

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

Au Yeung Kit Ying	Leung Wing Hin	Pallavi Srivastava	Wong Lok Yan
Chen Qin	Leung Wing Yung	Sun Ho Chau	Wong Yiu Chung
Chen Quan	Li Wing Yee	Sze On Ni	Xie Yang
Cheung Ka Ying	Liu Shengyun	Szeto Wing Ting	Yao Yuan
Chung Kok Kuen	Ma Chenyao	Wang Jingkai	Yung Chui Mei
Fu Siyu	Ma Shanae	Wong Chui	Zhang Weibohui
Ip Sin Ying, Amy	Ma Xiaolei	Wong Kam Yin	
Law Yuen Man	Pang Ching Yi	Wong Kit Ying	

New graduates

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

Chan Yin Ting	Lai King Hei	Sam Chi Yung	Wong Ling Shan
Chan Yuen Ching, Sarah	Lam Ka Ying	Sheh Tsz Yiu	Wong Yuk King
Chen Yuwen	Lau Fu Yuen	Tai Hiu Ying	Wu Ruodong
Cheung Wing Lam	Lee King Yan	Tai Siu Hing	Yeung Adrian
Choi Ching Shu	Liang Siqi	Tang Yin Nei	Yeung Ho Yin
Chung Hiu Laam	Ng Hoi Yu	Tong Yim Ying	Yeung Lai Shan
Ho Pok Man	Ng Jo Yin, Vanessa	Tse Yu Yeung	Yeung Pui Yee, Holly
Ho Sze Man	Ng Nga Mei	Wang Jia	Yip Lai Fan, Doris
Hung Pui Lam, Bernice	Ng Wing Wing	Wang Tongtong	Zhou Yan
Jin Gang	Or Hiu Yan	Wang Xi	Zou Tao
Ko Pui Yi	Ruan Boyu	Wong King Yan	

Membership activities: July 2024

6 July

Summer sports series – indoor lawn bowls (室内草地滚球)

13 July

Soft skills training series: session 4 – practical application and communication skills development (physical workshop)

25 July

Stay healthy and fabulous – beauty and networking workshop

Forthcoming membership activities

Date	Time	Event
7 October 2024	6.30pm–9.00pm	Annual Convocation 2024

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

Advocacy

Exciting Update! Retirement – A Sustainability Governance Issue: Retirement Age & A Managed Process

On 25 June 2024, the Institute released a report titled Retirement – A Sustainability Governance Issue: Retirement Age & A Managed Process, drawing insights from around 1,300 respondents. Institute Deputy Chief Executive Mohan Datwani FCG HKFCG(PE) authored this insightful report, which advocates for a retirement age of 65+ years and a managed succession plan.

The South China Morning Post covered the subject here, along with an editorial opinion piece, in which Institute President David Simmonds FCG HKFCG was invited to share his thoughts, emphasising that senior management talent is crucial for effective governance (click here).

For details, please visit the Research Papers page under the Thought Leadership section of the Institute's website: www.hkcgi.org.hk.

Advocacy (continued)

The Impact of the New PRC Company Law on Companies Listed in Hong Kong

On 9 July 2024, the Institute jointly published a guidance note with Tian Yuan Law Firm LLP titled The Impact of the New PRC Company Law on Companies Listed in Hong Kong (Chinese only).

The report introduces the new PRC Company Law and explains its impact on Hong Kong–listed companies.

For details, please visit the Guidance Notes/Guidance/Thoughts page under the Thought Leadership section of the Institute's website: www.hkcgi.org.hk.

HKCGI Sustainability Governance Academy

On 31 July 2024, our Institute successfully launched the HKCGI Sustainability Governance Academy at the HKEX Connect Hall. With over 1,500 attendees, this hybrid event underscored the significance of sustainability governance in Hong Kong. The Academy aims to be a powerhouse for ESG and sustainability governance, offering continuous learning, networking and career development.

Visit the South China Morning Post article here. The article was written by Martin Choi CESGA, and features Institute President David Simmonds FCG HKFCG and Institute Chief Executive Ellie Pang FCG HKFCG(PE).

Enrolment at the Academy is now open to the approximately 1,400 accredited certificate holders of the Institute's ESG Reporting Certification Course, as well as to the upcoming cohort of course participants.

Registration for the fifth cohort of the ESG Reporting Certification Course is open to all interested individuals until 10 October.

For details, please click on the Sustainability Governance Academy tab shown in the Institute's website, and visit the ESG Reporting Certification Course page under the Professional Development section of the Institute's website: www.hkcgi.org.hk.

Nominations for the HKCGI Prize 2024

The Institute takes great pride in presenting The Hong Kong Chartered Governance Institute Prize 2024 (HKCGI Prize). This award recognises governance professionals who have made outstanding contributions to the Institute and to the Chartered Secretary and Chartered Governance profession over a substantial period of time.

We have a community of over 10,000 members, graduates and students in the Chinese mainland and Hong Kong. Celebrating the achievements of leaders in the governance profession will inspire others to play their part in bringing the profession forward. Members are cordially invited to nominate candidates who have made ongoing and significant contributions to the Institute and our profession.

These may include a track record of outstanding contributions to:

- the Institute's technical and research, education and examinations, and professional development work
- the development of the profession/or the Institute in the Chinese mainland and Hong Kong, and
- work that significantly enhances the status of the Chartered Secretary and Chartered Governance Professional within the local community, the Chinese mainland and/or internationally.

The nomination deadline is Monday 30 September 2024. Submit your nominations now!

For enquiries, please contact Melani Au: (852) 2830 6007, or email: member@hkcgi.org.hk.

The Hong Kong Chartered Governance Institute 2024 Annual General Meeting – call for nominations for election to Council

Members are invited to nominate candidates for election to Council of the Institute at the 2024 Annual General Meeting (AGM). The Articles of Association of the Institute provide that only Fellows who are ordinarily resident in the Division (that is, the territory of the People's Republic of China, including Hong Kong) are eligible to stand for election. More details are available on the Institute's website: www.hkcgi.org.hk.

Duly completed and signed nomination forms must be returned to the Institute's Secretariat in person or by post no later than 6.00pm on the nomination closing date of Wednesday 2 October 2024.

For enquiries, please contact the Membership Section: (852) 2881 6177, or email member@hkcgi.org.hk.

Advocacy (continued)

The 76th Governance Professionals ECPD seminars

The Institute held its 76th Governance Professionals ECPD seminars from 17 to 19 July 2024 in Harbin, Heilongjiang Province, under the theme of ESG, Investor Relations Management and Market Value Management. This event attracted around 160 participants, mainly comprising board secretaries and equivalent personnel, directors, supervisors, CFOs and other senior management from companies listed or to-be-listed in Hong Kong and/or the Chinese mainland.

Dr Gao Wei FCG HKFCG(PE), Chief Representative of the Institute's Beijing Representative Office, chaired the seminars. Dr Gao and other senior professionals shared their insights on the following topics:

- interpretation of sustainability reporting guidelines for listed companies
- ESG strategy implementation – ESG Kanban (WTW's ESG Clarified™ platform) and enhancement planning
- in-depth focus – A share sustainability reporting guidelines and Hong Kong Exchanges and Clearing Limited's latest climate related regulations
- sustainable development information disclosure for international investors
- listed companies – value chain carbon management, supply chain ESG digital management and climate risk management
- case sharing – stakeholder communication in corporate actions
- how to enhance shareholder value
- panel discussion – multiple perspectives on market value management
- the future is here – building brand in the capital market and establishing new concepts for investor relations work
- exploration and innovation of market value management for Hong Kong listed companies
- prospects for listed companies going global
- how to better manage ESG rating questionnaire requirements, and
- new thinking in investor relations management – value creation under ESG orientation.

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

Chartered Governance Qualifying Programme (CGQP)

June 2024 examination diet

The examination results of the June 2024 diet were released on 20 August 2024. Candidates can access their examination results from their accounts on the Institute's website. The examination papers, mark schemes and examiners' reports are also available to download from the Login area of the Institute's website.

Pass rates

A summary of the pass rates for the CGQP June 2024 examination diet is set out below:

Module	Pass rate
Part One	
Corporate Governance	52%
Corporate Secretaryship and Compliance	41%
Hong Kong Company Law	54%
Interpreting Financial and Accounting Information	29%
Part Two	
Boardroom Dynamics	50%
Hong Kong Taxation	25%
Risk Management	30%
Strategic Management	44%

Module Prize and Merit Certificate awardees

The Institute is pleased to announce the following Module Prize and Merit Certificate awardees for the June 2024 examination diet. The Module Prizes are sponsored by The Hong Kong Chartered Governance Institute Foundation Ltd. Congratulations to all awardees!

Module	Module Prize awardees
Corporate Governance	Wang Zhihao Yung Sheung Pik
Corporate Secretaryship and Compliance	Tam Guerreiro Do Rosario Sofia
Hong Kong Company Law	Ho Lok Man
Hong Kong Taxation	Luk Suet Kwan

Module	Merit Certificate awardees	
Corporate Governance	Chan Tsz Fung Fung Ka Chun Liu Zheng Poon Nok Yee	Qin Xuan Tsang Oi Shan, Teresa Yin Xun
Corporate Secretaryship and Compliance	Cai Yunshi Lam Ka Lai Qin Xuan	Wong Hoi Tung Yu Chun, Benny
Hong Kong Company Law	Cheung Choi Ha	Yun Tsz Kin
Interpreting Financial and Accounting Information	Wong Hong Chee, Andre	

For details of the CGQP examinations, 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.

Chartered Governance Qualifying Programme (CGQP) (continued)

November 2024 examination diet timetable

The November 2024 examination diet of the CGQP will be held between 18 and 28 November 2024.

Week one

Date/Time	18 November Monday	19 November Tuesday	20 November Wednesday	21 November Thursday
9.15am–12.30pm*	Hong Kong Taxation	Hong Kong Company Law	Interpreting Financial and Accounting Information	Corporate Secretaryship and Compliance

Week two

Date/Time	25 November Monday	26 November Tuesday	27 November Wednesday	28 November Thursday
9.15am–12.30pm*	Corporate Governance	Strategic Management	Risk Management	Boardroom Dynamics

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

Key dates

Key dates	Description
15–17 October 2024	Pre-released case studies for the Part 2 modules • 15 October 2024: Strategic Management • 16 October 2024: Risk Management • 17 October 2024: Boardroom Dynamics
30 October 2024	Release of examination admission slips
19 December 2024	Closing date for examination postponement applications
Late February 2025	Release of examination results
Late February 2025	Release of examination papers, mark schemes and examiners' reports
Mid-March 2025	Closing date for examination results review applications

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

For details of the CGQP examinations, 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.

Learning support

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

Examination technique online workshops

The Institute's examination technique online workshops are designed for students with substantive knowledge of their respective examination modules. A new structure for the workshops is being implemented this month to better facilitate students' examination preparations. The workshops for the November 2024 examinations will be extended from 6 hours to 12 hours, specifically for the Corporate Governance, Corporate Secretaryship and Compliance, and Risk Management modules.

- Part one and part two: These sessions consist of pre-recorded videos totalling 10.5 hours. They offer an overview of the syllabus by highlighting key points and significant issues. Past papers are used as illustrations to provide guidance on examination techniques for tackling questions.

- Part three: This will be a 1.5-hour webinar that provides feedback and guidance based on the mock examination paper.

Key dates for learning support

Key dates	Description
Mid-September 2024	30-day complimentary pre-recorded examination technique online workshops videos – parts one and two – available for candidates of the November 2024 examination diet
9–20 September 2024	Enrolment period for the examination technique online workshops – part three, and release of mock examination paper
27 September 2024	Examination technique online workshops – submission deadline for mock examination paper
Late October 2024	Examination technique online workshops – part three

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

For details, please visit the Online Learning Video Subscription page under the Learning Support 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.

Studentship renewal for the financial year 2024/2025 – final call

The renewal notice for the financial year 2024/2025 was sent to all students to the email address registered with the Institute in June 2024. Students should settle the payment as soon as possible, but no later than Monday 30 September 2024.

All students are highly encouraged to pay their renewal fee directly online. Please ensure that you settle your renewal fee by the deadline, as failure to do so will result in the removal of studentship from the student register.

For enquiries, please contact the Studentship Registration Section: (852) 2881 6177, or email: student_reg@hkcgi.org.hk.

Chartered Governance Qualifying Programme (CGQP) (continued)

Student Ambassadors Programme 2024/2025 – recruitment of mentors

Our Student Ambassadors Programme (SAP) serves as a platform to introduce and enhance students' understanding of the career of a governance professional. As one of the key features of SAP, the Mentorship Programme gives our student ambassadors a chance to learn from experienced members of the profession.

We would like to invite Institute members to join the SAP Mentorship Programme as our mentors to nurture the young generations as future governance professionals.

For details of SAP, please visit the Student Ambassadors Programme page under the Student Promotion & Activities subpage of the News & Events section of the Institute's website: www.hkcgi.org.hk.

For enquiries, please contact the Qualifications and Assessments Section: (852) 2881 6177, or email: student@hkcgi.org.hk.

Notice

Update of the CGQP studentship policy

The CGQP studentship policy for the following has been updated with effect from 1 July 2024:

- studentship registration (Collaborative Course Agreement (CCA) programme entry)
- studentship renewal and maintenance requirements (CCA programme students)
- study timeframe requirements (CCA programme students)
- application for CCA full exemption
- application for further exemption, and
- studentship removal.

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