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

CGC 2024 review

Adapting to an uncertain operating environment

Retirement age
Tax ethics
AI risks

Power Brighter Tomorrows

Co-creating Sustainable Success

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 30 September 2024, the statistics were as follows:
Students: 2,414 **Graduates**: 431 **Associates**: 6,466 **Fellows:** 891

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这个新专栏作为新一代治理系列的继任者，于本月推出，这对父子将分享他们对工作、生活和治理的看法。

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CGC 2024 review

This edition of your journal reviews our latest corporate governance conference (CGC), which was held in September this year at the JW Marriott Hotel. One of the key strengths of our CGCs is their inclusivity. As the Event Chair Peter Greenwood FCG HKFCG made clear at the outset of the day's discussions, the aim was to hear from as many different stakeholders of the governance debate as possible. The conference certainly delivered on this, and the plurality of voices contributed to a much broader and more accurate picture of both the challenges ahead and the possible solutions.

One area of consensus was that the 'new era' we are entering is largely terra incognita and is still being mapped. Advances in technology and the increasing urgency of sustainability issues are high-profile examples of this, but many other issues further complicate the picture. Indeed, the conference was an excellent primer on the bewildering number of different macro challenges that are already shaping our future. Ageing populations in many Asian jurisdictions, slowing economic growth and societal changes such as the recent shifts in working practices and customer behaviour, together with increasing geopolitical tensions and deglobalisation, were all addressed during the course of the day's discussions. While the above might seem to paint a less than rosy picture of what lies ahead, the main focus of the conference was to explore the ways in which governance stakeholders can help their organisations – and our communities – navigate these uncertain times.

Our cover stories this month highlight the key recommendations of the forum. The first reviews the first two sessions of the day, which focused on the views of business leaders and local, regional and global investors. The second completes the picture with a review of the three afternoon sessions, looking at Hong Kong's competitiveness and at how governance itself is adapting to our changing world.

Before I conclude, I would like to thank everyone involved in the cocktail reception we organised on 4 October to celebrate the successful conclusion of CGI's International Council Meeting, held this year in Hong Kong, and as a very fitting culmination of our 75th anniversary celebrations this year.

In his Guest of Honour speech at the event, Paul Chan Mo-po GBM GBS MH JP, Financial Secretary of the HKSAR Government, and Fellow of the Institute, thanked our Institute for its part in helping Hong Kong keep its regulatory and governance frameworks fit for purpose. That work continues apace, of course, with our submission to the recent consultation paper from The Stock Exchange of Hong Kong Limited on the proposed expansion of Hong Kong's paperless listing regime fresh off the press.

As our 75th anniversary year draws to a close, I would like to extend my special thanks to everyone involved in all aspects of our work. Our Institute has a long history of promoting better governance in Hong Kong, and, as our tagline suggests, that is in the interests of a better future.

David Simmonds FCG HKFCG

2024年企业管治研讨会回顾

本月会刊回顾了公会于今年 9 月在 JW 万豪酒店举行的最新一次企业管治研讨会。本研讨会的一个重要特点是其包容性。如会议主席Peter Greenwood FCG HKFCG在研讨会一开始所明确指出，研讨会的目的是听取尽可能多的利益相关者对公司治理的观点。这次研讨会确实做到了这一点，多元化的声音有助于更广泛、更准确地了解未来的挑战和可能的解决方案。

大家的一个共识是，我们正在进入的"新时代 "在很大程度上是一个未知领域，大家仍在摸索之中。科技的进步和可持续性问题的日益紧迫充分说明了这一点，而许多其他问题进一步复杂化了这一局面。事实上，本次研讨会提供了极好的基本情况介绍，让我们了解到许多已经对我们的未来产生宏观挑战的问题。许多亚洲国家的人口老龄化、经济增长放缓、社会变革（如最近工作方式和客户行为的转变），以及日益紧张的地缘政治和去全球化，都在当天的研讨中进行了充分探讨。上述问题似乎使未来看起来不太乐观，不过，此次研讨会重点探讨了治理利益相关者如何帮助组织以及我们的社区应对这些充满不确定的时期。

本月的封面故事重点介绍了研讨会的主要建议。第一篇回顾了当天的前两场研讨，主要是来自商界领袖以及本地、地区和全球投资者的观点。第二篇则对下午三场研讨进行了回顾，探讨了香港的竞争力以及治理本身如何适应不断变化的世界。

最后，我要感谢参加公会于 10 月 4 日举办的鸡尾酒会的所有人，这次鸡尾酒会是为了庆祝 CGI 国际理事会会议的圆满结束。

香港特别行政区政府财政司司长、香港公司治理公会资深会员陈茂波先生 (GBM GBS MH JP) 在会上致辞时，特别感谢了公会在协助香港保持其监管和治理框架切合香港整体发展目标方面所发挥的作用。当然，我们的工作仍在继续，最近我们向香港联合交易所有限公司提交了一份关于建议扩大香港无纸化上市制度的咨询文件的意见书。

在公会成立 75 周年之际，我要特别感谢所有参与公会各项工作的人员。公会长期以来一直致力于促进香港的良好治理，正如我们的口号所表明所表明，这是为了更美好的未来。

司马志先生 FCG HKFCG

Adapting to an uncertain operating environment

CGC 2024 review – part 1

This first part of the CGj review of the Institute's latest Corporate Governance Conference (CGC) focuses on the key takeaways from the two morning sessions, which examined how the current operating environment is impacting the business and investment worlds.

On 20 September 2024, the Institute held its 14th Biennial CGC at the JW Marriott Hotel Hong Kong on the theme: Reviewing, Rethinking and Resetting Corporate Governance for a New Era. The forum explored the accelerating pace of economic, social, environmental and technological shifts and how organisations must adapt to thrive.

A world defined by change

In today's rapidly evolving business landscape, forces such as shifting geopolitics, climate action demands and the rise of cutting-edge technologies are reshaping how organisations operate. These dynamics are altering consumer behaviour, investor expectations, labour markets, trade and more. For business leaders, navigating this landscape requires not just resilience but foresight – and good governance will be essential to guide companies through the uncertainty while seizing new opportunities.

As the Guest of Honour, Carlson Tong GBS JP, Chairman, Hong Kong Exchanges and Clearing Limited (HKEX), outlined three cardinal areas that boards of the future must focus on to steer a course through this turbulent landscape.

1. ***Skill sets.*** With expertise in AI, cybersecurity, data analytics and climate risk becoming increasingly essential, boards will need a broader range of skills. 'The boards of the future are going to need a much broader range of skill sets than ever. Age-old skills like legal risk and ethics will also need to be applied in new ways,' Mr Tong noted.

2. ***Diversity.*** Highlighting the importance of diverse perspectives to prevent groupthink, Mr Tong stressed that 'corporate governance is about creating the internal conditions to spot failures'.

3. ***Independence.*** Ensuring board members have the independence to challenge management is crucial. 'Independence is critical because it empowers board members to take positions they believe they must take to fulfil their roles, even when those positions are in opposition to management. Without this, the very point of the board is nullified,' Mr Tong stated.

Challenges and opportunities in delivering goods, services and value

The first session of the conference heard from a number of senior business leaders in top global organisations. Fred Lam Tin-fuk GBS JP, Chairman of the Airport Authority Hong Kong, shared insights into the challenges Hong Kong International Airport (HKIA) has faced over the past decade and the innovative steps taken to transform the airport into a world-leading aviation hub.

One of the most pressing challenges HKIA encountered was capacity. Originally designed to handle 45 million passengers, by 2017 the airport was serving 75 million. To address this, Mr Lam spearheaded the development of the airport into a three-runway system, set to be

Highlights

- evolving geopolitical tensions, labour shortages, climate action, regulatory demands and technological advances are reshaping how organisations operate, necessitating good governance as an essential foundation for navigating the rapidly evolving landscape
- maintaining a leadership position starts with attracting and retaining the best talent, while corporate governance plays a critical role in creating a positive working environment, which in turn drives business success
- investment decisions are adapting to changing global realities, which encompass transformations in relation to demographics, deglobalisation, decarbonisation and digitalisation

> **Independence is critical because it empowers board members to take positions they believe they must take to fulfil their roles, even when those positions are in opposition to management. Without this, the very point of the board is nullified.**

Carlson Tong GBS JP, Chairman, Hong Kong Exchanges and Clearing Limited

fully operational by the end of 2024. 'Our goal is to reach 120 million passengers and 10 million tons of cargo by 2035,' Mr Lam said.

But increasing capacity was not the only solution – innovation became a cornerstone of HKIA's strategy. 'We've introduced automation and robotics to further enhance efficiency,' Mr Lam explained. The airport adopts driverless vehicles in its operations, including shuttle buses and baggage tractors. Biometrics technology has also been integrated to streamline the passenger experience, making security processing faster and more efficient. Off-airport check-in services at the passenger's home or office have also been introduced.

Workforce shortages were another challenge, prompting the establishment of an aviation academy in 2017 to train staff and develop local talent. Mr Lam also highlighted the efforts to make HKIA a more attractive workplace, including creating facilities such as nurseries for employees with young children.

HKIA's revenue is heavily reliant on passenger traffic, with 90% of income arising from aeronautical sources. To diversify, HKIA launched the SKYCITY project, transforming landside commercial areas into a thriving hub with retail spaces, hotels and entertainment venues. Looking ahead, Mr Lam envisions HKIA evolving from a city airport into an 'airport city', further integrating with the Greater Bay Area through more off-site terminals and enhanced connectivity. 'We want to create a landmark not just for Hong Kong, but for the Greater Bay Area,' Mr Lam noted.

Frank John Sixt, Group Co-managing Director and Group Financing Director of CK Hutchison Holdings Ltd, shared that CK Hutchison, with its diverse global operations spanning sectors such as ports, retail, infrastructure and telecom, faces challenges from evolving geopolitical tensions, regulatory demands and technological advances.

Mr Sixt highlighted four key domains where CK Hutchison is experiencing significant changes.

1. ***Cybersecurity.*** The rise of AI has accelerated the cybersecurity 'arms race', with AI now capable of creating sophisticated malware faster than ever before. Additionally, geopolitical tensions have increased the need to secure critical infrastructure like ports, energy and water systems, which have growing cyber dependencies.

2. ***Privacy and data protection.*** With global data storage surpassing 200 zettabytes (200 trillion gigabytes) and continuing to grow, the challenge of safeguarding privacy and personal data has intensified.

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3. ***Tax compliance.*** The introduction of the Organisation for Economic Co-operation and Development's base erosion and profit shifting (BEPS) Pillar Two framework and public country-by-country reporting requirements are transforming global tax compliance.

4. ***Sanctions enforcement.*** Geopolitical conflicts have led to a sharp upturn in sanctions, such as export bans and investment restrictions.

CK Hutchison adopts a comprehensive, dynamic risk management framework that combines both bottom-up and top-down approaches to mitigate risks. Employees across all levels play a central role in identifying risks and proposing solutions, while strategic oversight from the board ensures alignment with corporate objectives. 'This grassroots involvement is crucial because those on the ground often have the most immediate understanding of emerging issues on a day-to-day basis,' Mr Sixt noted.

In addition, CK Hutchison recently introduced a policy on the ethical use of generative AI tools, implemented a new biodiversity policy and uplifted its cybersecurity standards groupwide. Mr Sixt also highlighted the importance of continuous improvement. CK Hutchison constantly reviews and updates its policies and risk management systems to stay ahead of the accelerating rate of change affecting its businesses.

Randy Lai, Chief Executive Officer of McDonald's Hong Kong, shared how the company has evolved from making billions of transactions to building billions of relationships with its customers. Ms Lai highlighted that consumer needs and behaviours have shifted, especially after the pandemic.

She pointed to upward trends like digital-first experiences, the desire for novelty and a growing focus on sustainability. To address these changes, McDonald's Hong Kong has embraced five pillars of innovation – experience, menu, digital transformation, people empowerment and ESG commitment.

One of the standout transformations has been McDonald's digital journey. 'In today's world, there are six ways you can purchase McDonald's,' Lai explained, referencing mobile apps, self-ordering kiosks and third-party delivery platforms. The McDonald's app, launched in 2018, offers personalised deals and convenient mobile payment options, addressing the common complaint of long queues.

During the panel discussion, moderated by Event Chair Peter Greenwood FCG HKFCG, business leaders also shared their strategies for ensuring their businesses remain competitive in an era of rapid change.

Mr Sixt emphasised that maintaining a leadership position starts with attracting and retaining the best talent. 'If you are a place where people want to work and develop their skills, you'll get the best people and that's the starting point for success,' Mr Sixt explained. He stressed that corporate governance plays a pivotal role in creating an environment where employees feel motivated and supported, which in turn drives business success.

Ms Lai also discussed the importance of embracing change and leveraging digital transformation to grow the business. 'We value cybersecurity as much as food safety. With AI, we've set up a strong cybersecurity framework, which provides a solid foundation to safeguard our data,' she said.

Despite the challenges posed by geopolitical tensions, regulatory changes and labour shortages, all three leaders expressed optimism about the future. 'There are more risks in the world today than at any time I can recall,' Mr Sixt admitted, 'but at the end of the day, you have to be an optimist or else you wouldn't do any business at all.'

Mr Lam agreed, noting that international travel is on the rise following the pandemic, while the propensity of people from the Chinese mainland to travel is predicted to increase appreciably in the years ahead. Currently that propensity is measured at 0.45, meaning that, on average, people from the Chinese mainland go on overseas trips 0.45 times a year (the figure for Hong Kong is 3.5). Any increase in that figure will be a positive development for Hong Kong, Mr Lam said.

Investing in a changing world

In the second session of the morning, speakers focused on how investment decisions are adapting to changing global realities. Hailiang Zhang, Business Head and Regional Managing Director for Greater China

> **The industry is going through a phase of healthy self-reflection about what sustainable investing means. This reflection will ultimately be good for the long-term growth of sustainable investment.**

Flora Wang FCG HKFCG, Head of Stewardship, Asia & Portfolio Advisor at Fidelity International

at Vistra, shared how his company helps private equity investors and enterprises unlock global and regional opportunities amidst a challenging business environment and increasing complexities.

Mr Zhang commented that despite global uncertainties such as geopolitical tensions, rising financial costs and slower private markets, there are still emerging opportunities for institutional investors after the pandemic, especially in the private sector. He highlighted three focused areas for navigating growing headwinds – regulatory compliance, operational efficiency, and globalisation and regionalisation.

Mr Zhang touched on the notable trend of international private equity firms establishing a presence in the Chinese mainland by creating RMB funds to leverage the local market's potential. He detailed a case where Vistra was supporting a firm active in high-tech, healthcare and consumer sectors from the outset, helping to establish the RMB funds and Qualified Foreign Limited Partnership programmes, navigating regulatory requirements and crafting an effective operational model in the Chinese mainland.

This support extended to a biotech company in the firm's portfolio, from initial China Overseas Direct Investment regulatory approval and VIE structuring to a listing on the Hong Kong Stock Exchange. Mr Zhang discussed the efficiency of this process, where all the regulatory approvals were secured within three months and the listing in just over four, continuing as the company expanded globally.

Mr Zhang emphasised the importance of embracing change, balancing local needs and global trends, and maintaining compliance to stay competitive in a shifting environment. 'Be a friend of the times, work hard to stay ahead of the curve and you will win the game,' he advised.

Kate Richdale, Partner, Head of Global Client Solutions Institutional Sales & Family Capital for Asia Pacific of KKR, outlined the significant role that private equity, infrastructure and other alternative assets will play in the future of Asia. She introduced the concept of the '4Ds', which encapsulates key trends shaping the current economic environment.

1. ***Demographics.*** The ageing of society, particularly in Japan, is bringing a decline in the working-age population, creating challenges but also opportunities for sectors like healthcare.

2. ***Deglobalisation.*** Rising geopolitical tensions have prompted a shift toward domestic supply chains, reshaping investment strategies across industries.

3. ***Decarbonisation.*** The push for energy transition is driving massive investments in renewable energy, making decarbonisation a central theme for investors.

4. ***Digitalisation.*** The rapid adoption of AI is transforming industries, with the Chinese mainland and India at the forefront of AI deployment.

'We think there are sizable investment opportunities across Asia's geographies and across multiple private asset classes. You've got huge demand from a large urbanised middle class and tech savvy digital natives. You've got businesses with indigenous technology and IP. And you have a massive need for infrastructure buildout. All these can be achieved via Asia's capital markets through monetisation, a deep talent pool, AI adoption and industry consolidation,' Ms Richdale explained.

She also drew attention to the untapped potential of Asia's alternative asset space, stating that alternative assets under management account for only approximately 10% of Asia Pacific's GDP, compared with approximately 25% in the US. She pointed out that sectors like infrastructure, real estate and private credit will be crucial in addressing the region's investment needs, particularly in areas like energy transition and urbanisation. 'Private capital will be critical in unlocking value across Asia's geographies and sectors,' she said.

Devyani Daga CFA, Managing Director of Cambridge Associates, discussed the dominant issues currently shaping institutional investment decision-making. On sustainable investing, Ms Daga specified that investors have shifted from focusing on avoiding negative outputs like alcohol or tobacco stocks, toward impact investing, focusing on positive outputs like climate solutions. They then moved to adding ESG analysis to the investment process to improve outcomes. 'We believe that markets don't exist in isolation, they don't exist outside well-functioning societies and on a planet that's unsustainable,' Ms Daga remarked.

Ms Daga emphasised that ESG analysis can uncover risks and opportunities often overlooked in traditional financial reports, helping investors navigate trends such as climate change and energy transition. She also stressed the importance of climate-aware investing, urging investors to employ managers who consider climate risks and opportunities in their decision-making.

On private investments, Ms Daga highlighted the significant rise in institutional allocations to private markets, noting that these have increased from under 5% two decades ago to nearly 20% today. 'The highest returns have typically been achieved by investors with the largest allocations to private investments,' she said, adding that private markets require a different mindset and involve a long-term commitment.

In the panel discussion moderated by Mr Greenwood, Flora Wang FCG HKFCG, Head of Stewardship, Asia & Portfolio Advisor at Fidelity International, clarified how trends like demographic shifts, decarbonisation and sustainability are reshaping investment strategies.

Ms Wang acknowledged the alignment between Fidelity's observations and the key trends presented earlier by Ms Richdale. She described how demographics, particularly the population decline in the Chinese mainland and Japan, have opened opportunities for sectors such as senior healthcare and automation. 'With a declining working population, industrial automation has become an increasingly interesting investment area,' she noted.

As a primarily public market investor, Fidelity has integrated ESG considerations into its investment decisions, both before and after acquiring positions in companies. She underscored that Fidelity's approach to sustainable investing goes beyond what a company produces. 'It's not just about producing green products like electric vehicles or solar panels, it's also about changing how the market operates,' she said. She cited examples such as evaluating a hotel operator's efforts to reduce food waste or improve energy efficiency. 'We focus on how companies manage their negative externalities on the environment and society, as well as their corporate governance practices.'

Ms Wang concluded by acknowledging the evolving nature of ESG. 'The industry is going through a phase of healthy self-reflection about what sustainable investing means. This reflection will ultimately be good for the long-term growth of sustainable investment,' she said.

Hsiuwen Liu
Journalist

The Hong Kong Chartered Governance Institute's 14th Biennial Corporate Governance Conference was held on 20 September 2024 at the JW Marriott Hotel. More photos of the event can be found at: https://cgj.hkcgi.org.hk.

Rebooting governance for the new era

CGC 2024 review – part 2

This second and final part of the CGj review of the Institute's latest Corporate Governance Conference (CGC) highlights the key recommendations that emerged from the afternoon sessions of the forum.

The morning sessions of the Institute's 14th Biennial CGC focused on how business leaders and investors are adapting to the profound technological and societal changes transforming our world. The afternoon sessions looked at the implications of the current operating environment for Hong Kong's competitiveness and for everyone involved in promoting good governance. Following the forum's remit to explore solutions to the challenges identified, a number of recommendations emerged from the discussions for the consideration of all stakeholders of the debate.

Don't underestimate the challenge

Hong Kong's future as an international financial centre was a central focus of the afternoon discussions. Speaking in the final session, The Honourable Bernard Charnwut Chan GBM GBS JP, Chairman and President, Asia Financial Holdings Ltd, and Chairman, Asia Insurance Company Ltd, warned that Hong Kong needs to recognise that the challenges it is currently facing are structural.

'Hong Kong people have shown themselves to be very resilient to crises in the past – we always believe that we will figure things out and get back to normal – but this is a more fundamental crisis and what is needed is a complete mindset shift,' he said.

In view of the above, does Hong Kong need a change of business model? Speaking as a panellist in the third session, Laurence Li SC JP, Chairman, Financial Services Development Council, pointed out that for the last 30 years, Hong Kong has been a safe bet for investment due to the rapid growth of the PRC economy, which averaged around 10% annually. In contrast, the US and OECD economies experienced average annual growth rates of 2% to 3%.

'When the gap in economic growth was 7%, investments came just for the exposure to the Chinese mainland's high-growth economy and Hong Kong was a major beneficiary of that,' Mr Li explained.

That gap has now narrowed considerably, however. While the growth rates of the US and OECD economies have remained relatively stable, China's official growth rate has halved. Moreover, this shift has occurred at a time when Hong Kong's competitive advantages in regulation and governance are becoming less pronounced, as other regional markets have raised their game. In this context, Hong Kong's traditionally higher cost margins are starting to appear less attractive.

An audience poll taken in the third session showed that 33% of participants were positive about Hong Kong's future as an international financial centre. Conversely, nearly an equal number (29%) expressed concerns. Mr Li indicated that this balance of optimism and caution accurately reflects the current market assessment of Hong Kong's prospects.

Don't cut corners in governance

Keynote Speaker, Julia Leung SBS JP, Chief Executive Officer, Securities and Futures Commission, pointed out that Hong Kong should not be complacent about its governance track record. She noted that upholding good

Highlights

- giving investors confidence in the Hong Kong market, in particular in terms of high governance standards, will be a crucial part of maintaining the city's pre-eminence as an international financial centre
- while harnessing AI tools results in massive gains in productivity, organisations would be well advised to invest in training to ensure employees understand the potential cybersecurity and data privacy risks involved
- governance professionals can play a key role in helping to ensure that boards are not blindsided by emerging risk

corporate governance is especially important to our large and deep capital markets, while other markets outside Hong Kong have been raising their governance standards.

'Locally, we have heard voices that this is not the best time for corporate governance reform as companies are struggling to survive. However, one should always have time for good corporate governance, particularly in challenging times,' she emphasised.

She cited the example of how Japan's corporate governance reforms over the previous decade, which may have been a painful process, have now strengthened the Japanese markets.

'In these challenging times, we understand that it is only natural for companies to find ways to cut back and streamline, but they must be careful not to cut corners on their core corporate governance standards,' she added.

In this context, she welcomed the proposals put forward by The Stock Exchange of Hong Kong Limited in its recent consultation on Hong Kong's Corporate Governance Code. She acknowledged that some of these proposals, in particular the nine-year hard cap for the tenure of independent non-executive directors (INEDs), have been the subject of lively debate in the city.

'While there is no hard-and-fast rule to determine the ideal tenure, we believe that implementing a hard cap of nine years aligns better with international standards,' Ms Leung stated. She added that Singapore, Malaysia and the Chinese mainland have set tenure limits for independent directors of listed companies.

This debate was picked up by Katherine Ng, Head of Listing, Hong Kong Exchanges and Clearing Limited (HKEX), in the final session of the conference. 'What you cannot ignore is that other markets are catching up very quickly and, in some areas, they are more advanced than we are. We must ensure Hong Kong's standards meet those expected of an international financial centre,' she said.

She added that governance reform was not something that could be put on hold. 'The rules around ESG and corporate governance are evolving all the time and what looked like "good practice" five years – or even three years – ago might not be good enough today. We need to move with the times,' she stressed.

Stay ahead of the tech transformation

Perhaps the most obvious strategic imperative for any jurisdiction seeking to thrive in the current and future operating environment is to get technology right. The fourth session of the conference looked at this issue in detail. The first speaker, Cally Chan MH, General Manager, Microsoft Hong Kong and Macau, focused her presentation on the urgent need for organisations to adopt artificial intelligence (AI).

The adoption of AI tools generally leads to a significant increase in productivity, she explained. Moreover, the accessibility of Generative AI tools (due in large part to the fact that they can be used via natural-language prompts) has played an important part in making these tools highly prevalent in the marketplace.

While many business leaders acknowledge that AI is now a business imperative, there remains a knowledge gap regarding its responsible use. Ms Chan highlighted the urgent need for organisations to educate employees about responsible AI practices and to leverage trustworthy AI platforms with robust security and compliance measures to mitigate the risks of harmful or biased content, and improve data privacy protection.

A panellist in the fourth session of the conference, Professor Christine Loh SBS JP OBE, Chevalier de l'Ordre National du Mérite, and Chief Development Strategist, The Hong Kong University of Science and Technology (HKUST), shared her insights on AI's importance with respect to climate change, as AI has powerful capabilities.

She pointed out that the foundation of good climate risk assessment and projection requires good data that can then be used for modelling. She mentioned the work that the climate science teams at HKUST are doing to assess local risks on a fine scale that is useful for government, asset owners, investors and communities. She suggested that a set of Hong Kong climate risks could be created and updated for the city with government backing for use by used by all stakeholders.

'The more I talk to bankers, investors and insurers, they are asking for a set of data that can be regularly

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> **Locally, we have heard voices that this is not the best time for corporate governance reform as companies are struggling to survive. However, one should always have time for good corporate governance, particularly in challenging times.**

Julia Leung SBS JP, Chief Executive Officer, Securities and Futures Commission

updated, and ideally endorsed by the government, to help them in their risk assessments,' she said.

Stay relevant and fit for purpose

The need to 'reboot' governance for the new era was a recurring theme of the afternoon sessions. The idea first came from Dr Kelvin Wong SBS JP, Chairman, Accounting and Financial Reporting Council (AFRC), speaking in the third session. He pointed out that the need for a governance reboot was implicit in the conference theme: 'Reviewing, Rethinking and Resetting Corporate Governance for a New Era'.

He added that the reboot would need to start with an honest assessment of what works and what does not work in our current governance frameworks. When regulators uncover governance failures, a natural follow-up question is of course about where the governance gatekeepers were. Where were the many different parties responsible for preventing governance failures?

One of the core aims of the AFRC is to ensure that auditors, as key gatekeepers of good governance, discharge their responsibilities effectively and Dr Wong dedicated much of his presentation to strategies for enhancing audit quality and transparency within firms. He noted that the trend of decreasing audit fees in Hong Kong has hindered efforts to improve audit quality.

'This may be an issue worldwide, but in Hong Kong it is becoming quite critical,' he said. He called for a better alignment of audit fees to accurately reflect the necessary work required and the associated risks. He pointed out that no one would opt for substandard medical services when getting a health check, regardless of any discounts, as doing so would undermine the purpose of the exercise.

He also urged audit firms to publish transparency reports. This has become a requirement in the EU and standard practice for many international firms. Dr Wong advocated for broader adoption of this practice in the market to ensure that stakeholders have access to essential information about the firms' operations, finances and strategy.

As you would expect, the role of another governance gatekeeper – governance professionals – also featured highly in the discussions. Speaking in the fourth session, Andrew Weir MBE JP, Regional Senior Partner, KPMG in Hong Kong; Vice Chairman, KPMG China; and Global Chair, Asset Management and Real Estate, KPMG International, emphasised the roles that company secretaries can play in helping to ensure that boards are not blindsided by emerging risks.

Two aspects of the company secretarial role particularly relevant here are the preparation of the board agenda and the preparation of board meeting materials. The latter task, Mr Weir pointed out, can make a huge difference by ensuring that directors get access to quality information about emerging risks, but this task has been made all the more difficult given the prevalence of misinformation and disinformation.

The former task (preparation of the board agenda) also faces difficulties, mainly down to the limitations on board discussion time and the large – and ever-expanding – number of potentially relevant issues that boards need to discuss. This point was raised

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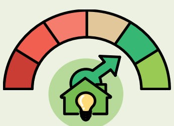

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To be recognised as a powerhouse on sustainability and ESG concerns.

by Nicholas Charles Allen, Independent Non-executive Director, HKEX; Non-executive Director, The London Metal Exchange; and Non-executive Director, LME Clear Ltd, in the fifth session.

'Boards have limited time to discuss the many issues relevant to an organisation's future direction,' he said, 'so my challenge to people helping to set the agenda is to ask yourself what you think the board and the Chairman want to get out of this?' Generally, he pointed out, boards and board chairs would like to drive discussions towards a decision, so this should influence how the agenda, and the time spent on each item, is managed.

He also directly addressed young practitioners building their careers in the governance profession. 'Focus on output rather than input,' he suggested. 'Empathise with those you are dealing with and have an opinion yourself. Have a view about aspects of governance and network within your communities.'

A career in governance

Good governance is not only about having the right structures and processes in place – it is also about people. In the final session of the conference, Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Honorary Adviser to Council, Past International President and Institute Past President, and Executive Director and Company Secretary, CK Hutchison Holdings Ltd, gave a very personal and moving reflection on what qualities and skills are required to make a successful governance professional.

'I have travelled the corporate governance journey for more than a quarter of a century, and have witnessed its development and expansion,' she said. Over that time, Ms Shih has seen how technology has made the administrative aspects of the company secretary function vastly more efficient. At the beginning of her career, meeting minutes were still written up from notes jotted down by the company secretary. These days, of course, AI can deliver minutes in any given style right after the meeting is concluded.

Tech tools have transformed many other aspects of the company secretarial function and, accordingly, tech skills have become a basic requisite for governance professionals today. Nevertheless, Ms Shih also emphasised the enduring value of the traditional skills and qualities that practitioners are expected to have. With this in mind, she recommended the following to governance professionals, both existing and prospective.

Continuing education and training. With new legal and regulatory requirements being implemented at such exponential speeds, lifetime learning is crucial.

Ethics and integrity. This is a vital attribute as governance professionals need to navigate ethical dilemmas and make decisions in the best interests of their organisations.

Knowledge transfer. A single individual cannot hope to develop all the know-how required by the job and must therefore be able to transfer knowledge acquired and to apply it, as well as to adapt to new tasks, changing environments and emerging governance trends.

Analytical skills. These skills are essential for assessing governance risks, identifying opportunities for improvement and making data-driven decisions, especially in the era of ever-upgraded legal and regulatory requirements.

Good communication skills. Strong written and verbal communication skills for effectively conveying issues to a variety of stakeholders – including board members, executives, regulators and shareholders – is a must for governance professionals.

In conclusion, Ms Shih pointed out that all professionals have to keep an open mind to embrace new knowledge, skill sets and challenges. Moreover, no matter how the new era has evolved, they should never stray from the fundamentals of good governance, which is the DNA of every well-governed organisation.

Retirement age – a sustainability governance issue

How old is too old?

The Institute's latest research report focuses on the all-important issue of retirement age. CGj provides a snapshot of the background to the report, the associated sustainability governance themes and the results of a survey of approximately 1,300 individuals on the topic.

The question of retirement, and its impact on succession planning, lies at the heart of the Institute's latest thought leadership research paper, titled Retirement – A Sustainability Governance Issue: Retirement Age and a Managed Process, published in June 2024, in which the opinions of approximately 1,300 individuals were canvased to collate and analyse thoughts on retirement. The Institute views this as a key sustainability governance concern.

A great deal of attention is being paid to the views and skill sets of the younger generation – the next up-and-coming business leaders – but what can be said in favour of the older generation, with their many years of experience, and their honed responses and opinions? The value of senior employees' insights, knowledge and skills should not be overlooked. As President David Simmonds FCG HKFCG points out in his foreword to the report: 'From a governance standpoint, organisations need to carefully balance the valuable contributions of senior staff members with the new perspectives of younger employees as part of succession planning.'

Background

According to World Health Organisation statistics, our global population is ageing at an unprecedented rate. The percentage of people worldwide over 60 years of age is predicted to rise to 22% by 2050, compared with 12% in 2015. In Hong Kong, the Census and Statistics Department projects that the number of senior citizens will almost double, from 1.45 million in 2021 to 2.74 million in 2046, meaning that, two decades from now, seniors will make up more than one in three of the Hong Kong population. This is partly the result of a discernable fall in birth rates, and partly due to the fact that people are expected to live longer thanks to medical advances.

The United Nations' Sustainable Development Goal 8 (UN SDG 8) promulgates 'sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'. This therefore puts retirement age firmly in the governance spotlight, as an important issue relating to succession planning for business strategy and operational resilience. As Edith Shih FCG(CS, CGP) HKFCG(CS, CGP) (PE), Honorary Adviser to Council, Past International President and Past President, notes in her foreword to the report: 'The decisions of organisations on when employees should retire, where permitted, impact succession planning and the wider UN SDG 8 on employment opportunities for all, including seniors.'

With all this in mind, the Institute began its latest thought leadership study by first considering different retirement age models in different jurisdictions, before conducting its survey of the opinions held in Hong Kong on the question of retirement age.

International and local retirement regimes

There is no universal model for retirement age, as the report clarifies. In the Chinese mainland, for example, the statutory retirement age in state-owned enterprises (SOEs) is currently relatively low (60 for men, and between 50 and 55 for women), however retirees are entitled to state pensions. A caveat to this is that if an employee is working in an SOE that is conducting business outside the mainland, the retirement age depends on the local jurisdiction.

Highlights

- retirement is a key sustainability governance concern that is relevant to the issue of succession planning, impacting business continuity and operational resilience, and is of significance to all stakeholders
- over half the survey respondents believe the retirement age in Hong Kong should be 65 years or more, contingent on whether the employee is able to fulfil their duties properly, and the majority feel the current model of mutually agreed contractual arrangements for retirement should be retained
- governance professionals can play a pivotal role in helping their organisations rethink the retirement age, particularly in light of the ageing of society and the goal set by SDG 8 to provide fair work for all, including seniors

> two decades from now, seniors will make up more than one in three of the Hong Kong population

In Singapore there is a statutory retirement age of 68, moving to 70, while in some other countries 'any contractual agreement or regulations to impose a retirement age is a form of age discrimination (or ageism)' and is considered unlawful, the report explains. Ageism is generally banned in the UK under the 2010 Equality Act, while Canada, Australia, New Zealand and the US also operate under this anti-ageism model.

The Hong Kong position

Hong Kong does not have a statutory retirement age, nor are there any laws specifically prohibiting age discrimination in the workplace. Instead, parties are allowed to freely contract on the retirement arrangements on mutually agreed terms.

However, against a backdrop of an ageing population and a shrinking workforce, finding fresh talent is becoming more difficult. As the report recommends: 'Firms must contemplate the option of temporarily or permanently retaining some senior personnel.' In alignment with SDG 8, the government has provided the impetus for organisations to retain the benefits of productive senior staff by raising the retirement age of civil servants to up to 65, and in some cases up to 70 for some judges.

It is worth bearing in mind that, in Hong Kong, 'an organisation should be able to replace a non-performing employee who does not meet job specifications regardless of retirement age,' the report remarks. Equally, as long as someone continues to contribute positively to the organisation – conditional upon operational needs – there is nothing set in legislative stone to require an enforced retirement at a specific age.

Hong Kong faces one additional difficulty, which is that – unlike the state pension provided in the Chinese mainland, as mentioned above – the Mandatory Provident Fund is only intended to be a supplement to retirement, and does not in itself 'allow dignified retirement'. The longer people work, the less strain it is on the public purse, which also enables people to better fend for themselves.

Survey results

'The survey of 1,293 respondents on retirement age policies in Hong Kong reveals a wealth of information,' the report states. Of those who responded to the survey, 41% were 'governance professionals', followed by 24% 'other senior management' and 23% 'other'. Just over half the respondents were from unlisted companies (53%), while of those from listed companies, 76% were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

An overwhelming majority (82%) of survey participants agreed with the proposition that Hong Kong should retain its current model, allowing parties to freely determine when they retire through contractual arrangements, 'emphasising flexibility and individual autonomy in retirement decisions', with only 14% saying there should be some statutory requirements imposed, to ensure fairness and consistency.

When asked about the appropriate age for retirement, 36% felt that employees should continue working as long as they are able to properly fulfil their duties, with 21% giving the age of 65. A further 20% said the employer should determine the retirement age based on organisational needs.

The vast majority (91%) indicated that there should be structured discussions before retirement, and 61% of those signified their preference for these discussions to occur at least a year before retirement, stressing the need for early engagement for a smooth transition and more effective succession planning. As noted by the report: 'Starting discussions a year in advance allows for comprehensive retirement planning, collaboratively addressing succession strategies and knowledge transfer.' In terms of what respondents regard as salient items for employers to consider prior to retirement, 40% flagged up the strategic importance of extending retirement age based on operational needs to 'maintain continuity and leverage the expertise of seasoned professionals to drive business success', the report observes. In addition, the provision of post-retirement part-time employment opportunities and the facilitation of retraining opportunities were given prominence.

As many as 85% of survey participants favoured the establishment of standardised guidelines for companies to follow when handling retirement transitions, 'citing the importance of ensuring fairness and consistency in retirement processes across organisations', while also prioritising practicality, industry relevance and ongoing evaluation. Three-quarters also strongly supported having government-sponsored programmes for retraining and upskilling employees transitioning to new roles after retirement.

One concerning view revealed by the survey was that a substantial proportion of respondents described employee awareness and understanding of retirement policies as low (41%) or moderate (47%), with only 11% rating this factor as high. The report suggests this finding 'highlights a potential knowledge gap that could impact

Other Institute research papers in 2024

The Institute's other research papers published in calendar 2024 are set out below. The Institute would like to thank everyone involved in their production.

Supply Chain Management – An Introduction & Applied Governance Perspectives
Published in June 2024, in collaboration with Deloitte China, this report introduces broad concepts related to supply chain management to help governance professionals become more knowledgeable in this field, enabling them to offer practical advice and implement appropriate governance practices.

2023 Annual Observation for the Compliance of Companies Listed in Hong Kong
The Institute and Clifford Chance LLP jointly published a Chinese-language report in April 2024 to assist companies to enhance their information disclosure and corporate governance practices, and to facilitate practitioners' understanding of the latest developments and future trends in regulatory thinking.

Interpretation of Amendments to the Hong Kong IPO Regulations for Year 2023
Also in April 2024, the Institute and Clifford Chance LLP jointly published this research report to provide practical guidance to Chinese mainland companies looking to list in Hong Kong, highlighting the latest regulatory developments and trends, and to help practitioners better prepare for the listing process in Hong Kong.

The above research reports are available from the Research Papers page under the Thought Leadership section of the Institute's website: www.hkcgi.org.hk.

employee retirement planning and decision-making'.

How a governance professional can help

Given that retirement age and succession planning are critical sustainability and ESG considerations to ensure business continuity and operational resilience – particularly for organisations working across multiple jurisdictions and in light of the SDG 8 goal to provide fair work for all, including seniors – governance professionals will be increasingly called upon to help their organisations navigate the new retirement landscape as society continues to age.

Rethinking the retirement age

Governance professionals are well placed to help their organisations rethink the retirement issue, in particular whether adopting the civil service regime of a statutory limit of 65 would be appropriate for the organisation, whether to disregard a set cut-off age in place of continued individual contractual arrangements, or even to use the age of 65 as a reset mechanism for post-retirement full- or part-time employment on a mutually agreed basis for operational needs – as long as performance obligations are met.

Managing the process

Devising and implementing a coherent retirement management process would be a valuable applied governance tool for the governance professional. Survey results demonstrate the need for clear and honest conversations up to a year prior to an anticipated retirement, allowing for comprehensive retirement planning, and to collaboratively address succession strategies and knowledge transfer.

Adopting policies and procedures

Governance professionals can facilitate their organisation's adoption of explicit retirement-related polices and procedures for a structured, open and transparent retirement management process, as well as foster greater awareness and understanding of the retirement policies, thereby contributing to sustainable business operations.

Conclusions

Retirement relates to sustainability and succession planning, and is an important sustainability governance issue that is relevant to all stakeholders, including employers, employees and the government. 'There is a need to rethink the idea of "retirement age" and manage the process to provide productive employment, decent work for all and sustainability-related benefits to organisations,' the report concludes.

The full report reviewed in this article can be downloaded from the Research Papers page under the Thought Leadership section of the Institute's website: www.hkcgi.org.hk. The report was also covered by the South China Morning Post, first in June 2024 (click here) and next in an editorial opinion piece the following month, 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).

Acknowledgements

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The ethics of tax planning

Polly Wan, Tax Partner & Tax Controversy Leader, Southern Region, Hong Kong, and Sandy Go, Senior Tax Manager, Deloitte China, discuss whether tax planning is unethical or a natural evolution of business expansion, and examine recent developments in the international tax arena designed to make tax competition fairer.

Tax planning involves legitimate arrangements made by taxpayers to manage or reduce their tax expenses to a reasonable level. It differs from tax evasion or aggressive tax avoidance arrangements involving 'artificial' or 'fictitious' transactions. The public is aware that tax evasion is illegal and should be prohibited. However, certain groups consider tax planning to be legally acceptable but unethical, and think it should be avoided. They believe taxpayers who adopt tax planning arrangements are taking advantage of tax loopholes to avoid paying a fair share of tax.

Meanwhile, other groups suggest that only large conglomerates have the resources to implement sophisticated tax planning arrangements to generate tax benefits. This adversely affects competitiveness and is unfair to smaller companies that do not have the same level of resources.

The situation is especially acute where legitimate tax planning leads to multinational enterprises (MNEs) paying little to no tax. For example, a leading MNE might plan to sell its intellectual property (IP) rights to a subsidiary in a low-tax jurisdiction, paying a high price as a licence fee, thereby shifting its profits and tax obligations to a minimum. This raises a commonly asked question – is tax planning unethical?

Tax planning – a natural evolution of business expansion

As a result of the propagation of logistics and technologies, the world is becoming more interconnected. In this global village, it is a natural evolution for a successful business to expand from its home jurisdiction to seek and capture global opportunities. As we all know, different jurisdictions have different tax regimes covering tax rates, types of taxes and rules, reporting requirements and penal actions for non-compliance.

Before a global expansion, a sensible management team will plan to ensure their overseas operations function properly, optimise the tax charges and maximise their returns to shareholders. They will examine matters such as:

- ***Holding structure:*** withholding tax on future dividends – is there a tax treaty available to reduce withholding tax and how can a business qualify for the treaty benefits?
- ***Financing arrangements:*** do any thin capitalisation rules – meaning capitalising a company by debt instead of by capital contributions – in the intended outbound jurisdiction affect claims for deduction of interest expenses? Is it possible to make offshore and non-taxable claims related to interest income, and how can the business quality be improved for these?
- ***Supply chain:*** are there any customs duties or sales taxes?
- ***Locality and registration of IP:*** how can valuable IP developed over several years be protected and are tax incentives available to maximise the return from an IP?

Returns to shareholders can be significantly improved if these and other tax implications of a global expansion are considered in advance.

Tax incentives – fiscal measures to stimulate the economy

Tax legislation is not just a fiscal policy for governments to collect revenue – it can also promote and stimulate economic growth. For instance, in the 1990s, the Chinese mainland government provided tax breaks in designated areas and

Highlights

- tax planning – as opposed to tax evasion or avoidance – involves legitimate arrangements to manage or reduce a company's tax expenses to a reasonable level, and must be properly addressed
- by understanding tax incentives and preferential treatments in the different jurisdictions where they operate, companies can optimise their tax burdens and maximise their shareholder returns, while contributing to the economic development goals of those jurisdictions
- implementation of the global minimum tax under Pillar Two of the BEPS 2.0 project is one of the most prominent and immediate measures being adopted by most jurisdictions, including Hong Kong

> **establishing a shell company to enjoy preferential tax treatment in the current tax environment is no longer feasible and is now regarded as a high-risk tactic under the tax rules brought in to address BEPS**

industries to successfully attract foreign investment. Singapore has various long-standing tax incentives to attract businesses from different sectors. Hong Kong has also recently introduced tax incentives to stimulate its economy. By understanding tax incentives and preferential treatments offered by the different jurisdictions in which they operate, companies can optimise their tax burdens while contributing to the economic development goals of governments in those jurisdictions.

At the same time, with the rise of geopolitical tensions, and with countries chasing finite tax dollars, there are tensions among states. Hence, tax planning must be properly assessed and should take into consideration a number of concerns, as well as international taxation developments.

Pillar Two rules

Pillar Two includes specific rules for MNE groups with more than €750 million in revenue. It therefore only affects larger MNEs. At the risk of over-simplification, there are basically three rules, namely the:

- ***Income inclusion rule*** (IIR) will be applied by, and the top-up tax will be collected in, the jurisdiction of the ultimate parent in respect of the low-taxed profits of the group entities located in the jurisdiction where the effective tax rate is below the global minimum tax rate of 15%.
- ***Undertaxed profits rule*** acts as a backstop rule and will be applied if the low-taxed income cannot be brought into charge under the IIR.
- ***Subject to tax rule*** applies to certain categories of related party payments such that treaty relief that would otherwise have been provided may be denied, if income is subject to tax on the recipient at a nominal tax rate below 9%.

There is a potential for arguments and tensions as jurisdictions seek to tax a share of an MNE's revenue under the GMT rules, which adds to the need for proper tax planning and understanding of the complex dimensions under those rules.

All the above measures aim to create a fairer business environment.

A revolutionary mechanism to tackle aggressive tax avoidance – BEPS, tax transparency and global minimum tax (Pillar Two)

There is an old idiom: 'one man's meat is another man's poison'. Tax incentives offered by governments can lead to tax competition. There is no denying that when a tax jurisdiction offers extremely attractive incentives to foreign investors, this can distort investment and trade patterns, and even harm the economic development of another jurisdiction.

Historically, some MNEs have shifted profits to low-tax jurisdictions with minimal business activities solely to enjoy low tax rates (known as base erosion and profit shifting, or BEPS). Since 2019, with the introduction of economic substance rules in many jurisdictions, companies must have economic substance in a given jurisdiction – such as staff, an office or operating expenses – to continue enjoying that jurisdiction's low tax regime. Establishing a shell company to enjoy preferential tax treatment in the current tax environment is no longer feasible and is now regarded as a high-risk tactic under the tax rules brought in to address BEPS.

Hong Kong's Foreign Sourced Income Exemption (FSIE) regime was enhanced on 1 January 2023. Under the FSIE regime, some offshore

> there is an emerging consensus that large MNEs must pay a fair share of tax

income (such as interest, dividends, disposal gains or income from IP) will be tax exempt, provided that specific economic substance requirements have been met.

In addition, even where BEPS and other concerns are addressed globally, there is an emerging consensus that large MNEs must pay a fair share of tax. The Organisation for Economic Co-operation and Development (OECD) has spearheaded this matter and has responded to harmful tax practices where MNEs pay less than their fair share of tax by introducing various measures to counteract it. Implementation of the global minimum tax (GMT) under Pillar Two of the BEPS 2.0 project is one of the most prominent and immediate measures being adopted by most jurisdictions, including Hong Kong.

The rules of Pillar Two are complex (see 'Pillar Two rules'). Pillar Two ensures that large MNEs pay a minimum tax on their income in each jurisdiction (that is, a minimum tax rate of 15%). For instance, if an MNE enjoys preferential tax treatment in a jurisdiction (for example, a 5% income tax rate), its 'undertaxed profits' are taxable according to a specific formula and mechanism. As a result, the MNE can no longer enjoy super-low taxes in a tax haven as they might have done in the past.

Tax planning and tax controversy

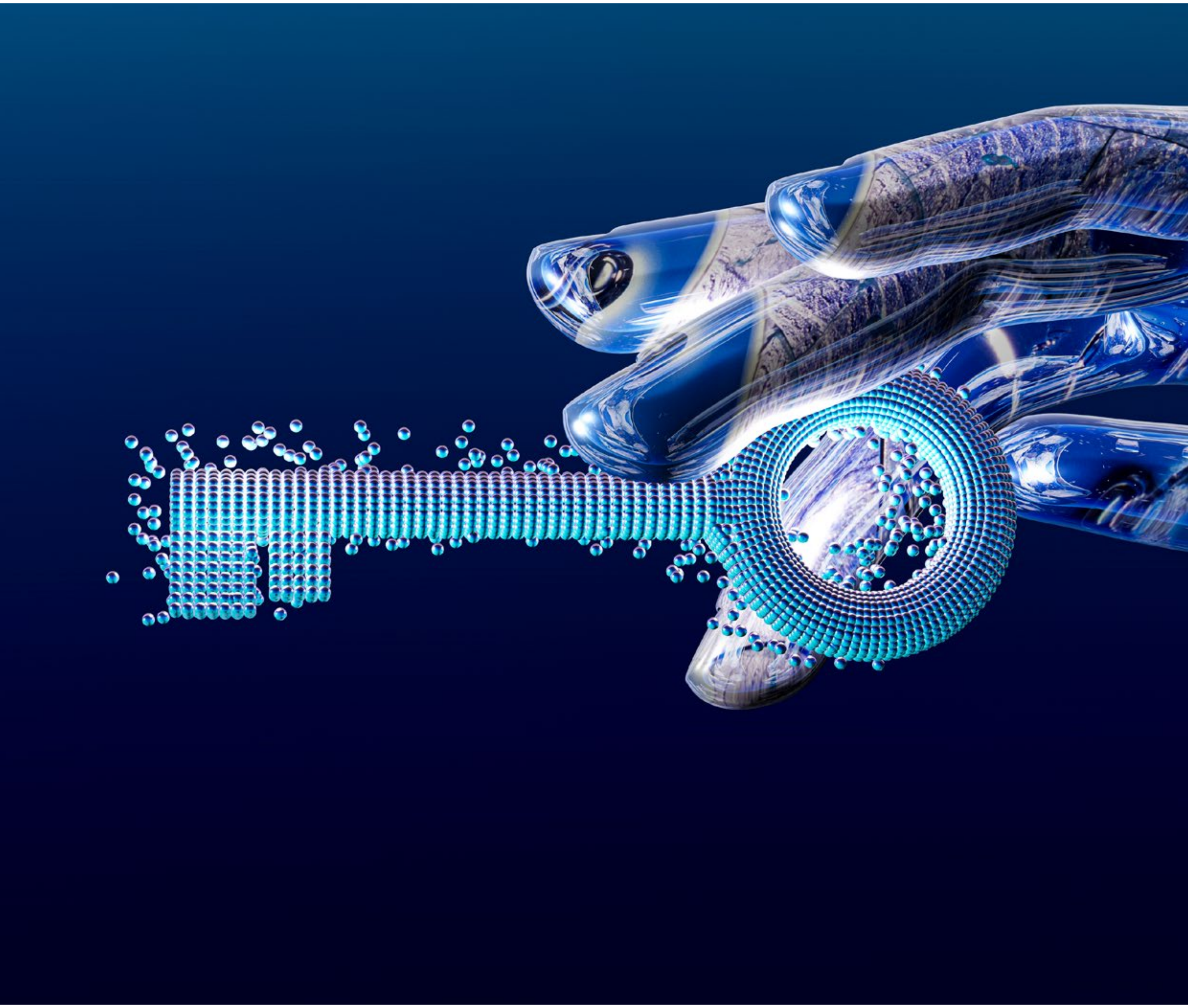
Recent developments in the international tax environment have made tax competition fairer. Society needs to be open-minded about legitimate tax planning. Rather than being unethical, an MNE optimising its tax charges through legitimate tax planning is appropriate for financial governance and responsible corporate management.

In this context, having a proper tax plan with a commercial rationale and sufficient documentary evidence is essential. Even legitimate arrangements could be challenged or set aside by tax authorities if there is no commercial justification or proper documentary evidence to support them. Most often, tax controversy arises from the availability, or lack thereof, of commercial justification and documentation, as well as the degree to which the tax authorities accept these. Taxpayers must, therefore, consider their tax arrangements carefully, maintain proper documentary evidence and seek professional guidance if tax authorities challenge them. This will ensure that their circumstances are explained accurately to tax authorities, enabling tax matters or inquiries to be resolved efficiently and effectively.

Polly Wan, Tax Partner & Tax Controversy Leader, Southern Region, Hong Kong, and Sandy Go, Senior Tax Manager

Deloitte China

AI risks in data protection: a governance perspective



Dr Angus Young, Senior Lecturer and Deputy Programme Director of LLM (CFL), Faculty of Law, The University of Hong Kong, overviews the PCPD's recent guidance on addressing AI risks for personal data privacy, and examines the issues of accountability, human oversight and the prevention of harm from a governance perspective.

Even though there are no artificial intelligence (AI) laws or regulations in Hong Kong, this does not mean that AI risks are remote. It is evident from the recent CrowdStrike outage that technological malfunctions can cost businesses tens of billions of dollars in liability, as we saw at the airports, banks, financial institutions and hospitals that were paralysed by blue screens across millions of computers. Whilst this episode was not caused by AI per se, it highlights the consequences of a single fault and point of vulnerability from our growing technological dependency. Such vulnerabilities and risks are more acute with the use of AI due to the high levels of automation and autonomous decision-making functions. This is particularly acute in relation to privacy and data protection as AI and machine learning functions are dependent on data. As such, how data is used, collected and shared by AI must be in line not only with legal obligations, but also with ethical principles to safeguard against possible harm to an individual or organisation.

PCPD's guidance on addressing AI risks

In June this year, the Office of the Privacy Commissioner for Personal Data, Hong Kong (PCPD) released its Model Personal Data Protection Framework to address the challenges posed by AI to personal data privacy. This 56-page model framework is comprehensive in its scope of the subject matter. It is divided into four parts – AI strategy and governance, risk assessment and human oversight, customisation of AI models and implementation and management of AI systems, and communication and engagement with stakeholders. In the foreword, Professor Wong states that, 'Adopting a risk-based approach, the Framework provides a set of practical and detailed recommendations for local enterprises intending to procure, implement and use AI systems.' Risk is clearly central to this framework. Governance will inevitably be focused on managing AI risk. However, there are certain aspects that raise some open-ended questions to do with human judgement.

Before this article delves into the complications associated with a risk-based approach to governing AI when it comes to data protection, it would be helpful to examine the principle of accountability as delineated in the PCPD's model framework in greater detail. At the outset, the PCPD recognises that AI adoption is an increasing trend and that businesses are more likely to purchase AI solutions from vendors, rather than developing in-house solutions, for cost reasons. This translates into a set of recommendations on the best practices for businesses procuring, implementing and using 'off the shelf' AI solutions. In part one of the model framework, it is recommended that organisations formulate an AI strategy to demonstrate the commitment of top management to accountability. It stipulates that this is linked to the adoption of ethical principles regarding the procurement, implementation and use of AI. Even if top management sets out such requirements in relation to vendors, it might not be easy for management with non-technology backgrounds to select from the many vendors that could make inflated assurances,

Highlights

- the PCPD has recently published guidance on a model framework to address the challenges posed by AI to personal data privacy
- AI risks are particularly acute in relation to privacy and data protection as AI and machine learning functions are dependent on data
- whether an AI system causes harm, and what constitutes harm, are important issues for the governance professional to address, as are the issues of human oversight and accountability

or worse – AI washing. Thus, being accountable for third-party products could expose directors to greater uncertainty if the AI system becomes a single point of vulnerability.

Whilst the PCPD recommends that an internal governance structure with sufficient resources, expertise and authority should be established to ensure effective human oversight – such as an AI governance committee or similar body – in practice, the cost and human resource implications could be considerable. The PCPD's guidance goes on to state that, 'Human oversight is a key measure for mitigating the risks of using AI.' Moreover, it advises that, 'A high-risk AI system should take a "human-in-the loop" approach, where human actors retain control of the decision-making process to prevent and/or mitigate errors or improper output and/or decisions made by AI.'

At the other end of the spectrum, it also notes that, 'An AI system with minimal or low risks may take a "human-out-of-the-loop" approach, whereby the AI system is given the capability to adopt output and/or make decisions without human intervention to achieve full automation or fully automated decision-making.' In the middle of the spectrum of risk level of AI systems, organisations 'may consider a "human-in-command" approach, where human actors make use of the output of the AI system, and oversee the operation of the AI system and intervene whenever necessary'. Such a risk-based approach sounds neat and manageable – however, the assumptions might be overly simplistic.

> **"how data is used, collected and shared by AI must be in line not only with legal obligations, but also with ethical principles to safeguard against possible harm to an individual or organisation"**

AI risks and the prevention of harm

A recent article by group of 25 scientists, published in May in the authoritative journal Science, argues that, 'Rigorous risk assessment for frontier AI systems remains an open challenge owing to their broad capabilities and pervasive deployment across diverse application areas' (Y Bengio et al, 2024). What they recommend in terms of mitigating risk would require regulators to clarify the 'legal responsibilities that arise from existing liability frameworks, and to hold frontier AI developers and owners legally accountable for harms from their models that can be reasonably expected to arise from deploying powerful AI systems whose behaviour they cannot predict. Liability, together with consequential evaluations and safety cases, can prevent harm and create much-needed incentives to invest in safety.' Therefore, an important part of risk management is the prevention of harm.

Looking at the European Union (EU)'s Artificial Intelligence Act 2024 (AI Act), the notion of harm is regulated under Chapter 2, Article 5, which sets out a number of prohibitions against certain specified AI practices. Those AI practices that could cause, or are reasonably likely to cause, significant harm to a person or a group of people are banned. As for high-risk AI systems, the AI Act imposes certain requirements for providers of high-risk AI systems under Chapter 3, articles 8 to 17. This echoes the PCPD's model framework's prescriptions, with addition requirements such as technical documentation, record-keeping and putting in place a quality management system. Accordingly, harm is banned under the context of causing or resulting in significant harm.

Earlier, in 2019, the European Commission's independent High-level Expert Group on AI published a guideline to promote trustworthy AI, with a focus on securing ethical and robust AI. Under section 2.2 of Chapter 1, this guideline lists the four ethical principles in the context of AI systems, the second of which is the prevention of harm. The relevant text is as follows:

'AI systems should neither cause nor exacerbate harm or otherwise adversely affect human beings. This entails the protection of human dignity, as well as mental and physical integrity. AI systems and the environments in which they operate must be safe and secure.

They must be technically robust and it should be ensured that they are not open to malicious use. Vulnerable persons should receive greater attention and be included in the development, deployment and use of AI systems. Particular attention must also be paid to situations where AI systems can cause or exacerbate adverse impacts due to asymmetries of power or information, such as between employers and employees, businesses and consumers, or governments and citizens. Preventing harm also entails consideration of the natural environment and all living beings.'

Therefore, the objective of 'prevention of harm' in this guideline is to ensure that AI operates safely and securely, and that it does not cause or exacerbate harm to individuals or collectively, including tangible harm to social, cultural, political and natural environments.

In 2021, the PCPD also released its guidance on the ethical development and use of AI. One of seven ethical principles outlined in this guidance is 'beneficial AI', where 'AI should provide benefits to human beings, businesses and the wider community. Provision of benefits encompasses prevention of harm. Where the use of AI may cause harm to stakeholders, measures should be taken to minimise the probability and severity of the harm.' It is clear from this text that prevention of harm is important, but the guidance also acknowledges that it is not always totally preventable. Minimising harm in terms of its gravity would then be more appropriate.

More importantly, to better appreciate the notion of harm prevention and minimisation, as well as its impact on governance – especially for directors – one would have to explore the roots of

> "good AI practice and accountability is to ensure compliance with the PDPO"

harm in law. Interestingly, from a legal perspective, harm is closely associated with the philosophy of criminal law. According to Simester and von Hirsch (2011), the harm principle refers to conduct involving damage to another person's interests. Furthermore, this should not neglect to demonstrate why the conduct of one person against another is wrongful. The concept of 'wrongful' draws its foundations from moral norms of right and wrong. A counterargument states that harm by itself is insufficient to constitute a crime, rather it is 'wrongs' that deserve punishment (Alexander and Ferzan, 2011). Nevertheless, the state has a moral and legal obligation to prevent harm from being inflicted on individuals (Ashworth and Zedner, 2014). In essence, prevention and even minimisation of harm is a positive duty that the state cannot ignore, and, as it is morally reinforced, the expectations of society cannot be disregarded either.

Implications for governance

From a governance viewpoint, does a director under the duty of care as set out in section 465 of the Companies Ordinance (Cap 622) have a positive duty to prevent and minimise harm when it comes to the use and application of AI? The answer is not straightforward. There are a few questions to consider.

- First, appraising the mitigation of risks in the PCPD model framework where human oversight might be required. To determine if this is needed, one must first decide what risk level the AI poses. Whilst the model framework implies that risk can be qualified and measured, risk is a dynamic concept since it can emerge unexpectedly, thus giving rise to the question of whether the unexpected is unforeseeable. If we assume that the unexpected is probable, it can be argued that probable is foreseeable – a vital element of tort liability in the duty of care.

- Second, to what extent can prevention be realised? A key part of this is to demonstrate that reasonable steps have been taken to prevent harm, and, if harm is discovered, active steps to minimise the extent of the harm inflicted are expected mitigatory actions.

- Third, the skills of individual directors need to be assessed. The level of technical knowledge or competence becomes a material consideration.

- Fourth, the delegation and reliance on the expertise of key staff with technical skills. The issue here is whether directors are adequately monitoring the duties of key staff and whether the reliance on those employees is reasonable.

Ultimately, the four questions outlined above are intended as reference points for governance professionals to consider as good governance practices, because there is thus far no authoritative local case law on the interpretation of section 465 in relation to AI.

Conclusion

In its model framework guidance, the PCPD states that, 'Organisations should ensure compliance with the requirements under the Personal Data (Privacy) Ordinance (PDPO), including the six Data Protection Principles in Schedule 1 thereto, when handling personal data in the process of procuring, implementing and using AI solutions.' It further notes that, 'Good data governance goes hand in hand with governance for trustworthy AI. By incorporating the principles of AI governance and "privacy-by-design" into their existing Personal Data Privacy Management Programme and/or data management practices, organisations can reinforce their commitment to personal data privacy protection and demonstrate their accountability.'

In short, good AI practice and accountability is to ensure compliance with the PDPO. There is also an implied expectation to make certain that steps to prevent and minimise harm from AI to individuals and organisations are constantly observed and reassessed, as a matter of good governance practice.

Dr Angus Young, Senior Lecturer and Deputy Programme Director of LLM (CFL), Faculty of Law

The University of Hong Kong

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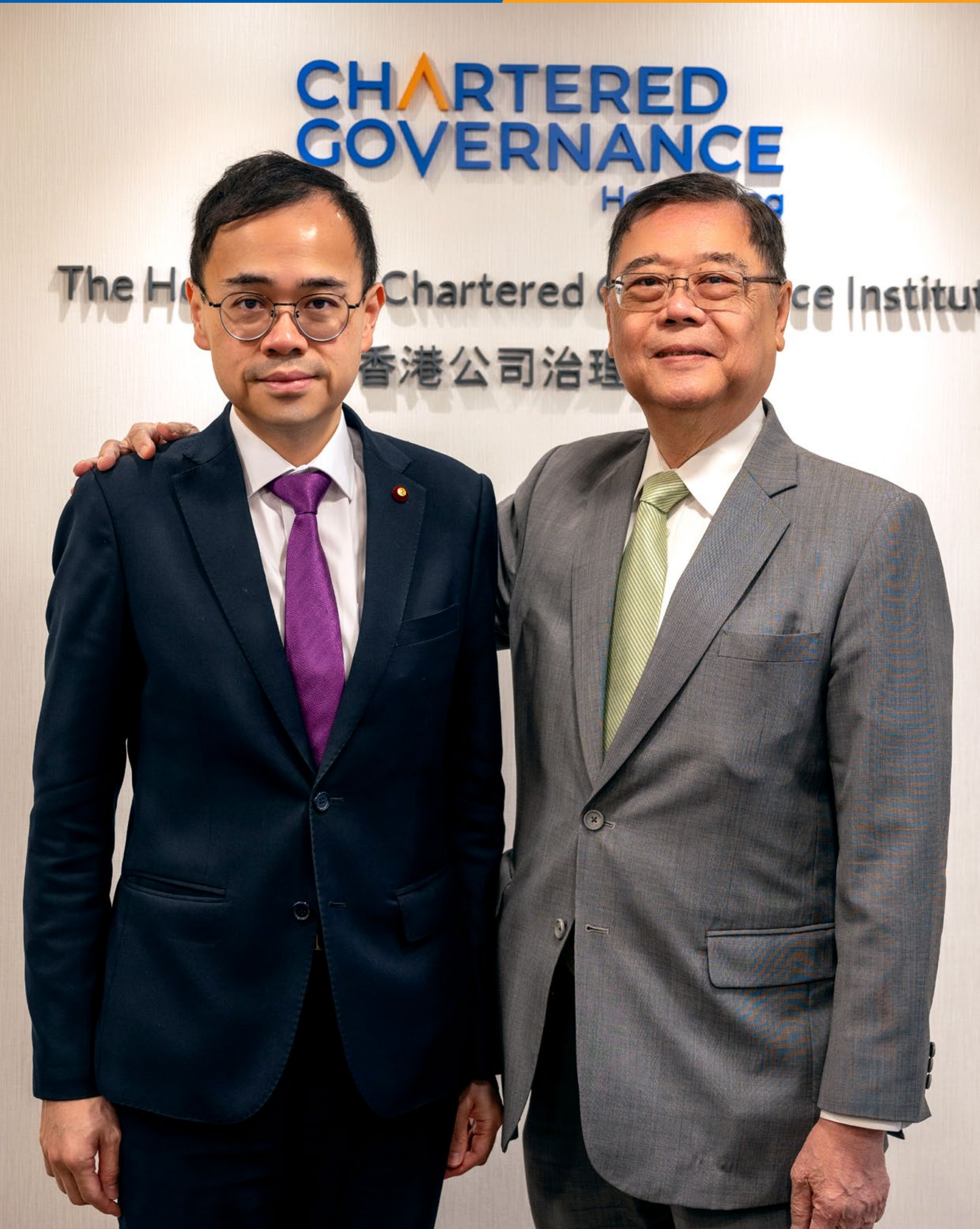
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Professor Patrick Wong BBS JP FCG HKFCG and The Honourable Edmund Wong FCG HKFCG

You are a father-and-son team and are both Institute members. When did you first join and what has been your role in the Institute?

Patrick: 'I joined the Institute as an Associate after passing my exams in 1972. Over a decade later, I became a Fellow when I stood for election to Council, which I served on between 1999 and 2003.'

Edmund: 'I joined in 2017 as an Associate and became a Fellow in 2019.'

Has membership of the Institute supported your career development and, if so, in what ways?

Patrick: 'As an accountant, having the title of Chartered Secretary was very useful, especially when working on incorporation-related matters. In those days, holding this title was considered very prestigious because the exams were known to be difficult. Passing them meant your knowledge of company law and proficiency in English were of a high standard – not many had this qualification. When I was younger, I worked on various internal control systems and having the Institute's qualification helped me secure contracts with major organisations and the government.'

Edmund: 'After graduating around a decade ago, I worked in accounting and auditing, helping companies detect or prevent issues. I realised that many problems stemmed from poor corporate governance. Accountants not only advise clients, but also often serve as NEDs or INEDs on listed companies – attaining the Institute's qualification and its specialised knowledge was beneficial in this regard.

> “having the Institute's qualification allows us to contribute more meaningfully to governance committees and our opinions carry more weight”

Professor Patrick Wong BBS JP FCG HKFCG, Founder of Patrick Wong CPA Ltd

Good corporate governance is crucial for ensuring our financial systems and capital markets are robust.'

How do you think governance as a profession has evolved since you joined the Institute?

Patrick: 'There has been significant change. Hong Kong is placing increasing importance on governance, which I see as a positive development. In the past, a Chartered Secretary's role mostly revolved around company secretarial work, but corporate governance professionals in listed companies now hold a more extensive range of professional qualifications. Having the Institute's qualification allows us to contribute more meaningfully to governance committees and our opinions carry more weight.'

Edmund: 'There are more career opportunities today for governance professionals, beyond compliance work. For example, the Institute's new AML/CFT Certification Course demonstrates the role corporate governance plays in preventing money laundering and terrorist financing. We also place a far greater emphasis on ESG.'

What are some of the pivotal moments in the Institute's development over the years?

Patrick: 'In the beginning, the Institute didn't have much exposure in the Chinese mainland. Thanks to ongoing efforts, the Institute has a well-established representative office in Beijing and mainland membership is expanding, including to board secretaries. The Chinese mainland is a huge market and many state-owned enterprises are now listed in Hong Kong.'

Edmund: 'Chartered Secretaries used to concentrate more on compliance and the Listing Rules, but there's now a far broader perspective on governance. The Institute's role has shifted along with market demands, which is an important advance.'

How has obtaining professional qualifications changed over the years?

Patrick: 'Back then, we had to sit for exams following the UK system, which involved completing 17 papers – many people were unable to obtain a pass. The professional landscape has changed a lot. When I studied accountancy at PolyU, a specialised company secretarial course was only

> good corporate governance is crucial for ensuring our financial systems and capital markets are robust

The Honourable Edmund Wong FCG HKFCG, Member of the Functional Constituency, Accountancy, Legislative Council, HKSAR Government, and Practising Director of Patrick Wong CPA Ltd

introduced when I graduated. The profession is becoming increasingly specialised.'

Edmund: 'I didn't take the exams, but instead took an Institute-accredited master's degree in corporate governance. The curriculum involved both accounting and legal training, which explains why many lawyers and accountants go on to gain professional qualifications in corporate governance. The Institute has also introduced several initiatives to attract more members through alternative routes to qualification, boosting recognition of the profession.'

What advice would you give to the younger generations starting their governance careers?

Patrick: 'In addition to enhancing professional knowledge, it's important to be meticulous and patient, and to take your work seriously. Strengthening your language skills is also crucial. In this field, you'll handle many documents, and, if your language skills are poor, you might struggle to understand them or to express yourself clearly. I advise young people to read more, write more and seek advice from others.'

Edmund: 'Joining professional bodies or societies is the first step, but more important is having a mindset of continuous learning. Society is constantly evolving, while expectations from regulators and stakeholders are escalating. I encourage young people to continuously absorb the latest knowledge and apply it in their work. Participating in Institute activities definitely helps with ongoing education and learning.'

Patrick, can you share some of your golden memories of the Institute's early days?

Patrick: 'In 1998, I helped organise the first Corporate Governance Conference and, since I worked in the community and had close ties with government officials, I was responsible for arranging the speakers. I cherish the memory of that whole experience. Corporate governance was then still a novel concept and the Institute was relatively young. We didn't have as many members or as much recognition as we do today and we worried about whether the seminar would be successful. To our surprise, it paved the way for future conferences and has remained a popular event.'

Edmund, as the second member of your family to join the Institute, were you inspired by your father to become a governance professional?

Edmund: 'In many ways, yes. However, due to the generation gap our focus and work are somewhat different. My father initially encouraged me to obtain the CPA qualification. As he was so involved in much of the Institute's early work, I saw its growing influence and recognition over time. This was one of the key factors in my decision to join the Institute.'

黄龙德教授 BBS JP FCG HKFCG 与黄俊硕议员 FCG HKFCG

你们是一对父子，都是公会的资深会士。你们什么时候加入公会的？在公会担任什么职务？
黄教授: '我 1972 年考完试后便加入公会，成为会士。十几年后，我竞选理事会，并于1999年至2003年期间担任，当时我已晋升为资深会士。'

黄议员: '我 2017年加入做会士，並在2019年转为资深会士。'

公会的会员资格是否支持了您的职业发展？如果有，以何种方式？
黄教授: ' 作为会计师，我认为拥有特许秘书的资格对工作有很大帮助，尤其是会计师需要做公司注册等相关的工作。当年，特许秘书是一个享有盛誉的行头。因为考试困难，通过这些考试意味着你对公司法的了解和英语熟练程度都达到了很高的标准——没有多少人有这个资格。年轻时我做很多内部监控的工作，拥有公会的资格让我接到了很多大机构甚至政府的工作。'

黄议员: '我十几年前毕业后做会计与审计工作，去帮企业侦查或者防止问题的发生。我发现，许多问题的根源是治理做得不好。会计师除了建议客户，有很多时候也会做上市公司的非执行董事和独立非执行董事，拥有公会的资格并了解专业知识在这方面有很大的帮助。良好的公司治理非常重要，可以确保我们的金融系统和资本市场稳健。'

自您加入公会以来，治理作为一项专业发生了怎样的变化？
黄教授: '变化很大。香港越来越注重治理，我认为这是一个正面的发展。过去，特许秘书的职责主要围绕公司秘书工作，但现在上市公司的公司治理专业人员拥有更广泛的专业资格。持有公会的资格也让我们能够在治理委员会给予更多意见，提出的意见也更加有分量。'

黄议员: '公司治理专业人员现在除了做合规工作，也有更多发展方向。例如从公会推出的反洗钱及反恐融证书课程，就可以见到公司治理在反洗黑钱及恐怖融资活动上面所扮演的角色。我们亦更加注重 ESG。'

多年来，公会的发展经历了哪些关键时刻？
黄教授: '过去，公会在中国内地的曝光度并不高。经过不断的努力，公会已在北京设立了代表处，并且内地会员数量正在不断增加，其中包括董事会秘书。中国内地是一个很大的市场，也不少国有企业在香港上市。'

黄议员: '以往特许秘书可能做合规或者看上市规则多一些，现在则更注重在宏观的公司治理上。公会的定位随着市场关注而转变，是一个重要的发展。'

这几年，获取专业资格的方式有何变化？
黄教授: '当时我们要按照英国的制度参加考试，需要完成 17 份试卷，很多人都无法通过。职业格局也发生了很大变化。当年我在理工大学读会计，到我差不多毕业的时候才出现了专门的公司秘书课程，我觉得这个行业越来越趋向专业化。'

黄议员: '我不是考试，而是透过修毕公会认可的公司治理硕士之后入会的。我们的课程一半是会计一半是法律，解释了为什么有这么多律师和会计师后来获得公司治理专业资格。我也留意到现在公会有更多的新措施去吸纳不同的会员，让公司治理专业成为更广泛认可的资格。'

您对刚刚开始治理生涯的年轻一代有什么建议？
黄教授: '增进专业知识的同时，要心思细密，有耐性，并对工作抱持认真的态度。加强语言能力也很重要。做这一行需要经手许多文件，如果语言能力根底不好，除了可能看不懂文件以外，写的东西出来也可能会词不达意。我建议年轻人多看书，多撰写文章，并多寻求他人的建议。'

黄议员: '加入专业团体或者学会是第一步，更重要的是要有持续学习的态度。社会不停转变，监管机构或者持份者对我们的期待都持续增加。我建议年轻人要不断吸收最新的知识，并应用在工作上。参与公会的活动也可以帮助我们持续进修和学习。'

黄教授，您能否分享一些公会成立初期的美好回忆？
黄教授: '我在 1998 年帮忙举办了第一届的公司治理研讨会。由于我的工作常常跑社区，和政府官员比较熟悉，当年我负责邀请讲者，令我印象深刻。当时公司治理还是很新颖的概念，公会也还相对较年轻，会员数量没有现在那么多，认受性也没有今天那么高，我们很担心举行研讨会是不是能成功。令我们惊讶的是，它为未来的会议开了先河，到今天它仍然是一项受欢迎的活动。'

黄议员，作为您家里第二个加入公会的第二代成员，您是否受到父亲的鼓励而成为一名治理专业人士？
黄议员: '多少有的，虽然因为年代差异，我们注重的与做的东西都不太相同。我的第一个 CPA 资格是受到父亲的鼓励。父亲也参与了许多公会早期的工作，我见到公会的影响力和认受性随着时间增加，这是我加入公会并成为治理专业人士的其中一个重要因素。'

Professional Development

Seminars: September 2024

4 September
HKEX enforcement insights: leveraging best practices to mitigate pitfalls

Chair: *Frank Yuen FCG HKFCG, Group General Counsel, and Head of Compliance, CK Hutchison Holdings Ltd*
Speakers: *Jon Witts, Head of Enforcement, Listing Division, and Sally Ho, Vice President, Enforcement, Listing Division, HKEX; and Stephanie Chan, Partner, and Claudia Yu, Partner, Sidley Austin*

9 September
CSP foundation training series: company meetings of Hong Kong private limited companies

Speaker: *YT Soon FCG HKFCG(PE)*

26 September
Why is data governance critical to a successful corporate governance strategy in the digital era?

Chair: *Mike Chan FCG HKFCG, Institute Professional Development Committee member, and Fraud Control Officer, Head of Operational Risk Management, CMB Wing Lung Bank Ltd*
Speakers: *Jason Yau, Head, Technology & Management Consulting, and Jeff Fung, Senior Manager, Technology & Management Consulting, RSM*

27 September
Company secretarial practical training series: non–Hong Kong companies – practice and application

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

30 September
The governance imperative in the listed entities audit market in Hong Kong

Chair: *Ernest Lee FCG HKFCG(PE), Institute Immediate Past President, Audit Committee Chairman, Mainland China Affairs Committee member, Nomination Committee member and HKCGI Prize Judging Panel member, and Technical Partner, Deloitte China*
Speakers: *Tracy Chan, Director, Policy, Registration and Oversight, and Lucia Lai, Associate Director, Policy, Registration and Oversight, Accounting and Financial Reporting Council*

ECPD seminars/Videos on Demand

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

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

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

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

Membership

New Associates

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

Chan Yee Yan	Ho Sze Man	Or Hiu Yan	Wong Ling Shan
Chan Yuen Ching, Sarah	Ko Pui Yi	Qian Xiyue	Wong Yuk King
Chau Mang Lam	Kwan Fai	Sam Chi Yung	Wong Yuk Yu
Chau Tsz Shan	Lai King Hei	Sheh Tsz Yiu	Wu Wing Yin, Ivy
Chen Yuwen	Lam Ka Ying	Tai Hiu Ying	Yeung Ho Yin
Cheung Lok Hang, Chris	Lau Fu Yuen	Tai Siu Hing	Yeung Lai Shan
Cheung Wing Yan, Winni	Leung Tsz Ying	Tam Lan Sum	Yeung Pui Yee, Holly
Choi Ching Shu	Leung Wing Sze	Tong Yim Ying	Yeung Sui Ho
Chung Hiu Laam	Liang Siqi	Tse Yu Yeung	Yip Lai Fan, Doris
Feng Xiaoying	Mak Tsz Lok	Wang Jia	
Fung Po Hei	Ng Jo Yin, Vanessa	Wang Xi	
Ho Lok Yan	Ng Nga Mei	Wong Danie	

New graduates

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

Chan Kit Ying	Lai Tin Yee	Lo Po Ling	Tong Linjie
Cheung Man Yee	Leung Hoi Kiu	Monali Mehta	Tso Tsz Wai
Chu Chun Nam	Leung Ka Ley, Frances	Ng Ming Yan	Wang Fahui
Chung Wing Chi	Liang Chen	Sham Hoi Kei	Wong Nga Fan
Ke Nga Yi	Liang Jiayi	Suen Pang Ching	Yu Mei Tsz
Lai Cheung Wan	Lo Hoi Yan	Tam Yik Sing, Simon	Zhang Xinxin

Membership activities: September 2024

7 September

Mentorship training – be a more impactful presenter and get buy-in for your ideas

Membership (continued)

HKCGI Annual Convocation 2024

The Institute's Annual Convocation was held on 7 October 2024 with welcoming remarks from Guest of Honour Dr Anthony Neoh QC SC JP FCG HKFCG, recipient of the HKCGI Prize 2023, and Institute President David Simmonds FCG HKFCG.

In the year 2023/2024, 52 Fellows, 335 Associates and 115 graduates were admitted to the Institute. New Fellows, Associates and graduates, together with awardees of the Institute's Chartered Governance Qualifying Programme (CGQP) module prizes and merit certificates, as well as the HKCGI Foundation scholarships and subject prizes, received their certificates and awards at the convocation.

Certificates were presented by Guest of Honour Dr Anthony Neoh QC SC JP FCG HKFCG; Institute President David Simmonds FCG HKFCG; Honorary Adviser to Council, Past International President and Institute Past President Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE); Vice-President and Membership Committee Chairman Stella Lo FCG HKFCG(PE); Treasurer Daniel Chow FCG HKFCG(PE); Institute Past President and Council member David Fu FCG HKFCG(PE); Council member and Professional Development Committee Chairman Wendy Ho FCG HKFCG(PE); and Council member and Qualifications Committee Chairman CK Low FCG HKFCG. The Institute also invited Ginger Keung to share his experience and aspirations of the profession from the perspective of the younger generation.

Forthcoming membership activities

Date	Time	Event
14 December 2024	2.00pm–4.30pm	Fun & Interest Group – DIY a charming Christmas tree

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

Advocacy

Celebrating CGI's Council meeting and the Institute's 75th anniversary

The Chartered Governance Institute (CGI) chose Hong Kong as the venue for its Council meeting this year, held on 3 and 4 October 2024, followed immediately afterwards on 4 October by the CGI 2024 Annual General Meeting (AGM).

The Institute organised a number of events and gatherings over the period to welcome CGI Council members, along with representatives and CEOs from CGI's international divisions, to Hong Kong, including a well-attended cocktail reception to celebrate the successful conclusion of the Council meeting and the Institute's 75th anniversary.

The Guest of Honour at the reception was The Honourable Paul Chan Mo-po GBM GBS MH JP, Financial Secretary of the HKSAR Government, and Fellow of the Institute, who delivered the keynote speech, setting the stage for the momentous occasion. John Heaton FCG, President of CGI, and Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Honorary Adviser to Council, Past International President and Institute Past President, also delivered remarks in honour of this historic milestone.

The Institute would like to express its heartfelt thanks to everyone who has contributed to our success over the past 75 years.

Advocacy (continued)

Celebrating the Mid-Autumn Festival

As a caring employer and to celebrate the Mid-Autumn Festival, the Institute ordered moon cakes from iBakery, a social enterprise under the Tung Wah Group of Hospitals, for the Secretariat staff in Hong Kong. iBakery trains and hires people with disabilities, and provides Hong Kong with healthy and delicious food. Similar arrangements were made for the staff members of the Institute's Beijing Representative Office.

Good Employer Charter 2024

好僱主約章 GOOD EMPLOYER CHARTER 2024

We are pleased to announce that the Institute has been accredited as a signatory of the Good Employer Charter 2024, organised by the Labour Department of the HKSAR Government. The Institute has now been accredited with this charter for three consecutive terms (2018, 2020 and 2024), in recognition of our good human resource management.

The HKCGI Foundation Course on Information Disclosure, Corporate Governance and Capital Operation Practices for Companies Listed in Hong Kong (first cohort)

The Institute held its first Foundation Course on Information Disclosure, Corporate Governance and Capital Operation Practices for Companies Listed in Hong Kong (first cohort) from 11 to 13 September in Beijing, attracting 55 participants, mainly comprising board secretaries and other governance-related practitioners from Chinese mainland companies listed in Hong Kong. This foundation course aims to provide fundamental training to young governance practitioners to equip them with the necessary skill sets and to enhance their capabilities for better governance performance.

Dr Gao Wei FCG HKFCG(PE), Chief Representative of the Institute's Beijing Representative Office, and Kenneth Jiang FCG HKFCG, former Chief Representative of the Institute's Beijing Representative Office, chaired the training sessions and, together with other senior professionals and practitioners, shared their insights on topics ranging from Hong Kong market regulations, continuous disclosure obligations, accounting regulatory priorities, financial reporting disclosure priorities, disclosable transactions, connected transactions, insider information disclosure and practical experience sharing of listed companies.

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.

The 78th Governance Professionals ECPD seminars

The Institute held its 78th Governance Professionals ECPD seminars from 25 to 27 September 2024 in Zhuhai. This event attracted over 100 attendees in person and online, comprising board secretaries, directors, CFOs and other senior management from companies planning to list in Hong Kong.

Dr Gao Wei FCG HKFCG(PE), Chief Representative of the Institute's Beijing Representative Office, and Kenneth Jiang FCG HKFCG, former Chief Representative of the Institute's Beijing Representative Office, chaired the seminars and, together with other senior professionals, shared their insights on topics ranging from risk management and internal control, transaction control, directors' continuous liabilities, digitalisation management and transformation, the Uncertificated Securities Market, hot issues in the M&A market, the latest amendments to the PRC Company Law and ESG management practices.

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)

November 2024 examination diet

Examination admission slips, together with the Instructions to Candidates, were released on 30 October 2024. All candidates are reminded to follow the instructions before taking the examinations.

Candidates who are unable to attend the scheduled CGQP November 2024 examinations may apply for an examination postponement by submitting a relevant medical certificate and/or supporting document(s). All applications must be submitted to the Institute on or before Thursday 19 December 2024.

Key dates

Key dates	Description
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.

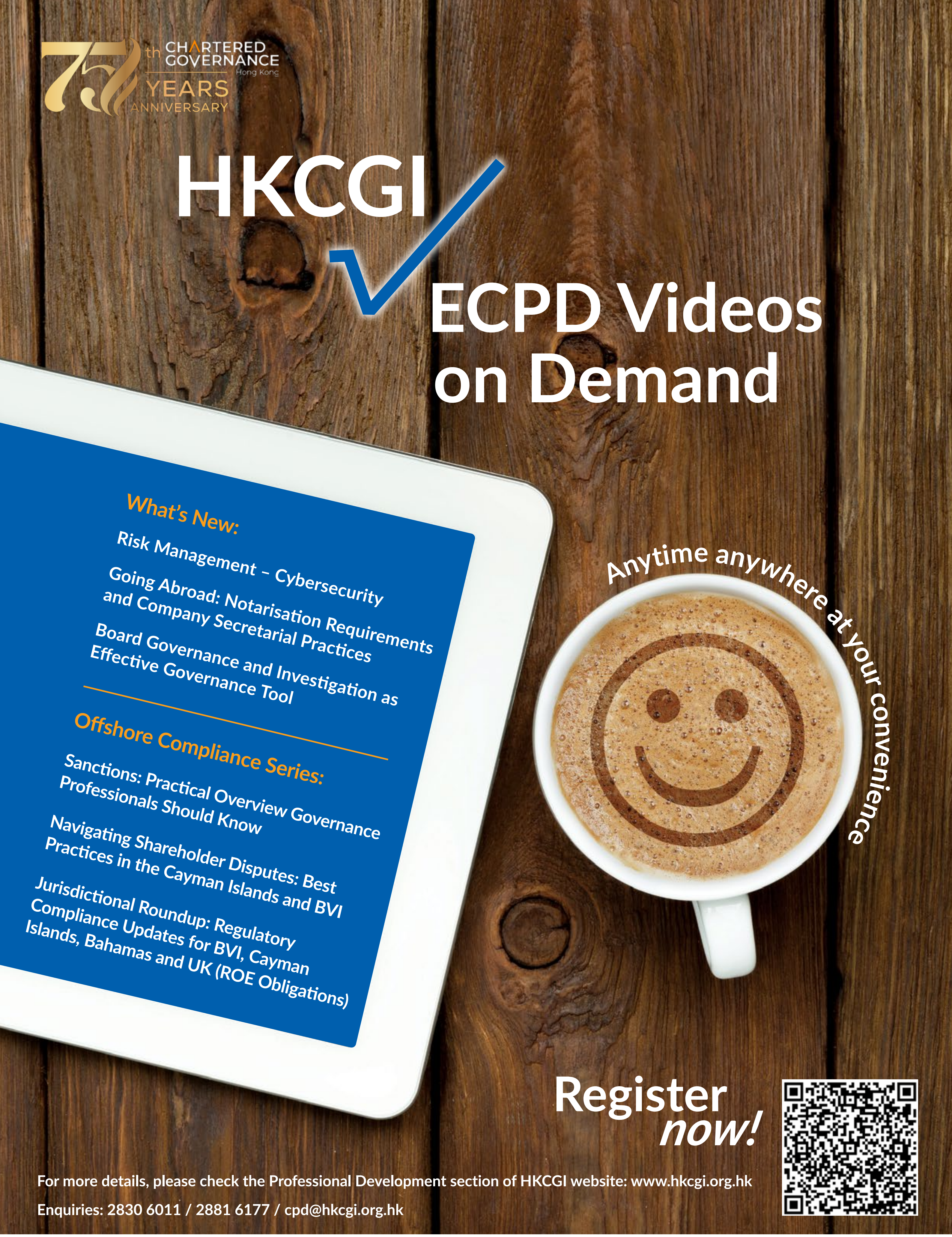
For details, please visit the Examinations page under the Chartered Governance Qualifying Programme subpage of the Studentship section of the Institute's website: www.hkcgi.org.hk.

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

Promoting the governance profession to university students

The Institute continues to work closely with universities to encourage more young people to consider governance as a career. In collaboration with the following universities, the Institute arranged a number of career and promotion talks for their respective students between September and November 2024.

Date	University
4 September	Hong Kong Metropolitan University
7 October	Lingnan University
14 October	Hong Kong Shue Yan University
17 October	The Hong Kong Polytechnic University
23 October	Hong Kong Shue Yan University
4 November	The Hong Kong Polytechnic University


75th CHARTERED GOVERNANCE Hong Kong
YEARS ANNIVERSARY
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