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The journal of The Hong Kong Institute of Chartered Secretaries
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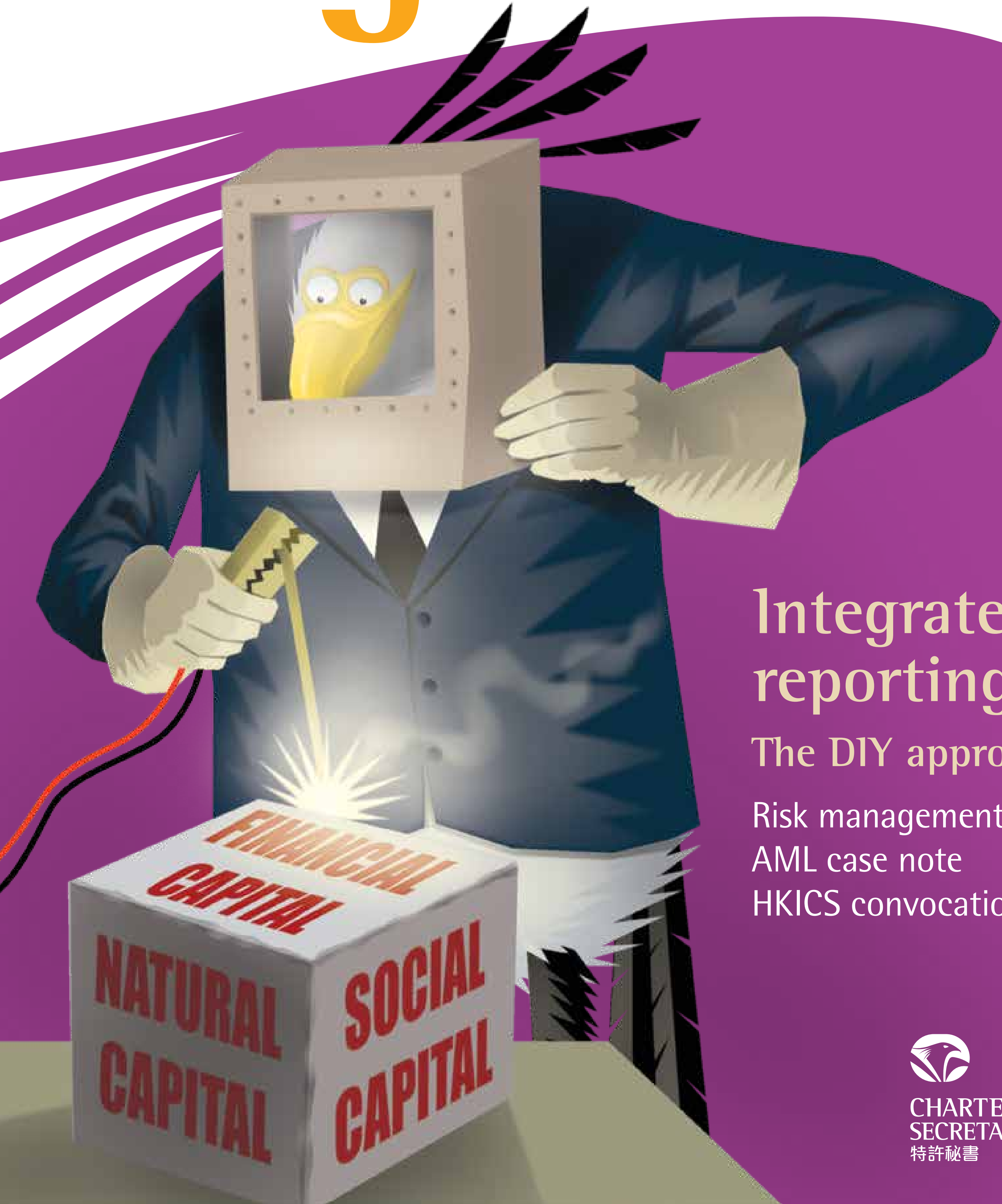

Integrated reporting

The DIY approach

Risk management
AML case note
HKICS convocation

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

The HKICS was first established in 1949 as an association of Hong Kong members of the Institute of Chartered Secretaries and Administrators (ICSA) of London. It became a branch of ICSA in 1990 before gaining local status in 1994, and today has over 5,800 members and 3,200 students.

Membership statistics update

As of 31 August 2015, the Institute's membership statistics were as follows:
Students: 3,284
Graduates: 505
Associates: 5,014
Fellows: 531

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Contents

Integrated reporting

I am glad to report that, on 10 September 2015 in Kuala Lumpur, The Institute of Chartered Secretaries and Administrators successfully launched its first annual general meeting after its recent constitutional reforms. More information on this can be found on page 41 of this month's journal.

Turning to the theme of this month's journal, I am glad to see that we are once again addressing a frontier topic for governance professionals – integrated reporting. Actually integrated reporting is not a new concept, but so far it has not exactly caught on in Hong Kong – why?

In July 2013, when our Institute made a submission to the International Integrated Reporting Council (IIRC) consultation on its draft 'International Integrated Reporting Framework', we highlighted a number of practical issues which might inhibit the wider adoption of this reporting model. These included the additional manpower and time resources it would require, and the need for better guidance and accepted standards for this form of reporting. Another, rather glaring, reason why integrated reporting seemed a distant possibility for companies in Hong Kong at that time was that only a fraction of companies were engaged in environmental, social and governance (ESG) reporting, a necessary precursor to integrated reporting.

Much, however, has changed in the two intervening years. Most obviously, since the implementation of the business review requirement of the new Companies Ordinance effective in 2014, some form of ESG reporting is now mandatory for non-exempt Hong Kong companies. This requirement is being rolled out to all listed issuers irrespective of their place of incorporation to ensure a level playing field. This is aside from the potential upgrade of the wider ESG reporting obligations for listed issuers under the Exchange's *ESG Reporting Guide* which the market is being consulted upon.

Moreover, better guidance is now available for companies considering a switch to integrated reporting. In December 2013, the IIRC released its finalised 'International Integrated Reporting Framework' which provides principles-based guidance on the preparation of integrated reports. Then, in July this year, Hong Kong Exchanges and Clearing released its new and improved *ESG Reporting Guide*, currently under consultation in Hong Kong.

So are we likely to see integrated reporting become a standard reporting model any time soon in Hong Kong? At this juncture, that seems unlikely. Many companies in Hong Kong are just starting out in ESG reporting and integrated reporting would require some fairly significant adjustments to the way they approach the reporting exercise. Indeed, to do it properly, integrated reporting requires an organisation to adopt 'integrated thinking', which could involve a root and branch change to its business culture and strategy.

This is not something, clearly, that can be done overnight. Nevertheless, the integrated reporting movement has been a crucial part of raising the bar in corporate reporting both globally and in Hong Kong. Gone are the days when organisations could serve up year-old financial statements and little else. The evolution of integrated reporting will therefore be something our Institute and our members will need to watch closely. This edition of our journal, which is dedicated to this theme, is a good place to start.

Happy reading!

Dr Maurice Ngai FCIS FCS(PE)

综合报告

我谨欣然报告，特许秘书及行政人员公会(ICSA)于2015年9月10日在吉隆坡成功举行最近宪制改革后的首次周年会员大会，详情见本刊第41页。

至于本期的主题方面，我很高兴见到我们再度讨论对管治专业人员来说属于新领域的课题 – 综合报告。事实上，综合报告不是新概念，但至今在香港谈论得不多。为什么？

2013年，国际综合报告委员会(IIRC)就其《国际综合报告大纲》草拟本进行谘询，公会在同年7月份向委员会提交意见书，重点提出可能妨碍广泛采纳这个报告模式的一些实际问题，例如须多花人力和时间拟备这类报告、需要就这种报告模式订立更清晰的指引和公认标准等。当时香港公司采纳综合报告模式似是遥不可及，还有一个颇重要的原因，就是只有少数公司拟备环境、社会与管治报告，而这是拟备综合报告前的必经阶段。

然而其后至今两年以来，各方面起了很大变化。最显着的是，自从新《公司条例》中拟备业务审视的要求于2014年实施以来，某种形式的环境、社会与管治报告，对不获豁免的香港公司来说已是强制规定。这项要求现正推广至不同地点成立的所有上市公司，以确保公平竞争。同时，香港交易及结算所现正就其《环境、社会与管治报告指引》徵询市场意见，上市公司拟备环境、社会与管治报告的责任有可能加重。

此外，考虑采纳综合报告的公司，现已有更清晰的指引可作参考。2013年12月，IIRC发表《国际综合报告大纲》最后定稿，就拟备综合报告提供原则性指引。今年7月，香港交易及结算所发表全新改良的《环境、社会与管治报告指引》，现正在香港进行谘询。

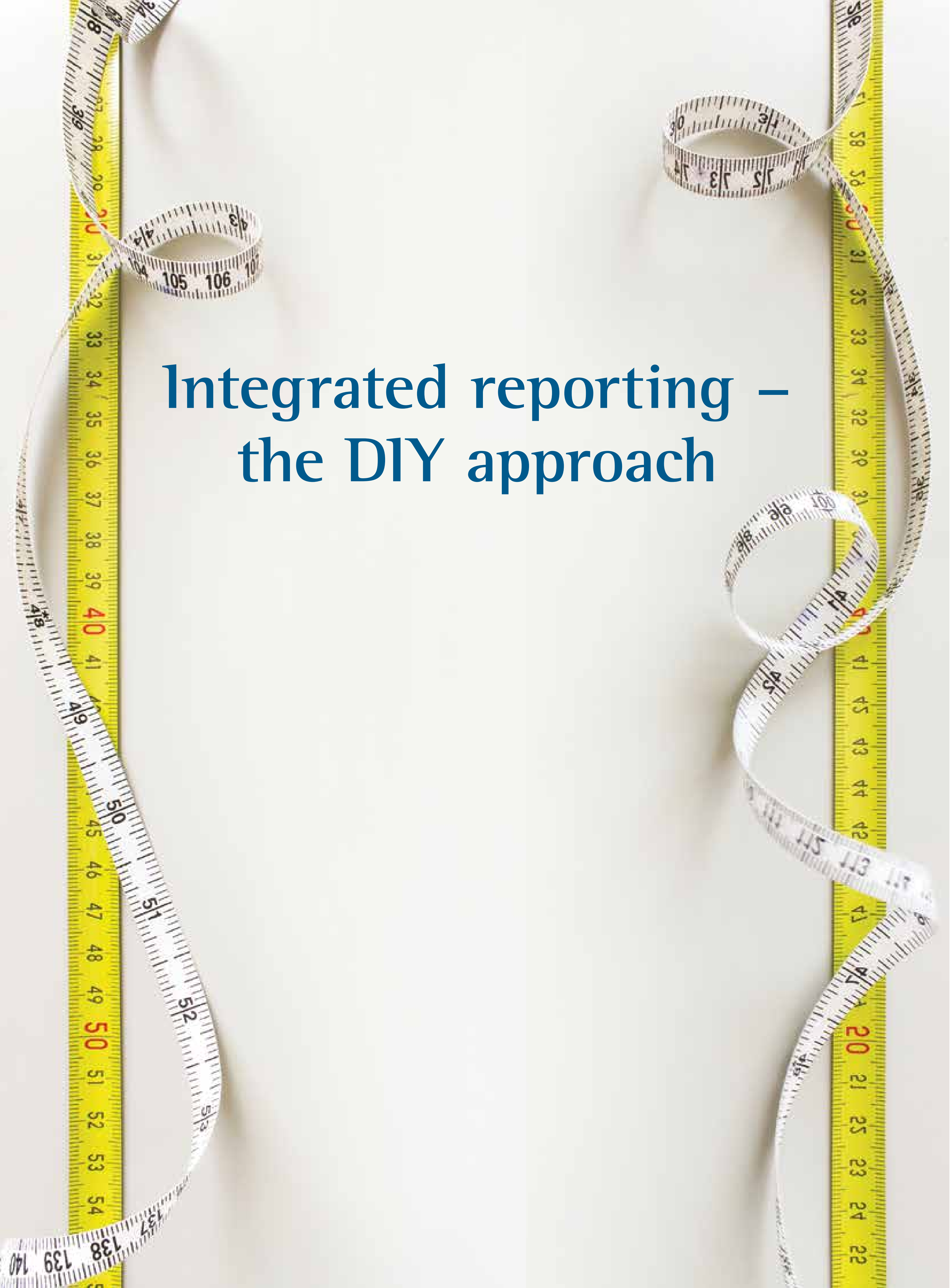
这样一来，我们是否可以很快看到综合报告成为香港的标准报告模式？此刻而言，可能性不大。香港许多公司刚开始拟备环境、社会与管治报告，若要采纳综合报告模式，拟备报告的方式须作相当重大的调整。的确，若要妥善做好综合报告，机构须采取「综合思维模式」，这可能牵涉机构营商文化和策略的全盘改变。

这显然不是一夕之间可以做到的事。不过，在提升香港及世界各地公司报告水平的过程中，提倡综合报告的运动起了关键作用。机构仅提供一年前的财务报表、极少提供其他资料的时代已经过去，公会和各位会员务须密切注意综合报告要求的发展。本期月刊以此为专题，是很好的起步点。

欢迎细阅！

魏伟峰博士 FCIS FCS(PE)

Integrated reporting – the DIY approach



CSj looks at the benefits and challenges involved in adopting integrated reporting and at the potential role of the company secretary in the process.

There can be little doubt that the bar has been rising for corporate disclosure standards over the last three decades. Perhaps the two most obvious themes in this evolutionary process have been the widening of the number of stakeholders addressed by the corporate reporting process (from shareholders to a wide spectrum of stakeholders including employees, customers, clients, regulators and ultimately society at large), and the increasing importance given to non-financial disclosure.

Looked at broadly, we have had three major transitions since the 1970s. Environmental reports (covering the companies' use of, and impact on, the natural environment) started to become mainstream in the 1980s. A decade later saw the emergence of the 'sustainability report' which, in addition to reporting on the company's environmental performance, covered a wide range of non-financial issues such as health and safety, corruption, human rights, etc.

Then, in the early years of this century, the third transition got underway – the advent of the 'integrated report'. In some ways, integrated reporting was a logical extension of the evolutionary process described above – it further expands companies' responsibilities to stakeholders and the range of non-financial disclosures required. But Ernest Lee FCIS FCS, EY's Assurance – Professional Practice Partner, points out that integrated reporting also represents a radical rethinking of the traditional corporate reporting model.

'Traditional financial reporting has a very specific focus on reporting financial performance in the annual report and accounts,' he says. 'Whereas traditional ESG [environmental, social and governance] reporting has a very specific focus on reporting non-financial information on environmental, social and governance performance only. Integrated reporting is more than just combining the disclosure of financial information and non-financial information into one single document. It requires a new way of thinking about what a business actually is: instead of just money-making, an entity should see a business as a means that utilises various capitals, namely financial, intellectual, human, social and natural capitals, to create financial, social and environmental values.'

To produce a successful integrated report, he adds, companies have to adopt 'integrated thinking' – that is, they need to consider the relationships between their various operating and functional units and the capitals that they use or affect. In other words, the board and management need to acquire a holistic view of a company's short-, medium- and long-term value, and refocus and redefine financial and non-financial goals. 'This concept is too fresh to be the mainstream in Hong Kong,' says Mr Lee. 'It is after all not easy to articulate the connectivity between socio-environmental impacts and underlying business performance.'

Any takers?

For the critics of integrated reporting, many aspects of this new model set the bar unrealistically high, and certainly, seen from the perspective of the vast majority of Hong Kong companies which have barely started down the road towards ESG reporting, integrated reporting would seem to be a very distant aspiration.

Nevertheless, Hong Kong has been playing catch up with international best practice in non-financial reporting. In particular, recent regulatory developments have raised the bar for most companies in Hong Kong in terms of their ESG reporting obligations. Notably, the introduction of the 'business review' requirement of the new Companies Ordinance (Cap 622) in March 2014, and the matching of these statutory disclosure requirements in Appendix 16 of the listing rules.

Highlights

- Globally, pressures are mounting to increase the quantity and quality of financial and non-financial disclosure and integrated reporting represents an excellent opportunity to meet this increased demand for transparency
- with integrated reports, stakeholders and capital providers get a more complete and holistic picture of how the company creates value
- the company secretary is well placed to help companies adopt integrated reporting

Then in July this year, Hong Kong Exchanges and Clearing (the Exchange) published a consultation paper seeking views on proposed amendments to its *Environmental, Social and Governance Reporting Guide* which would see many of the recommended disclosures of the guide being upgraded to 'comply or explain'.

Despite these regulatory measures, however, Hong Kong still has a long way to go in its evolution towards ESG reporting which is a necessary first step before the adoption of integrated reporting. Based on a survey conducted by Bloomberg in April this year, the Exchange estimates that only about a half of companies listed on the Exchange are currently reporting on ESG matters.

The benefits of integrated reporting

The International Integrated Reporting Council (IIRC) hopes that, over time, integrated reporting will become the corporate reporting norm – this would currently appear to be a distant prospect in Hong Kong, but the early adopters here argue that integrated reporting holds a lot of promise for companies and, it turns out, for company secretaries.

Link Real Estate Investment Trust (Link REIT) adopted integrated reporting two years ago and Dr Calvin Lee Kwan, General Manager, Sustainability, at Link REIT, argues that the process has been beneficial both internally for the company and externally for stakeholders.

Prior to the adoption of integrated reporting he found that stakeholders were either interested in financial data interest or in ESG data, but rarely both. The company's integrated report attempts to shows the interdependency of non-financial issues and financial performance and this, Dr Kwan says, has changed stakeholders' perceptions.

'Our main stakeholders are our investors, so we need to translate everything into something that investors understand and they understand finance, they understand numbers. They don't understand carbon dioxide data and they don't always understand how ESG factors add value to the company,' Dr Kwan says. 'It's like putting together a book – if you write each section in a different language the audience won't understand it all. That's often what is happening with ESG reporting and financial reporting. By translating ESG data into financial data and numbers, we are basically writing all sections of the book in the same language so the audience will understand everything.'

The response from stakeholders to this new approach, he adds, has been overwhelming. 'Our stakeholders say: "Now I know why it's important, now I know what the impact is, now I understand why we should continue asking these questions",' he says.

CLP Holdings (CLP), an early adopter of integrated reporting in Hong Kong, tells a similar story about the external and internal benefits of integrated reporting. 'People often think of companies as just

> "as our society gets more sophisticated, people are going to ask more questions about the total picture"

Dr Jeanne Ng Chi-yun, Director, Group Sustainability, CLP Power Hong Kong Ltd

for making money, but more often than not, their output is something more than that,' says Dr Jeanne Ng Chi-yun, Director, Group Sustainability, CLP.

'For instance, our product, electricity, contributes to the economy and local development in many ways and makes a difference. As our society gets more sophisticated, people are going to ask more questions about the total picture. So somehow we need to internalise externalities. With integrated reports, our stakeholders and capital providers get a more complete and holistic picture of how the company creates value for the different stakeholders including customers, shareholders and society. It's not just about our financial capital, but about all the other capitals we need and how we manage the capitals to create value,' Dr Ng says.

One of the greatest benefits of the integrated approach came as something of a surprise, she adds, since it quickly created better friendships and understanding across the organisation fostering more 'integrated thinking'. 'There's so much more interaction between different departments now as a result of the integrated reporting. We now build better relationships and collaborate. This is one of the big value points of doing integrating reporting,' Dr Ng says.

The role of the company secretary

This is where the integrated reporting phenomenon becomes particularly relevant for company secretaries. One of the key challenges in making integrated reporting work is the need to get 'buy in' from management, directors and employees in the company's different business units. The company secretary already provides an important information link between all these different groups and he or she is therefore well placed to act as the central coordinating officer to oversee the integrated reporting process.

EY's Ernest Lee lists three main areas where the company secretary can add value to the process:

1. communicating the changes in integrated reporting disclosure practices to all relevant business units – and getting their buy in
2. working with professionals and advising management on how the integrated reporting framework can be adopted, and
3. coordinating and overseeing the data and information collection process.

CLP's Dr Ng points out that the company secretary has an important role in ensuring that the integrated report meets regulatory requirements. 'I can't emphasise enough how important company secretaries are,' she says. 'In most cases they are the relationship holder for company administration-related regulatory bodies and are therefore key to providing content, guidance and directions for reporting to such bodies. They know which different pieces of information and data have to be in the report from the organisation's different departments.'

Will integrated reporting become mandatory?

Currently there is no mention of integrated reporting in Hong Kong's rule books, and, outside South Africa, no jurisdiction has yet made integrated reporting subject to a mandatory or 'comply or explain' obligation. Nevertheless, the Exchange is 'monitoring developments in integrated reporting with interest', it says. Will we see integrated reporting becoming a recommended best practice in Hong Kong's Corporate Governance Code any time soon?

Such a recommendation looks unlikely at the moment, but David Graham, the Exchange's Chief Regulatory Officer and Head of Listing, says that the Exchange's proposed upgrade of its *ESG Reporting Guide* is just another step in an evolutionary process, with the longer term goal of achieving better and more comprehensive ESG reporting among issuers. 'We believe that strengthening issuers' ESG disclosure obligations will enhance the quality, sustainability and reputation of our market', he says.

Steve Ong, Head of Accounting Affairs at the Exchange's Listing Division, points out that the regulatory developments mentioned earlier in this article – the introduction of the business review requirement of the new Companies

Ordinance and the proposed upgrading of the *ESG Reporting Guide*, for example – are all part of a journey. 'We see all these developments as subsets of what we understand to be integrated reporting,' he says. 'Although Hong Kong has not yet formally adopted integrated reporting as promulgated by the IIRC, this does not mean that listed issuers in Hong Kong are not thinking strategically about their business models, investment in innovation and value creation in the short, medium and long term.'

Next big thing or passing fad?

So what will the future hold for integrated reporting in Hong Kong? At the moment, only four companies have adopted integrated reporting and, looking more broadly at the market, it quickly becomes apparent that very few companies are really in a position to adopt this reporting model.

Certainly, for smaller companies, cost may be a challenge. Another impediment will be the need to get the relevant expertise on board. Collecting the relevant data, alone, requires new skill sets such as carbon footprint quantification, etc.

'Many listed Hong Kong companies are small or medium-sized enterprises and these smaller firms might not feel that they have the knowledge, resources and money to produce integrated reports,' CLP's Dr Ng points out.

'There is interest in the market in integrated reporting,' says Gayle Donohue, Assurance Partner at PwC Hong Kong. 'But it comes with awareness that there are many internal alignment and communication issues that need to be addressed before this reporting model can be adopted,' she adds.

The small number of companies engaged in integrated reporting in Hong Kong does not give an accurate picture of the level of interest in this reporting model. 'Many CEOs are already thinking about the broader value chain for their companies, including considering the implications of sustainability, but this thinking isn't always fully articulated in a way that can be reported externally', says Ms Donohue. 'Before you can implement integrated reporting, you need a broader understanding about value drivers in your business. When

Do it yourself?

Early adopters of integrated reporting in Hong Kong emphasise that adopting this reporting model will be an evolutionary process – companies do not need to go from a traditional annual report to an integrated report that fulfils all the criteria set out in the International Integrated Reporting Framework in one impressive leap.

'Keep it simple. Start with what you have. Many people have made this reporting into a big deal, but it shouldn't be,' says Dr Calvin Lee Kwan, General Manager, Sustainability, at Link REIT. He acknowledges that the adoption of integrated reporting by Link REIT is in its early stages and that the company still has a lot to learn. 'We are by no means an expert in the area. We see the value in it and we still learn as we go along.'

He adds that companies can cherry pick ideas from the various guidelines available. Link REIT, for example, uses a combination of guidelines to create their reports, including the G4 sustainability reporting guidelines by the Global Reporting Initiative (GRI). 'GRI G4 is good for coming up with what issues you should look at. The International Integrated Reporting Framework is good for telling you how and why this matters to your company, so you need a combination of guidelines,' Dr Kwan says.

One innovation that both Link REIT and CLP have followed is the creation of separate integrated and sustainability reports. This might seem to flout one of the central tenets of integrated reporting – that companies should produce a single integrated report rather than follow the previous model of separate annual and sustainability reports. This is an example of how the 'do it yourself' approach is relevant to the integrated reporting exercise – companies can take their own approach to making this reporting model work for their own circumstances. While integrated reports clearly need to fulfil the regulatory requirements for corporate disclosure in Hong Kong, they do not need to be officially recognised as qualifying as an integrated report. CLP, for example, states that its report is 'guided by' the International Integrated Reporting Framework but it does not follow Framework rigidly.

> **we believe integrated reporting will eventually be the mainstream of reporting**

Ernest Lee, Assurance – Professional Practice Partner, EY

I meet clients, we often start talking about integrated reporting, but end up talking about other issues that need to be addressed first – such as alignment of strategic goals across the organisation and understanding what drives value in the business, in turn leading to a better understanding of KPIs [key performance indicators] and opportunities. It is very clear that integrating non-financial factors into business strategy is more than a fad; it is a way of managing business in the world today. If these building blocks are in place, an integrated report is of no, or less, effort. As I see it, the report is purely the output, at the end of the journey, not the start.'

The early adopters in integrated reporting in Hong Kong firmly believe that this is the direction that corporate reporting is heading in, both globally and in Hong Kong. 'Smart companies will realise that there is a value to this. Done properly, they will learn a lot about the company and what the challenges are, and it will become a strategy document,' The Link REIT's Dr Kwan says.

'We believe integrated reporting will eventually be the mainstream of reporting,' says EY's Ernest Lee. 'Globally, pressures are mounting to increase the quantity and quality of financial and non-financial disclosure. At the same time, emerging social and environmental risks require companies to develop initiatives that transform these challenges into opportunities and sustained value drivers. This signals a larger shift in the marketplace in how investors and other stakeholders weigh components of a company's market value. This shift in asset valuation, increasingly felt by company leadership, is already seen on various exchanges, finance terminals, independent sustainability reports and other reporting channels where non-financial information is readily available. Integrated reporting represents an excellent opportunity to meet these increased demands for transparency of non-financial information and the calls for both quantitative and qualitative improvements in all reporting.'

Johan Nylander, Journalist, and Kieran Colvert, Editor, *CSj*

The proposed upgrade of the Exchange's ESG Reporting Guide is covered in last month's CSj (see 'ESG reporting: preparing for the new regime', CSj, September 2015, pages 20–26). The Exchange's consultation ('Review of the Environmental, Social and Governance Reporting Guide') is available on the Exchange's website: www.hkex.com.hk.

Further guidance on integrated reporting is available on the websites of the International Integrated Reporting Framework: http://integratedreporting.org and the Global Reporting Initiative: www.globalreporting.org.

Integrated reporting – is it time to make the leap?

Rikke Netterstrom, Executive Director, CSR Asia, suggests some of the issues companies in Asia need to consider when considering adopting integrated reporting.

Combining the traditional annual report with the stand-alone sustainability report in an integrated report, is no new idea. The latest Global Reporting Initiative (GRI) sustainability reporting guidelines (see 'The GRI guidelines' sidebar) have guidance on integrated reporting and the International Integrated Reporting Framework provides valuable guidance to those taking the plunge. Business leaders all over the world have taken up the baton and dropped the sustainability report, and companies such as SAP and Novo Nordisk are proving that this can be done in ways that won't harm the quality of disclosure.

But is it right for your business? We engage with a large number of businesses considering this option, and sustainability managers who are not sure how to respond when the CEO asks their view, so here are few questions which might be worth putting forward the next time you are asked.

Have we considered our wider disclosure strategy?

Stakeholders, commercial, financial as well as civil society will not take kindly to companies who reduce the availability of data and progress against targets under the guise of integrated reporting. If not included in the main report, information needs to be available in a different format, for example through a dedicated website with policies and up-to-date data available. Some companies already have great online disclosure, but for many this is a large piece of additional work to be completed.

Do we have the right advisers?

An annual report is a regulatory document, subject to restrictions and guidelines from stock exchanges, company law and accountancy rules. The integrated report will need to meet these same standards. Companies needing advisory on their report would therefore do well to appoint agencies with a robust understanding of these parameters. An integrated report requires extra vigilance and investment in bringing in the right skills.

Will our report still be useful to the target audience?

Many respected companies use their sustainability reports extensively in face-to-face meetings with civil society, Socially Responsible Investment (SRI) funds and other expert stakeholders. Our experience is that the traditional GRI report is a strong tool in such contexts, giving stakeholders the information they need – no more and no less – at their fingertips and in an easily digestible language. GRI reports give a quick overview of governance structure, activities and performance figures which are not tucked away in the legalese language of annual reporting. On the flip side, some investors might not appreciate having to search through lost-time-accident

Highlights

- for large-scale, highly diversified conglomerates, integrating sustainability and financial data into one report might result in a document too large to be useful to stakeholders
- a separate sustainability report has the advantage of giving stakeholders interested in this data the information they need in a dedicated format
- if not included in the main report, information needs to be available in a different format, for example through a dedicated website with policies and up-to-date data available

> "stakeholders, commercial, financial as well as civil society will not take kindly to companies who reduce the availability of data and progress against targets under the guise of integrated reporting"

rates and diversity data in order to find the loan-to-value ratio of your China business (yes, we know – they should be interested, but they might not be).

Is there a risk of producing a phone book?
Asia has a large number of highly diversified conglomerates, with activities across a wide range of sectors or spread across dozens of countries. An integrated report attempting to deal with all material aspects for all activities and incorporating legally required disclosures is likely to end up as thick as the phone book of Greater London, and about as likely to be read.

Is our company culture supportive of integration?
The culture clash between the departments traditionally charged with the annual report and those responsible for the sustainability report can cause a severe imbalance and ultimately a poorly integrated report. The reality is that in most companies, finance and legal departments have considerably more weight than sustainability departments.

So a period of cultural integration between the two, ensuring that there is engagement and mutual respect may be necessary to allow for a robust integrated report that doesn't look like an annual report with sustainability tagged on out of courtesy.

Having worked in sustainability reporting for 15 years, I am naturally biased towards a traditional format. Most of our clients use their reports extensively, and in some cases they are downloaded much more frequently than the annual report because they speak to a broader audience. However, I also welcome innovation and the inherent intent of mainstreaming sustainability, and some companies have really broken new ground with their integrated reports. The bottom line is: think through why you are doing it and how you will do it, and the answer to whether to do it should be easy.

Rikke Netterstrom
Executive Director, CSR Asia

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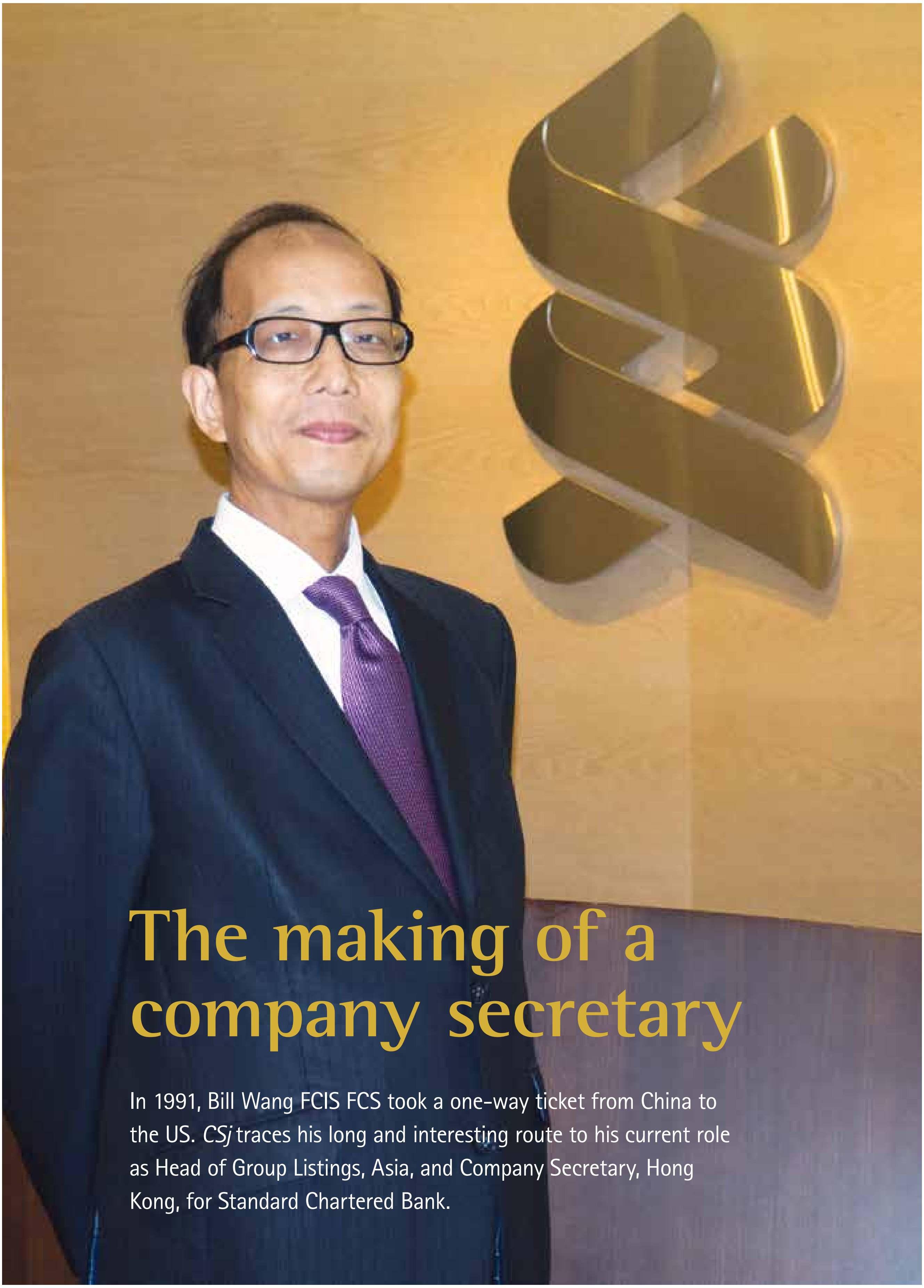


The making of a company secretary

In 1991, Bill Wang FCIS FCS took a one-way ticket from China to the US. *CSj* traces his long and interesting route to his current role as Head of Group Listings, Asia, and Company Secretary, Hong Kong, for Standard Chartered Bank.

Thanks for giving us this interview. Could we start by discussing your early years in China?

'Yes. I was born and raised in Shanghai and lived in China until I was 23 when I finished my law school in Shanghai. I think that experience – growing up in a country where the government controlled almost everything – has been important for my own evolution of thinking. The key features of that way of urban life has certain attractiveness: you don't have to worry about your job security (if you have one), you don't have to worry about efficiency or productivity. There would be a kindergarten and all sorts of social welfare programmes in your work unit. You would be looked after in all aspects of your work and life – even your marriage could be arranged or at least approved by your work unit.

In reality, however, shortage of food and supplies, ration coupons and long queues for any consumer products were common features of daily life. Looking back, those were harsh years but we were made to believe that our system and social institutions were the best in the world. That soon turned to disillusionment when China started to open up to the rest of the world and the younger generation got exposure to the lifestyle of capitalist societies through various channels. Interestingly, when I was at law school in China, it was at the height of the Ronald Reagan/Margaret Thatcher era in the West. The US and the UK were privatising the state sector and cutting back on social welfare. Shareholder capitalism, the idea that the sole purpose of enterprises should be to maximise shareholder value, and hardly anything else, was in its heyday.

When I first encountered Milton Friedman's ideas about autonomy of entrepreneurship, free market and minimum government intervention, they seemed both refreshing and appealing. Was this not what China needed to improve its productivity and efficiency and to improve the lifestyle of its people? Ironically, it seemed to me that Western societies could teach us a lot about socialism.

In some ways, China was bringing in market-oriented reforms – the government was reducing state holdings in the state-owned enterprises and opening up, on an experimental basis, limited private ownership and relaxing state pricing control. The incentivising power of being better off through hard work, a bit of luck and some small investment of capital could not be underestimated. People began to adjust to the transition the country was experiencing in terms of wealth redistribution and social status realignment.

> "walking passed border control, with my boarding pass in my hand, I thought to myself this was in every sense a one-way journey"

Then came 1989, however, and the slightest hint of capitalism was again seen as dangerously liberal. In fact, one of the accusations against the then Communist Party Chief, who was ousted in 1989, was that he met Milton Friedman and Friedman gave him advice on how to run a free-market economy.

Life once again became pretty grim in China immediately after 1989. People who could leave did leave the country to the great envy of others. I got my TOEFL score as high as I possibly could and received a full scholarship from a University in the US. Walking passed border control, with my boarding pass in my hand, I thought to myself this was in every sense a one-way journey – that was late 1991.'

Did life in the US live up to your high hopes?

'The biggest cultural shock when I first arrived in the US was not language or the local customs – I got myself well prepared for that. I was quite surprised to see a huge portrait of Karl Marx on the wall of my professor's office. Karl Marx, who had of course

Highlights

- the challenge for governments and regulators is to get the balance right between what can be left to the market and what needs to be subject to regulatory control
- in a principles-based regulatory regime, companies need trained professionals to translate the principles into workable policies and procedures
- the demands on company secretaries in terms of their knowledge and judgement are ever increasing

predicted the ultimate death of capitalism, was indeed a hero for many serious scholars in the West. I asked myself why.

I then received another scholarship to attend the law school at the University of Virginia where Karl Marx was not mainstream – law and economics and Jeffersonian state autonomy against federal power was. Then I realised what freedom of expression really meant. In a free society, people can hold all sorts of ideas, however extreme, and freely express them. People can freely debate whose ideas are more plausible and feasible, Karl Marx or Adam Smith, for instance. But crucially, they do not have the freedom to coerce others to accept their ideas.

When I graduated, I started working for an international law firm doing legal work in the corporate and capital markets area – IPOs, financial products, securitisation deals, etc, serving the biggest names of investment banking.'

That must have been quite a contrast to your life in China.
'Most definitely. Having come from a state-controlled country, I now found myself experiencing capitalism in its most extreme form. I'd never heard of any of these concepts, products or terminologies in China. The securitisation deals – packaging things like mortgage payments into tradable securities – had just become bread and butter products in the US. These types of deals were eventually copied in London and in Hong Kong.'

Securitisation, particularly of mortgage assets, was one of the causes of the 2008 global financial crisis, did you begin to have doubts about free-market capitalism?
'When I started out in this kind of work I was 28 years old and I was pretty excited about being in the US and having exposure to these things. Of course, I was a junior associate at the time, so my role was actually very boring. I was managing the documents and logistics which ultimately led to a typical closing binder of 60 to 70 key documents – contracts, rating agency letters, legal opinions, disclosure documents, that sort of thing – all interdependent on each other to hold the deal together and make it work. I would be working to strict deadlines so the deals could be done in the "market window" and be priced rightly, so the work was a stress test to my physical health – to say the least.

But there were intellectual rewards to the job. I was learning a lot about the securities, banking and commodity regulations, and about how credit enhancement, overcollaterisation and liquidity facilities work. My senior partners signed off on the documents and I suppose the thinking at the time was that the documentation was bullet proof and my clients were well protected by the legal mechanism we had built in. On the big picture front, individual products might go down but the assumption was they wouldn't all collapse at the same time. The fact that a particular product was "AAA" rated by the rating agencies would give the parties extra comfort.

Also, these products were being targeted at the so called 'QIBs' – the qualified institutional buyers. The idea was that the QIBs could fend for themselves, so there were more relaxed rules for these products. As later events showed, even the most sophisticated institutions could be trapped into buying instruments that would ultimately get them into trouble.

I also did some traditional IPO work and I preferred that work because you could show investors what they were getting into. With the securitisation deals, the underlying assets were often themselves financial products that had been repackaged so many times that you didn't really know what was being sold. In the IPO scenario you would visit the factory or the offices, you would interview the management and speak with their staff. You would look at their competition and 'kick the tyre' as we used to say – you would do the necessary due diligence in the most tangible sense.

Looking back, it is clear that few people were asking the big picture questions. As you say, subsequent events showed that there was a systemic risk. While all of these products may have seemed to be individually fine, collectively, if there was a widespread market downturn, they were vulnerable to, and generated, a systemic risk.'

Where do you position yourself now between the two extremes you have described – the state-planned economy of your childhood, and the laissez-faire capitalism of the Reagan/Thatcher era?
'I don't think we could possibly go back to the scenario where the government controls and is accountable for everything – that model has failed. However, the swinging to the other extreme where the market dictates everything also has its problems, especially in the areas where the market sees no immediate return on investment.

When I first went to the US, I was mentored by a local lawyer who introduced me to the public defenders office in Philadelphia. That was my introduction to low-income America – the broken

“Hong Kong is viewed as having a business-friendly environment, but it also has all the advantages of a developed infrastructure and social institutions”

families and schools, the crime, the drugs, the guns, etc. It was an eye-opening experience and it was hard to believe that this was happening in the wealthiest nation in the world. In a free society where competition is cherished, should we encourage the winner-takes-all approach, or should we provide minimum protection and a second chance to those who lose out in the fierce competition, without killing the incentive to be ultimately self-reliant? I am not a philosopher or a social scientist, but this topic has been debated over the centuries and is of course very pertinent to the place that Milton Friedman called the freest economy of the world – Hong Kong, my new home since 2001.

Hong Kong is still running on the general model of big market and small government. Hong Kong is viewed as having a business-friendly environment, but it also has all the advantages of a developed infrastructure and social institutions. The biggest advantage is the deeply embedded rule of law and low level of corruption. Moreover, the close cultural and economic ties to the Mainland makes it a unique and user-friendly version of the rising and powerful China for people coming from other parts of the world.'

Do you think Hong Kong has the right approach to regulation – in particular, do you support the trend towards principles-based regulation?

'In the key areas of the portfolio that I am responsible for, I find the securities regulators here, the Exchange for instance, are pretty good at listening to the market, encouraging a partnership rather than an adversarial relationship between the market and the regulators. On the ground, you have a good sense of which regulations achieve their goals and those which end up just generating a "tick the box" scenario.

I applaud the Exchange for the approach it has been taking. It has transformed itself from being a bureaucratic agency to being both a regulator and a service provider to the financial markets in Hong Kong. It has taken a much more engaged approach – pre-consulting on amendments to regulation, consulting and then post-consulting. This means that different viewpoints are debated and considered, and where controversy still exists, people at least understand the rationale of both sides.

I also support the other trend you mention – the shift towards principles-based regulation. The advantage of this approach is that it puts more emphasis on corporate self-regulation. Companies need to internalise the regulations as part of their daily conduct. Unless they fully embrace the rationale behind the regulations, then their purpose will be lost. Prescriptive rules can only go so far. There are a lot of smart market players out there and if they want to get around the regulations they can and will – which would make the regulators disproportionately busy in plugging all the technical loopholes rather than focusing on the main purposes of the rules.

Companies need to develop a "corporate conscience". They need to ask the big picture questions – are we doing something useful for society? Are we offering useful products that make people's lives better? Ultimately are we creating a social utility or creating a social hazard? Our tagline at Standard Chartered is: "here for good". These days banks are criticised for so many things, scandals involving money laundering and financial crime have meant that we have to be very aware of the reputational risks attached to how we do things.'

We have digressed from your own story – what happened after your stint in the US?

'I was fortunate to be working for an international law firm that gave me training during my junior years in New York, then posted me to London and then to Hong Kong, though still doing US securities work.

When I arrived in Hong Kong in 2001, China was a different place from the one I had left 10 years earlier. I felt that my real gap was China legal knowledge and practice. As I mentioned, I had done a law degree in China but that was not very difficult – at that time there were not many laws! So I thought, if I'm in this part of the world, I need to pick that up. From 2002, I worked for international law firms in China-oriented corporate finance.'

What motivated you to leave private practice and join Standard Chartered?

'I'd been serving my investment and commercial banking clients in private practice and all the firms I'd worked for had been on Standard Chartered's legal panel. I was curious about what was happening on the client side. One day I got a call from the Asia Head of Legal and Compliance at Standard Chartered, asking me to join his team. I hesitated. After all, I had been working for law firms for the past 10 years or so, and I was on a partnership track.

Moving to Standard Chartered was a good decision, however. It has given me excellent opportunities and the work has been interesting and varied. When working for a law firm, if you read and write Chinese, you tend to end up doing China work, but I didn't want to specialise in one country, although my first big project at Standard Chartered was to lead the conversion of its China operations into a China incorporated subsidiary.

From that point onwards, I was leading projects in many other Asian jurisdictions, Korea, Singapore, Taiwan, Vietnam, and Nepal. I was also the lead in-house counsel for the listing of the bank in India. That experience helped me understand business and internal process and control much better. I understood what compliance really means. A lot of legal work is about complying with the law, but this was a very different perspective. Compliance is not simply a matter of following the rules, you need to think through what is right and wrong rather not just what law and regulation says.'

Since 2010 you have been serving as the company secretary for Standard Chartered's Hong Kong banking subsidiary and for its holding company's Hong Kong listing. Do you enjoy this aspect of your work?

'Personally, I think it's an interesting time to be a corporate governance professional. The company secretary role used to be associated with filing and administrative work, and while those are still very important technical areas of the job, over the years the role has developed into a more trusted advisory role to the board, the board chairman and the executives.

Working in a principles-based regime does not make things easier, often it would be easier to have prescriptive rules so that you just comply and tick the box. In a principles-based regime, you need trained professionals to translate the principles into workable policies and procedures for the organisation. That is a more difficult but more interesting job than being a simple paper pusher, but at the same time it places greater emphasis on the competence and professionalism of the individual company secretary who discharges these responsibilities. The HKICS is doing a good job, not only in raising the awareness of corporate senior leadership about the value a good company secretary can bring, but also in taking concrete steps to raise the standards and provide the necessary training and mentorship to younger members of the profession.'

One final question. China has liberalised a lot economically, but not politically, since you left the country in 1991 – what do you think the future holds for the country?

'I don't have a crystal ball, but I think the personal experiences of the country's leadership are very relevant when it comes to Chinese politics. The current generation in leadership were victimised in the cultural revolution – they know that China cannot go back to that stage. I don't think it would be too far fetched to imagine that the next generation of leaders could include someone with a degree in law or political science from Ivy League schools, or someone with Oxford or Cambridge experience.

The personal experience of the leadership has a huge impact on its general thinking and I don't think we should underestimate the impact of that on China's future policy orientation.'

Bill Wang was interviewed by Kieran Colvert, Editor, CSj.

Risk management: a call to action

CSj highlights the results of a new KPMG/HKICS survey to assess the awareness and preparedness of organisations in Hong Kong and Mainland China to manage and oversee risks.

Risk management has been climbing the regulatory agenda internationally since the global financial crisis. We have seen regulators, both overseas and here in Hong Kong, tighten the requirements relating to risk. In December 2014, Hong Kong's Corporate Governance Code was amended to highlight the importance of risk management and effective internal controls. Other jurisdictions, such as the UK, Australia and Singapore, have already adopted similar requirements within their respective corporate governance codes (see 'Code changes' below).

In the wake of these changes, KPMG and The Hong Kong Institute of Chartered Secretaries (HKICS) conducted a survey of 279 senior executives based mainly in Hong Kong and Mainland China to assess how far risk management practices are fit for purpose in the Hong Kong and Mainland China markets. The resulting report – *Risk Management: Looking at the New Normal in Hong Kong* – has just been published.

'With new corporate governance requirements for companies listed or looking to list in Hong Kong, the intention was to capture what the new normal for risk management looks like in the region,' the KPMG/HKICS report states.

Survey findings

The KPMG/HKICS risk management survey indicates that risk management is seen as a high priority. 'Board directors and senior executives are increasingly thinking about the risks facing their organisation,' the report states.

- 91% of respondents believe that risk management adds value to their overall objectives and helps improve the way they do business
- 72% said their organisation had increased investment in risk management over the last three years, and
- 79% anticipated a further increase over the next three years.

The survey also highlights, however, many areas where companies are failing to translate this raised awareness of risk into effective management of risk.

- 15% do not have an internal audit function
- 57% do not have an internal audit function whose audits can be clearly linked back to the top risks facing the organisation
- 64% have not developed a formal risk appetite statement
- 34% do not regularly factor risk considerations into their planning decisions
- 29% have no process to aggregate risks from across the business
- 58% believe their organisation is not effective in developing stakeholders' knowledge of their risk programme
- 61% said there was a weak link between risk management and compensation
- 57% cited difficulty in understanding enterprise-wide risk exposures, and
- 61% indicate the need for better board and senior management team awareness.

Recommendations

To address the problem areas highlighted by the KPMG/HKICS survey, the report emphasises that organisations need to adopt a structured approach to risk management. To this end, it sets out five 'imperatives' for organisations to consider:

1. establish risk as a boardroom agenda item
2. establish a risk appetite
3. develop an enterprise-wide view of risk

Highlights

- risk management is seen as a high priority, but many companies are struggling to translate their raised awareness into effective management
- to develop risk resilience, organisations need to adopt a structured approach to risk management
- organisations should include risk as a standing boardroom agenda item

4. enforce accountability for managing risk, and

5. enhance independent assurance through internal audit.

1. Establish risk as a boardroom agenda item

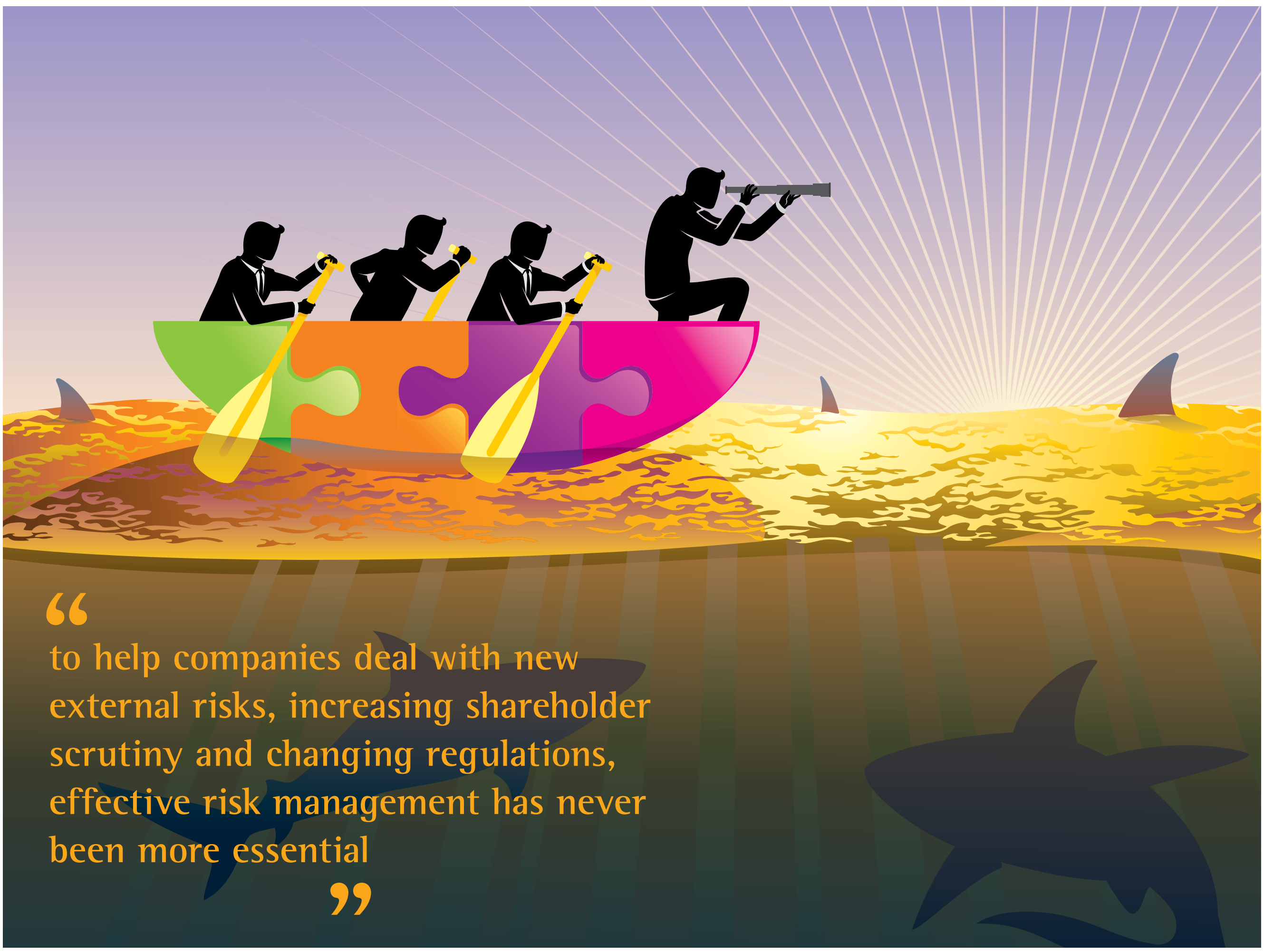
The responsibility for overseeing risk rests with the board. This was backed up by the recent amendments to Hong Kong's Corporate Governance Code mentioned above which clarify that the board has an ongoing responsibility to oversee companies' risk management and internal control systems.

The KPMG/HKICS survey indicates that this is well recognised by the market – 90% of respondents said that their board regularly discusses risk issues in the boardroom. 'Boards are seeing the value risk management brings to overall objectives and are increasingly asking management questions about risks facing the business,' the report states.

Nevertheless, the report emphasises the need for organisations to include risk as a standing boardroom agenda item – the survey found that 57% of respondents do not have such an agenda item – and to ensure that the board is provided with insights on the top risks facing the business.

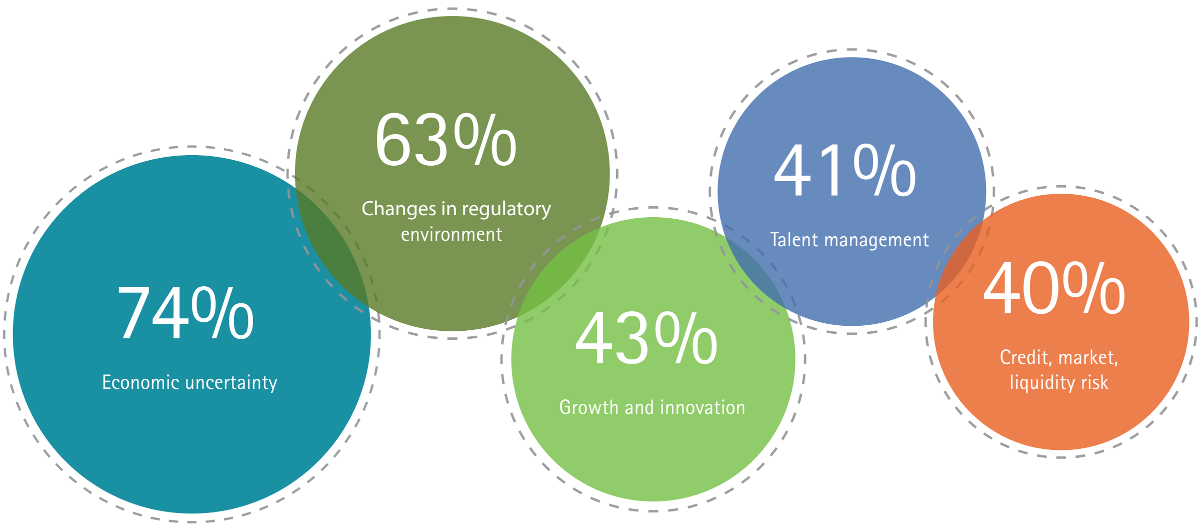
2. Establish a risk appetite

The recent amendments to Hong Kong's Corporate Governance Code brought in a Code Provision requiring boards to determine the level of risk they are willing to take in pursuit of their objectives. The KPMG/HKICS survey found that 64% of respondents have not developed a formal risk appetite statement. This does not mean, however, that these companies are in breach of the Code. Code Provisions require compliance on a comply-or-explain basis and the revisions to the



> “to help companies deal with new external risks, increasing shareholder scrutiny and changing regulations, effective risk management has never been more essential”

Survey hightlight: What do organisations see as the greatest threats to their business?



Source: Risk Management: Looking at the New Normal in Hong Kong

Corporate Governance Code will apply to accounting periods beginning on or after 1 January 2016.

The report points out, however, that developing a formal risk appetite statement is a good first step in any risk management programme. It adds that, to be useful, the statement needs to be directly related to how the business makes strategic and business plans and how it drives future decision making.

'In developing an appetite statement, executives should first articulate the company's strategic objectives and drivers of performance. The next step is to align the risk profile to business and capital management plans by defining the acceptable levels of unexpected loss and areas of zero tolerance risk exposures for each key driver. Once the thresholds have been defined and agreed, risk indicators should be developed to allow for monitoring and reporting. Finally, the statement should be approved by the board and then communicated and integrated across the organisation,' the report states.

The report adds that monitoring the risk appetite should be an ongoing process and companies should have an escalation process in place to ensure that any significant limit breaches are escalated to, and addressed by, the board and senior management.

3. Develop an enterprise-wide view of risk

The KPMG/HKICS survey found that 29% of respondents had no formal process to aggregate the overall risk exposure facing their business. The report suggests that one possible reason for this is a lack of relevant expertise.

'Organisations should start with developing an overarching enterprise-wide risk management framework,' the report states. 'This should include a governance structure that will allow for oversight, a standard methodology including policies, risk assessment criteria, use of technology to enable risk management activities and the overall process for the periodic identification, assessment and reporting of risk. The framework should be widely communicated across the organisation so it is understood by all key stakeholders.'

The report emphasises that organisations need to ensure that they recognise the full spectrum of risks facing them, including the external threats which are often given less attention by boards. The KPMG/HKICS survey found that there is an awareness that many of the most serious risks businesses face today are external and not within the direct control of the organisation. In fact the top three threats identified by survey respondents were of this nature.

> a significant proportion of internal audit functions haven't met stakeholder's maturity expectations and are failing to make a significant impact on the business

4. Enforce accountability for managing risk

The report points out that frontline managers are often best placed to identify and manage business risks. Organisations need therefore to ensure that all employees and officers are risk aware. Only half the respondents to the survey, however, rated their employees as having either 'high' or 'somewhat high' levels of risk awareness.

One of the reasons businesses struggle to motivate their employees to actively consider risk is the weak link between incentives and risk. The survey found that 61% of respondents believed that the link between risk management and incentive structures was weak or non-existent. The report therefore recommends organisations provide employees with incentives to encourage them to weigh risk and opportunity in all business decisions.

Other ways to raise risk awareness among employees and officers, the report suggests, is to set up a training programme and to define and communicate roles and responsibilities for managing risk.

5. Enhance independent assurance through internal audit

Another Code Provision brought in by the Exchange in its amendments to Hong Kong's Corporate Governance Code requires companies to set up an internal audit function. The KPMG/HKICS survey found that as many as 15% of respondents do not currently have such a function. Moreover, only 43% of respondents could see a link back from internal audit activities to the top risks within the organisation.

'We infer from this that a significant proportion of internal audit functions haven't met stakeholders' maturity expectations and are failing to make a significant impact on the business,' the report states.

The report suggests the following key considerations for organisations setting up an internal audit function.

Code changes

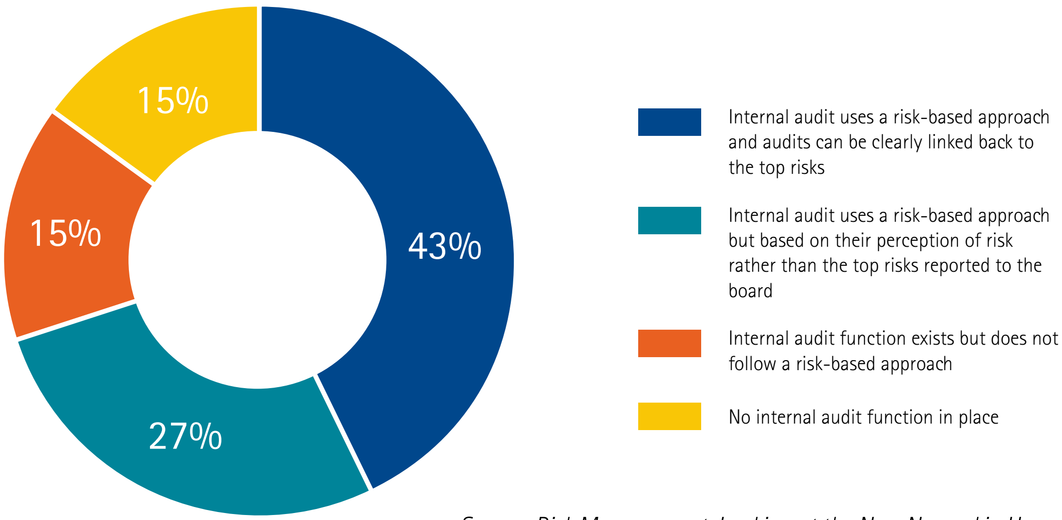
In December 2014, Hong Kong Exchanges and Clearing brought in changes to Hong Kong's Corporate Governance Code designed to highlight the importance of risk management and effective internal controls. The Code changes included:

- incorporating risk management into the Code where appropriate
- defining the roles and responsibilities of the board and management
- clarifying that the board has an ongoing responsibility to oversee the issuer's risk management and internal control systems
- upgrading to Code Provisions the Recommended Best Practices regarding the annual review of the effectiveness of the issuer's risk management and internal control systems, and disclosures in the Corporate Governance Report, and
- upgrading to a Code Provision the Recommended Best Practice that issuers should have an internal audit function, and those without to review the need for one on an annual basis.

The revisions to the Corporate Governance Code will apply to accounting periods beginning on or after 1 January 2016.

More information on the recent changes to Hong Kong's Corporate Governance Code are available on the HKEx website (www.hkex.com.hk).

Survey highlight: What level of assurance does internal audit provide on how effectively the top board risks are being managed?



Source: Risk Management: Looking at the New Normal in Hong Kong

- **Positioning.** The work done by internal audit should address the organisation's key risks and they should bring objective challenge and improvement in the form of practical recommendations. Internal audit should have unfettered access to top executives and its reporting lines should not compromise its independence.

- **People.** An appropriate people strategy should be defined so internal audit has adequate levels of staffing and access to specialists with the depth of technical knowledge required to challenge the business. Programmes should be developed such that internal audit staff understand nuances across the business and provide the business with commercially aware advice.

- **Process.** Internal audit should develop a standard methodology such that it can deliver audits efficiently, in a timely manner and to a high quality. Internal audit should also set up a system to track recommendations made and follow-up on progress as appropriate.

Developing risk resilience

The KPMG/HKICS risk management survey shows that the importance of effective risk management is now well recognised in Hong Kong. 'To help companies deal with new external risks, increasing shareholder scrutiny and changing regulations, effective risk management has never been more essential,' the report states. The survey also, however, highlights many problem areas where companies are failing to adopt best practices.

The KPMG/HKICS report *Risk Management: Looking at the New Normal in Hong Kong* is therefore not only diagnostic, but also a call to action. It points out that effective risk management is unlikely to result from a simple expansion of governance, risk management, compliance and internal audit departments – this can lead to confusion, duplication of effort and increased costs. It recommends a structured approach to risk management based on the five key imperatives outlined above. CSj

'Risk Management: Looking at the New Normal in Hong Kong' (October 2015) is available in the publications section of the HKICS website: www.hkics.org.hk.

For more on the role of the company secretary in implementing a structured approach to risk management, see 'Risk awareness starts with the board' (CSj, April 2015 edition, pages 6–11).

Speaking up and speaking out

Communication skills are one of the most underestimated requirements of the company secretarial role, believes HKICS Past President and HKICS Prize 2014 awardee, Neil McNamara FCIS FCS. In this extract from his speech as Guest of Honour at the HKICS Convocation 2015, he urges his fellow professionals to develop their presentation skills so their voices can be heard.

Company secretaries can undertake a wide range of differing roles in organisations depending on their skills and interests. This is one of the attractions of the profession. Of course, you can find yourself specialising in investor relations, human resources, or property management, depending on where your skills and interests lie. But one skill which is increasingly becoming a 'must-have' for anyone who wants to progress to the senior levels of the profession, and a skill which is rarely included in our formal training, is the ability to convince, influence and persuade.

The role of the company secretary has evolved over recent years. We have, to put it simply, taken on a much more vocal and influential role in the decision-making process of the organisations we work for. We attend the meetings of the board and board committees and we attend management meetings. As such, we are close to the heart of the workings of the business. We are expected to add our expertise and knowledge to ensure that the organisation makes the right decisions in an increasingly unforgiving business environment.

In this context, the traditional measures of competency for members of our profession have changed. We still need to have an excellent and up-to-date knowledge of the rules and regulations relevant to the organisation we work for. We still need to have the attention to detail that enables us to ensure that corporate disclosures are accurate and timely and that the board meetings are held successfully.

In short, we still need the traditional skills required of the company secretary when this position was regarded as largely a 'back office' function. But today, the potential of the role has expanded considerably. So I would urge, particularly the new recruits to our profession, not to neglect that elusive and hard-to-define quality – the 'gravitas' you bring to the role.

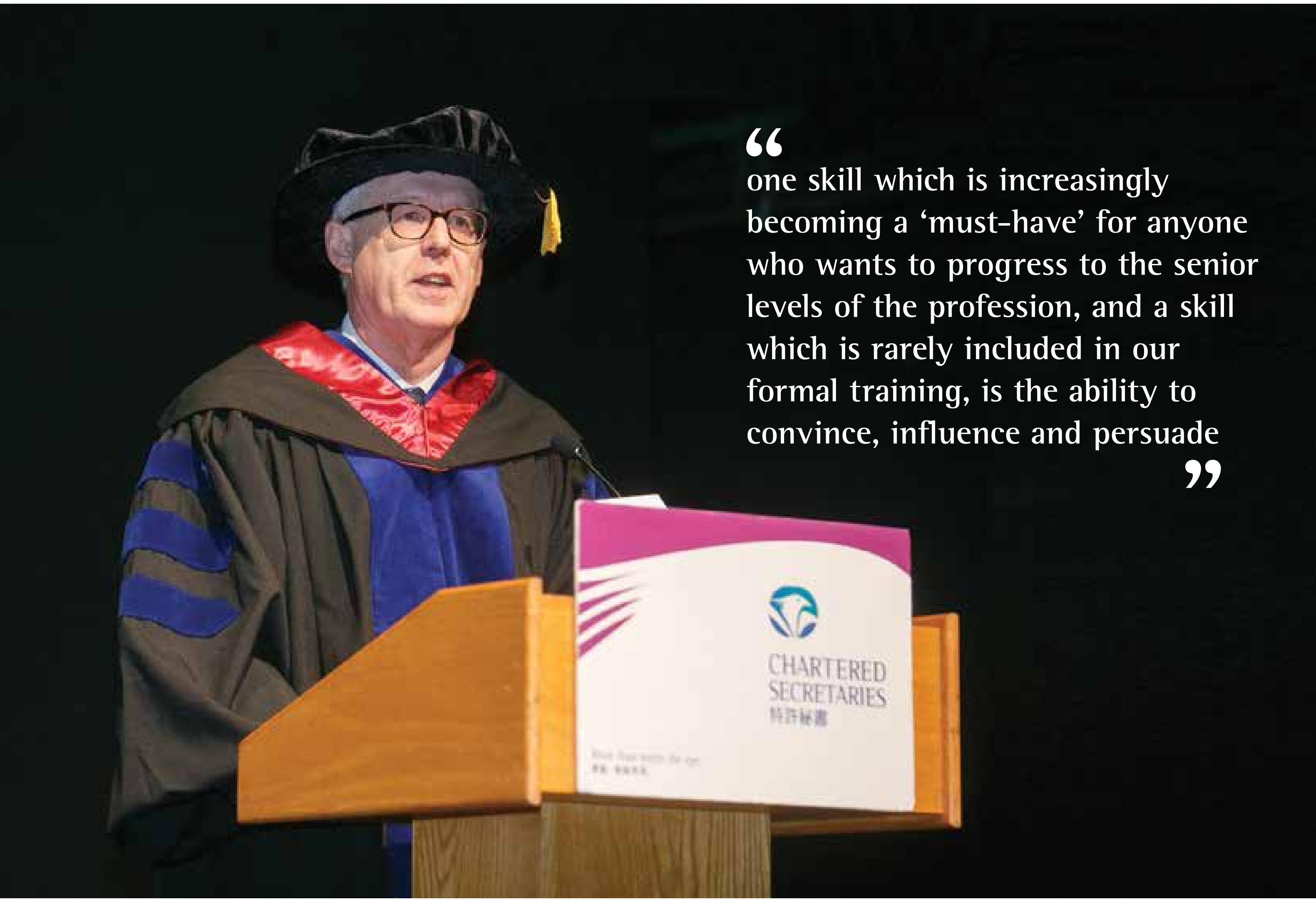
To be a senior adviser to the board and senior management on matters such as corporate governance, compliance and risk management, you will need to be knowledgeable about the wider context within which your organisation operates. You will also need to have sufficient 'presence' and influence with your colleagues to ensure that your advice is given the respect it deserves.

You will need to develop skills in public speaking so your voice can be heard.

I always found it odd that when we set up our continuing professional development courses we would get 500

Highlights

- company secretaries have taken on a much more vocal and influential role in the decision-making process of the organisations they work for
- company secretaries need to have sufficient 'presence' and influence with their colleagues to ensure that their advice is given the respect it deserves
- while presentation skills are rarely included in their formal training, company secretaries who develop these skills are more likely to progress to the senior levels of the profession



> "one skill which is increasingly becoming a 'must-have' for anyone who wants to progress to the senior levels of the profession, and a skill which is rarely included in our formal training, is the ability to convince, influence and persuade"

people turning up to learn about the Companies Ordinance, but only six for presentation skills. I suspect those six have progressed further in their careers than the 500. They understood what was needed to stand out.

You will also need to learn how to articulate your case in a positive manner so your advice is sought out. Some years ago I worked in an office in London with a more elderly company secretary – or he seemed elderly then, but was younger then than I am now which is a scary thought. His favourite response to any question from management was 'You can't do that!'. He felt his power came from his ability to say no. He was wrong – management used to bypass him as he was seen as an obstacle to progress.

A good company secretary should see his or her role as facilitating the company's development and helping management chart a course through the regulatory minefield. Be seen as a positive player and you will be consulted. You will not always be able to say 'yes', but don't always be seen as saying no.

The wider role of the company secretary is now much better recognised among the key stakeholders of our profession. The profile of the company secretary among regulators, companies, practitioners, etc, is more robust today than it was 10 years ago. This role and status is yours to claim.

So, with this, I would like to congratulate all the awardees on being elected fellows, associates and graduates of the Institute. I have full confidence that you will rise to the challenges before you, and bring new perspectives and contribute to the profession in the years to come. I wish you every success in what I am certain will be very interesting, fulfilling and rewarding careers as Chartered Secretaries. CSj

The Institute's annual convocation celebrates the achievement of newly elected fellows and associates and newly qualified graduates. The HKICS Convocation 2015 was held on 16 September 2015. Photos of the event are available in the Institute News section of this month's journal (see page 43), and on the Gallery section of the Institute's website: www.hkics.org.hk.

AMLO draws first blood

For the first time since the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) came into force on 1 April 2012, the Hong Kong Monetary Authority has exercised its resulting power to impose a pecuniary penalty on a bank. William Hallatt, Senior Registered Foreign Lawyer, and Kyle Wombolt, Partner, Global Head – Corporate Crime and Investigations, Herbert Smith Freehills LLP, discuss the implications of the case.

On 31 July 2015, the Hong Kong Monetary Authority (HKMA) announced that it had reprimanded and fined the State Bank of India, Hong Kong Branch (SBI) HK$7.5 million for contravening four provisions under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO).

The HKMA further ordered SBI to submit a report prepared by an independent external adviser assessing the adequacy and effectiveness of its remedial plan in rectifying the contraventions identified by the HKMA.

This is the first case since the AMLO came into force on 1 April 2012 in which the HKMA has exercised its power under the AMLO to impose a pecuniary penalty on a bank. The HKMA's actions clearly demonstrate how seriously it takes such failures. The outcome underscores the importance of having in place effective anti-money laundering and counter-terrorist financing (AML/CFT) internal controls and procedures.

Factual background

The disciplinary action followed the HKMA's investigation, which found that, between April 2012 and November 2013 (a period of about 20 months), SBI contravened four specified provisions of the AMLO. It was found that SBI had failed to:

- obtain the information necessary to carry out customer due diligence measures and identify or verify the identities of the beneficial owners in respect of 28 corporate customers, contrary to Section 3(1) of Schedule 2 to the AMLO
- continuously monitor its business relationships with its customers, contrary to Section 5(1) of Schedule 2 to the AMLO
- establish and maintain effective procedures for determining whether its customers (or their beneficial owners) were politically exposed persons before establishing business relationships and on a periodic basis thereafter, contrary to Section 19(1) of Schedule 2 to the AMLO, and
- establish effective procedures to ensure compliance with the AMLO, contrary to Section 19(3) of Schedule 2 to the AMLO.

In determining that SBI contravened these provisions of the AMLO, the HKMA had regard to the *Guideline on Exercising Power to Impose Pecuniary Penalty* and took into account all relevant circumstances of the case, including but not limited to several mitigating factors such as:

- the very positive and intensive remediation work undertaken by SBI to address the contraventions identified in the HKMA's investigation and other weaknesses identified in the HKMA's onsite examination
- SBI's proactive engagement of an external consultant to conduct an extensive review and an audit firm to carry out an internal audit on an ongoing basis
- the fact that SBI's external consultant confirmed that neither actual problem accounts nor suspicious transactions had been identified
- SBI's implementation of a remedial plan as recommended by the external consultant, and
- SBI's lack of any prior disciplinary record and its cooperation with the HKMA.

Comments

It is unclear whether SBI will make use of the review avenue afforded by Section 59 of the AMLO for persons aggrieved by decisions made in relation to disciplinary action.

Highlights

- the bank failed to obtain the information necessary to carry out customer due diligence measures and identify or verify the identities of the beneficial owners in respect of 28 corporate customers
- this case highlights the fact that AMLO regulators in Hong Kong will take a robust approach to promoting compliance and the importance of having in place effective anti-money laundering and counter-terrorist financing (AML/CFT) internal controls and procedures
- financial institutions should proactively review their AML/CFT policies, procedures, systems and controls to ensure that these are effectively able to mitigate the particular AML/CFT risks faced by the business

Enhanced AML/CFT regime in Singapore

Earlier this year, Singapore took steps to enhance its Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) regime.

The Notices

The Monetary Authority of Singapore (MAS) issued amendments to 11 Notices on 24 April 2015 providing for the enhanced AML requirements set out below.

Enterprise-wide risk assessment

Under the amended Notices, financial institutions are required to carry out an enterprise-wide risk assessment relating to their customers, countries in which they operate and their products, services and transactions. Further, financial institutions are required to ensure that policies and procedures are in place which manage and mitigate the risks identified.

Risk assessment of new products, practices and technologies

Financial institutions are required to put in place processes aimed at identifying and assessing money laundering (ML) and Terrorist Financing (TF) risks associated with the development of new products and new business practices, including new delivery mechanisms and the use of new or developing technologies. Special attention is to be paid in relation to products or technologies that favour anonymity and that deal with customer funds or the movement of such funds. The special ML/TF risk assessments are to be undertaken prior to the launch or use of such products or technologies and are to be in addition to and separate from the assessment of other types of risks, such as credit risks.

Cross-group information sharing

Financial institutions incorporated in Singapore are to put policies and procedures in place that provide for the sharing of customer, account and transaction information across branches and subsidiaries and to the group level's compliance and audit for purposes of customer due diligence (CDD) and ML/TF risk management. These policies and procedures are to take account of relevant data privacy and secrecy laws of the countries or jurisdictions in which the branches and subsidiaries are located. The latter condition will require a good grasp and understanding of local privacy, secrecy and confidentiality laws to avoid an inadvertent breach of local laws.

Remediation required in relation to higher risk customers by 24 October 2015

Financial institutions are required to conduct the detailed CDD measures set out in the Notices in relation to existing customers. The MAS has requested financial institutions to prioritise the identification of higher risk customers and to ensure that the detailed enhanced CDD measures are applied in relation to those customers by 24 October 2015. For example, Politically Exposed Persons (PEPs) are considered higher risk, and customers which are from a country known to have inadequate AML/CFT measures may be considered higher risk. The Notices have extended the scope of PEPs by including 'international organisation' politically exposed persons.

New enhanced CDD measures include an increase of the degree and nature of the monitoring of the business relations with and the transactions for the customer in order to determine whether they appear unusual or suspicious.

The MAS Amendment Act

In addition to the Notices, the Monetary Authority of Singapore (Amendment) Act 2015 (MAS Amendment Act) came into force on 26 June 2015. The amendments specifically mention the need to comply with the CDD requirements under the Notices and reiterate that a breach of the requirements may result in fines. The Amendments consolidate and set out the investigatory powers of the MAS in relation to compliance with the AML and CFT requirements.

More substantive changes provide for the MAS's enhanced powers to share information with foreign AML/CTF authorities in relation to financial institutions compliance with AML/CTF requirements.

Although financial institutions will no doubt be concerned with what information can be shared with whom, 11 safeguards regarding purpose, scope and confidentiality have been included in the MAS Amendment Act which need to be satisfied in the context of an information sharing exercise. It is of note that in certain circumstances, the foreign authorities may share information with third parties, with the MAS's consent.

Comment

If not already done, financial institutions will need to identify the Notices and guidance applicable to their business and ensure that their AML and CFT policies and procedures are compliant with the more detailed and enhanced requirements. The Notices and the MAS Amendment Act are a further illustration that the MAS is likely to pay increased attention to AML and CFT compliance.

Further, we have been seeing increased levels of cooperation and information sharing between regulators and law enforcement agencies across different countries, and the Amendments to the MAS Act suggest that this trend will continue.

> "the HKMA has obviously sought to send a strong message of deterrence to authorised institutions by means of this case"

Under Section 59 of the AMLO, a person who is aggrieved by the decision of a relevant authority (defined in the AMLO to include the HKMA, Securities and Futures Commission, Insurance Authority and Commissioner of Customs and Excise) will have 21 days to apply to the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Review Tribunal for a review of that decision.

We note that this action comes shortly after steps taken by the Monetary Authority of Singapore to enhance the AML/CFT regime in Singapore (see 'Enhanced AML/CFT regime in Singapore' opposite), in particular, in relation to the financial sector. Amongst other things, the reforms introduce enhanced information sharing powers between the Monetary Authority of Singapore and foreign AML/CFT regulators.

Practical tips

The HKMA has obviously sought to send a strong message of deterrence to authorised institutions by means of this case. The HKMA has vowed to take appropriate enforcement action to deter any AML/CFT-related lapses. But those regulated by the Securities and Futures Commission, Insurance Authority and Commissioner of Customs and Excise should also be mindful of AMLO obligations as these regulatory bodies are capable of taking disciplinary actions under the AMLO as well.

We expect that these regulatory bodies will take on an equally robust approach as the HKMA to promoting compliance amongst their regulated populations. We therefore advise all those regulated by these bodies to proactively review their AML/CFT policies, procedures, systems and controls to ensure that these are effectively able to mitigate the particular AML/CFT risks faced by the business.

William Hallatt, Senior Registered Foreign Lawyer; and Kyle Wombolt, Partner, Global Head – Corporate Crime and Investigations, Herbert Smith Freehills LLP

Details of the disciplinary action can be found on the HKMA website: www.hkma.gov.hk, see the press release of 31 July 2015 and the statement of disciplinary action.

Volkswagen: requiem for a dream?

Crisis management is only the first step for Volkswagen, argues Gilles Hilary, Professor of Accounting and Control, INSEAD. Whether or not the company bounces back depends on its ability to change its culture.

With the Volkswagen (VW) logo on the front page of every newspaper, the first question that comes to mind is how many billions will this cost? The second, probably more fundamental question, is why did this happen? The facts are still murky and it will probably take months, if not years, before the complete picture can emerge. However, a few points can already be made.

While we know that the direct cause of the scandal was the software installed on Volkswagen cars which allowed them to cheat emissions tests, the installation did not happen in a vacuum.

First, VW was under pressure. Its ambition to surpass Toyota as the world's largest automaker had been long-held and was achieved in the first half of 2015 despite a sales slump in the US. We now know at what cost. This goal for supremacy was promoted by former Volkswagen CEO Martin Winterkorn, who was notorious for using a 'command-and-control' approach to management, reverberating the pressure throughout the organisation. A key component of his strategy was to develop a strong presence in the US, where pollution standards are particularly hard to meet for diesel cars, making the pressure very specific.

Second, Volkswagen had ample opportunity to implement its fraudulent scheme. The success of modern cars rests increasingly on the strength of their software rather than on mechanical design. In contrast, most car technicians are trained mechanics and a few lines of code in the millions that constitute the complex automobile software are hard to detect.

Third, the organisation was able to rationalise its behaviour relatively easily. It is doubtful that the fraudulent software was the first and only step taken by Volkswagen to improve its performance during the pollution tests. In these types of corporate scandals, fraudulent manipulations typically start small and snowball overtime, giving rise to what psychologists call the 'normalisation of deviance'. To the extent that other companies did something similar, industry social norms may have provided another convenient rationalisation as they did in numerous finance-related scandals. Indeed, Takata, General Motors, Firestone or Ford, have all sold defective products associated with hundreds of deaths.

Getting Volkswagen back on track

With Winterkorn resigning under pressure from the scandal, company veteran Matthias Mueller has been named the new CEO and faces the daunting task of rebuilding VW's reputation and stock price. Some of his next steps will probably come out of the standard crisis management playbook.

- First, acknowledge the problem (something that the company has already done).
- Second, quickly implement short-term measures. It's likely an investigation will soon be launched and a number of resignations announced. The new CEO is likely to meet with regulators, financiers and other stakeholders. He will probably be in the media announcing a 'new' Volkswagen and asking customers, employees and distributors to remain loyal to the brand during these difficult times.
- Third, take long-term measures to prevent the crisis from recurring. Training sessions, functional reorganisations and perhaps incentive restructuring are likely to be implemented.

The crux of the VW crisis

While the above steps will be a useful start, getting to the root of the problem requires deeper analysis of the Volkswagen culture. At its heart, the group is an engineering company. It excels at managing risk, that is, known problems, through standards, processes and procedures. It is much less comfortable with uncertainty, or unknown problems, that may suddenly emerge and destabilise the organisation. It is not unique in this respect. Nokia, for example, has used a similar approach for years to fight back the steady flow of relatively marginal

Highlights

- the fraud at Volkswagen – installing software in its cars which allowed them to cheat emissions tests – is indicative of a company culture conducive to fraud
- processes and individuals can be changed, but getting to the root of the problem and making changes to the company's culture will be more difficult
- the replacement CEO is a company insider and may not be best qualified to implement root and branch changes

innovations coming from the competition. Unfortunately, the efficient processes, the numerous patents, the high reliability standards that made Nokia great at managing known problems led to its demise when Apple redefined the market with the iPhone. Stuck in a tough but predictable world, Nokia was unable to change its ways fast enough.

As the former head of Volkswagen's Porsche sports car division, 62-year-old Mueller comes with an aura of success. He is known and he knows the group. He is perceived as a safe hand that will steer the company through this unprecedented crisis. Unfortunately, this seemingly reassuring proximity does not make him an obvious candidate to change the culture of a company that is not unfamiliar with serious crises. In fact, Volkswagen and Porsche have been associated with three other major scandals involving market-manipulation, bribery and prostitution allegations over the last 10 years.

Processes and individuals can be changed. Cultural changes are more difficult. When the American manufacturing company Tyco was embroiled in a scandal caused by the arrest of its former CEO on charges of fraud, it hired Ed Breen as a replacement. Breen, a company outsider, made technical changes but, more importantly, completely restructured senior management, engineering the departure of dozens of executives and of the entire board. Naturally, this came at a cost in terms of business continuity but Breen was able to significantly change Tyco’s culture.

These difficult changes often require a sense of urgency. As former White House Chief of Staff Rahm Emanuel famously said, 'You never want a serious crisis to go to waste'. For Volkswagen, the time is now.

Gilles Hilary is an INSEAD Professor of Accounting and Control, and The Mubadala Chaired Professor in Corporate Governance and Strategy. He is also a contributing faculty member to the INSEAD Corporate Governance Initiative.

A bird's eye view

Company secretaries need to be proficient in a wide range of practice areas. *CSj*, the journal of The Hong Kong Institute of Chartered Secretaries, is the only journal in Hong Kong dedicated to covering these areas, keeping readers informed of the latest developments in company secretarial practice while also providing an engaging and entertaining read. Topics covered regularly in the journal include:

- regulatory compliance
- corporate governance
- corporate reporting
- board support
- investor relations
- business ethics
- corporate social responsibility
- continuing professional development
- risk management, and
- internal controls

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CHARTERED SECRETARIES 特許秘書

Professional Development

Seminars: August to September 2015

6 August
Profits tax exemption – capital gains, with a focus on investment properties

Chair: Duffy Wong FCIS FCS, Institute Past President, and Senior Partner, Ho, Wong & Wong, Solicitors & Notaries
Speaker: Charles Chan, Director, Tax Services, PwC

7 August
Company secretarial practical skills training series: lesson one – preparation of board meetings and minutes (re-run)

Chair: Roger Leung FCIS FCS, Managing Director, Union Services & Registrars
Speaker: Francis Yuen FCS FCIS, Institute Education Committee Member and Assessment Review Panel Chairman, and director of a consulting company

13 August
Issues arising from valuations of joint ventures

Chair: Ernest Lee FCIS FCS, Institute Professional Development Committee Member, and Partner, Assurance, Professional Practice, Ernst & Young
Speakers: Kenneth Lam, Associate Director, Corporate Valuation and Advisory Division, and Rita Lau, Senior Manager, Corporate Valuation and Advisory Division, RHL Appraisal Ltd

18 August
The listing rules – recent reforms (connected transactions and risk management)

Chair: Susie Cheung FCIS FCS(PE), Institute Membership Committee Chairman, and General Counsel and Company Secretary, The Hong Kong Mortgage Corporation Ltd
Speaker: Mohan Datwani FCIS FCS(PE), Institute Senior Director and Head of Technical & Research

21 August
Governance and risk management – the MTR way

Chair: Dr Davy Lee FCIS FCS(PE), Institute Membership Committee Member, and Group Company Secretary, Lippo Group
Speaker: Cecilia Cheng, General Manager, Governance and Risk Management, MTR Corporation Ltd

25 August
Five completely ignored differences between Hong Kong and PRC company law

Chair: Polly Wong FCIS FCS(PE), Institute Education Committee Chairman, and Company Secretary and Financial Controller, Dynamic Holdings Ltd
Speaker: Dr Alex Lau, Associate Professor of Law, Hong Kong Baptist University

27 August
Practical guide on ESG reporting preparation in accordance with the HKEx guide

Chair: Susan Lo FCIS FCS(PE), Institute Professional Development Committee Member, and Executive Director, Director of Corporate Services and Head of Learning & Development, Tricor Services Ltd

Speaker: Brian Ho, Sustainability Leader (China South, Hong Kong and Macau) of Climate Change and Sustainability Services, Ernst & Young

8 September
Getting ready for ESG

Chair: Dr Davy Lee FCIS FCS(PE), Institute Membership Committee Member, and Group Company Secretary, Lippo Group

Speaker: Imelda Kwong, Senior Manager, Risk Assurance, PwC

Professional Development (continued)

ECPD

Forthcoming seminars

Date	Time	Topic	ECPD points
12 Oct 2015	6.45pm – 8.15pm	Addressing IT compliance needs for SFC-regulated firms and improving cybersecurity	1.5
13 Oct 2015	6.45pm – 8.15pm	Corporate Governance Code update and environmental, social and governance factors for listed companies in Hong Kong	1.5
19 Oct 2015	6.45pm – 8.45pm	Employee share plans – trends and analysis for Hong Kong/China	2
20 Oct 2015	6.45pm – 8.45pm	The listing rules – recent reforms on connected transactions	2

For details of forthcoming seminars, please visit the ECPD section of the Institute's website: www.hkics.org.hk.

MCPD requirements

Members are reminded to observe the MCPD deadlines set out below. Failing to comply with the MCPD policy may constitute grounds for disciplinary action by the Institute's Disciplinary Tribunal as specified in Article 27 of the Institute's Memorandum of Articles.

CPD year	Members who qualified between	MCPD or ECPD points required	Point accumulation deadline	Declaration deadline
2015/2016	1 January 1995 - 31 July 2015	15 (at least 3 ECPD points)	31 July 2016	31 August 2016
2016/2017	1 January 1995 - 31 July 2016	15 (at least 3 ECPD points)	31 July 2017	31 August 2017

MCPD requirements

Members are reminded to observe the MCPD deadlines set out below. Failing to comply with the MCPD policy may constitute grounds for disciplinary action by the Institute's Disciplinary Tribunal as specified in Article 27 of the Institute's Memorandum of Articles.

MCPD requirement to extend to graduates

Effective from 1 August 2015, all graduates who acquired graduate status before 1 August 2015 are required to comply with the Institute's MCPD requirements.

Advocacy

HKICS attends ceremony in Beijing

Institute President Dr Maurice Ngai FCIS FCS(PE) joined the delegation of the Hong Kong Special Administative Region Government at the ceremony to commemorate the 70th anniversary of the end of World War II at Tiananmen Square in Beijing on 3 September 2015.

HKICS participates in a study tour to Gansu

Institute President Dr Maurice Ngai FCIS FCS(PE) joined the accounting professionals' study tour to Gansu organised by the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region from 10 to 14 September 2015.

Advocacy (continued)

ICSA Council Meeting

The Council of the Institute of Chartered Secretaries and Administrators (ICSA) held its meeting in Kuala Lumpur, Malaysia on 10 and 11 September 2015, while the ICSA divisional chief executives held their meeting on 9 September 2015.

ICSA Annual General Meeting 2015

The ICSA launched its first Annual General Meeting (AGM) since its constitutional reforms on 10 September 2015, in Kuala Lumpur, Malaysia, with YB Senator Datuk Paul Low Seng Kuan, Minister in the Prime Minister's Department of Malaysia, as the Guest of Honour.

The agenda was:

1. To receive the report of the Council on the business, the audited accounts for the year ended 31 July 2014, and a statement of income and expenditure for the year ended 31 July 2015 of the Institute

2. To appoint Moore Stephens LLP, 150 Aldersgate Street, London, EC1A 4AB, UK, as auditors and authorise the Council to determine their remuneration

3. Subject to such amendments as Her Majesty in Council may require, approve the amendments to the Institute's byelaws of 5 March 2014, and

4. To authorise the Secretary, as a matter of course, to make any corrections to general grammatical, numbering or typographical errors and be authorised to incorporate any amendments to the byelaws as required by Her Majesty in Council which do not materially affect the intent and meaning of the proposed amendments to the byelaws referred to previously in Resolution 3.

The above resolutions were approved at the annual general meeting.

For details, please refer to the News section of the Institute's website: www.hkics.org.hk.

ICSA appoints new Director General

ICSA has appointed Tim Sheehy FCIS FGIA, former Chief Executive of Governance Institute of Australia (the Australia Division of ICSA), as Director General with effect from 12 October 2015.

At the ICSA AGM

From left to right: HKICS Chief Executive Samantha Suen FCIS FCS(PE); ICSA Vice-President and Executive Committee member, HKICS Immediate Past President Edith Shih FCIS FCS(PE); YB Senator Datuk Paul Low Seng Kuan; HKICS Council member Paul Stafford FCIS FCS; and Chartered Secretaries Malaysia President Chua Siew Chuan FCIS

Membership

Membership activities

'Young Group' series – corporate governance: recent trends in Hong Kong and Mainland China

Institute Chief Executive Samantha Suen FCIS FCS(PE) presented at a seminar on the recent trends of corporate governance in Hong Kong and Mainland China on 14 August 2015.

Jacky Chan ACIS ACS, chair of the seminar, presenting a souvenir to Samantha Suen FCIS FCS(PE)

Happy Friday for Chartered Secretaries: I-Ching and management

The ancient Chinese text, 'I-Ching', has been an inspirational text for its insights into philosophy as well as its practical insights into strategic planning, military tactics and politics. On 11 September 2015, an 'I-Ching' master, Michael So, spoke to over 80 members on the wisdom of the 'I-Ching' and its applications in modern strategic thinking, risk and human resources management.

At the seminar

HKICS Annual General Meeting 2015 – nomination of members for election to Council

Nominations are invited for election to the Council of The Hong Kong Institute of Chartered Secretaries at the 2015 Annual General Meeting (AGM) of the Institute to be held on Tuesday 15 December 2015. The nomination form should be returned to the Institute secretariat in person or by post no later than the nomination closing date of Tuesday 13 October 2015.

For details, please refer to the News section of the Institute's website: www.hkics.org.hk.

New graduates

Congratulations to our new graduates listed below.

Chau Chun Him	Luk On Yee, Phoebe
Ho Ming Yan, Zona	Ngan Bik Ching
Ko Nga Kit	Tai Kit Wah
Lau Kim Ming	Tse Chi Wai, Charles
Lau Wing Sum	Yip Wing Shuen
Lee Chun Wai	

Forthcoming membership activities

Date	Time	Topic
14 October 2015	6.30pm – 8.30pm	Members' networking – board/senior management readiness: experience sharing and practical skills
23 October 2015	6.30pm - 9pm	Chartered Secretary Mentorship Programme – enhancing interpersonal effectiveness with enneagram (by invitation only)

Membership (continued)

HKICS Convocation 2015

The annual HKICS Convocation 2015 was held on 16 September 2015, with Institute Past President and HKICS Prize 2014 awardee Neil McNamara FCIS FCS as the Guest of Honour. Twenty seven fellows and 279 associates were newly elected, while 81 graduates were admitted to the Institute in the year of 2014/2015. Certificates were presented to awardees at the ceremony.

Before the ceremony, Institute Council and Committee members, the new fellows, associates and graduates, as well as other guests mingled at a cocktail reception. The new members and graduates received their certificates from Mr McNamara, Institute President Dr Maurice Ngai FCIS FCS(PE), Membership Committee Chairman Susie Cheung FCIS FCS(PE), Membership Committee Vice-Chairman Dr Eva Chan FCIS FCS(PE) and Immediate Past President Edith Shih FCIS FCS(PE).

Mr McNamara's speech is available on pages 28-29 of this edition.For more photos, please visit the Photo Gallery section of the Institute's website: www.hkics.org.hk.

Institute President Dr Maurice Ngai presenting a souvenir to Neil McNamara, the Guest of Honour of the HKICS Convocation 2015

Congratulations to new fellows, associates and graduates

International Qualifying Scheme (IQS) examinations

December 2015 examination

A. Examination timetable

	Tuesday 1 December 2015	Wednesday 2 December 2015	Thursday 3 December 2015	Friday 4 December 2015
9.30am - 12.30pm	Hong Kong Financial Accounting	Hong Kong Corporate Law	Strategic and Operations Management	Corporate Financial Management
2pm - 5pm	Hong Kong Taxation	Corporate Governance	Corporate Administration	Corporate Secretaryship

B. Examination centres

From the June 2015 examination onwards, applicants may choose to take the IQS examinations at any of the three examination centres – that is, in Hong Kong, Beijing or Shanghai.

C. HKICS seminar on the Companies Ordinance

The Institute will hold a seminar on Tuesday 3 November 2015 to familiarise the Institute's students with the Companies Ordinance (Cap 622). The seminar fee is HK$500 each. Priority will be given to those students sitting for the December 2015 IQS examination diet. Students may download the enrolment form from the Studentship section of the Institute's website: www.hkics.org.hk

D. HKICS examination technique workshops

The Institute will organise a series of three-hour IQS examination technique workshops from late October. These workshops aim to help students improve their examination techniques. The workshop fee is HK$500 each. Students may download the enrolment form from the Studentship section of the Institute's website: www.hkics.org.hk.

IQS information session

The Institute's IQS information session provides information on the IQS examination and the career prospects for Chartered Secretaries. At the upcoming session in November, May Lam ACIS ACS will share her work experience with attendees. Members and students are encouraged to recommend friends or colleagues who are interested in the Chartered Secretarial profession to attend this IQS information session.

Date:	Monday 2 November 2015
Time:	7pm – 8.30pm
Venue:	Joint Professional Centre, Unit 1, G/F, The Center, 99 Queen's Road Central, Hong Kong
Speaker:	May Lam ACIS ACS Deputy Company Secretary of a listed company

Tips from subject prize winners

Subject prize winners from the June 2015 IQS examination diet share their study experiences and give tips to fellow students on the best way to prepare for the IQS examinations.

Hong Kong Corporate Law

Louisa Yeung Oi Ling – Bachelor's degree in Accounting, Hong Kong Shue Yan University

'The study pack covered the syllabus better than other reference books, especially the "case study examination techniques". It was not easy for me to understand the legal principles involved in the Corporate Law paper, so I browsed the websites of the regulators for relevant materials. I also worked through the examination past papers from 2009 to 2014.'

Louisa became a graduate of the Institute in September 2015 and is currently an Assistant Audit Manager in a CPA firm.

Hong Kong Corporate Law

Katrina Li Lok Yan – Bachelor's degree in Translation, Lingnan University

'Once you have decided to take the examinations, be determined and strive for your goal. Studying for the Chartered Secretarial qualification has helped develop my career and has helped me to be better equipped for the diversified tasks required in company secretarial, administration and accounting jobs. I didn't have a relevant academic background, so I started to prepare for the examination three months ahead. I took the HKU SPACE examination preparatory course, and made good use of the Institute's study materials, in particular studying past examination papers and examiners' reports of the past five years. The concepts and practices in the company secretarial field were new to me. To overcome this challenge, I read about the real life cases available in the newspapers and recommended reading texts, and the updates of the new Companies Ordinance and related regulations.'

Katrina is currently an Assistant Company Secretarial Officer in a listed company.

Hong Kong Corporate Law

Lucia Au Yeung Wing Man – Bachelor's degree in Marketing, Lingnan University

'I found the Institute's study pack useful for my examination preparation. In particular, the essential theories are explained in simple, plain language which makes them much easier to understand. The legal concepts and judgments of court cases were not easy to memorise so I studied these cases as old stories, which made the revision more interesting.'

Lucia is currently working in an in-house company secretarial department.

Hong Kong Corporate Law

Doris Lam Yuen Yee – Bachelor's degree in Economics, the Chinese University of Hong Kong

'It is important to revise the past examination papers. I studied six years of past examination papers and took the examination preparatory course at HKU SPACE. Setting a study timetable is equally critical – I studied at the weekends. I think that the Institute's study pack is very useful as it states clearly the underlying concepts and principles in different cases. The IQS examinations have enhanced my knowledge of the company secretarial field. My personality fits this industry so I think the Chartered Secretarial profession offers a promising future for me.'

Doris became a graduate of the Institute in September 2015. She is currently a Company Secretarial Assistant in a listed company.

Hong Kong Financial Accounting

Ellen Suen Mei Kwan – Bachelor's degree in Translation and Interpretation, City University of Hong Kong

'Start your preparations as early as possible. I studied mostly on weekends. I studied for half a day and spent the rest on leisure activities. It is sometimes hard to concentrate on studying after work, so I advise you not to force yourself but to set a small daily study target. I read the study materials for 30 minutes a day. The Institute's recommended readings helped me grasp the fundamental principles of the subject. I also analysed the past examination papers and enrolled in the examination technique workshop. I think the Chartered Secretarial profession is interesting and it gives you a wide-ranging knowledge. By taking the IQS examinations, I have enhanced my knowledge of this field and this has helped develop my career.

Ellen achieved a Distinction in her first attempt of the Hong Kong Financial Accounting examination in June 2015. She is currently the Assistant Manager of Professional Development at the HKICS.

Studentship

Collaborative courses (CCA) – student orientations

The Institute gave a briefing to CCA students at The Hong Kong Polytechnic University and the City University of Hong Kong on 15 and 25 August 2015 respectively. The briefing familiarised the students with the work of the Institute, as well as its studentship registration requirements.

The Hong Kong Polytechnic University briefing

City University of Hong Kong briefing

HKICS Corporate Governance Paper Competition and Presentation Award 2015

Launched in 2006, the HKICS Corporate Governance Paper Competition and Presentation Award aims to raise awareness of the importance of good governance among undergraduates in Hong Kong. Six finalist teams will present their papers and compete for the Best Presentation Award at this year's presentation contest to be held on 31 October 2015. Members and students are welcome to attend and provide support to the teams, which are from: Hang Seng Management College, Hong Kong Shue Yan University (2), The Chinese University of Hong Kong, The Hong Kong University of Science and Technology, and The Open University of Hong Kong.

Theme:	Risk Management and Corporate Governance
Date:	Saturday 31 October 2015
Time:	10am – 1pm
Venue:	United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty
Fee:	Free of Charge

For details, please contact Annis Wong at: 2830 6010, or Carmen Wong at: 2830 6019.

HKICS/HKU SPACE programme series in PRC corporate practices: new module

This HKICS/HKU SPACE programme series is offering a new module – 'Corporate Secretaryship in the PRC'. Up to 18 HKICS ECPD points will be awarded to participants who attain 75% or more attendance.

Date:	10, 17, 24 and 31 October 2015 (Saturdays)
Time:	2pm – 5pm and 6pm – 9pm
Venue:	HKU SPACE Learning Centre on Hong Kong Island (to be confirmed)
Speaker:	Mr Duan Mu Zi Rong (端木梓榕), Member of the Guangzhou Enterprises Mergers and Acquisitions Services Experts Committee (广州市产权交易所专家委员会委员)

For more information, please contact HKU SPACE at: 2867 8481, or email: prcprogramme@hkuspace.hku.hk.

Studentship (continued)

University scholarship

Institute President Dr Maurice Ngai FCIS FCS(PE) attended the Scholarship and Bursary Awards Presentation ceremony at The Open University of Hong Kong (OUHK) on 25 August 2015. Yip Sau Wa was awarded the Chartered Secretaries Scholarship (donated by The Chartered Secretaries Foundation Ltd) for the best student of the Master of Corporate Governance programme.

Institute President Dr Ngai receiving a souvenir from Professor Wong Yuk-Shan (right), BBS, JP, President of OUHK, and Dr Eddy Fong (left), GBS, JP, Chairman of OUHK Council

Payment reminders

Studentship renewal

Students whose studentship expired in August 2015 are reminded to settle the renewal payment by Thursday 22 October 2015.

Exemption fees

Students whose exemptions were approved via confirmation letter on 16 July 2015 are reminded to settle the exemption fee by Friday 16 October 2015.

Careers

Company Secretarial Professionals

Our Corporate Services Division is fast growing in our practice area and we are looking for company secretarial professionals to join us.

Requirements:

- Degree holder and minimum 1 year relevant experience;
- Registered students of HKICS preferred;
- Experience in handling assignments of Hong Kong-listed companies preferred but not essential;
- Self-motivated, well-organized, detail-minded, good interpersonal skills and willing to take challenges;
- Excellent command of both written and spoken English and Chinese;

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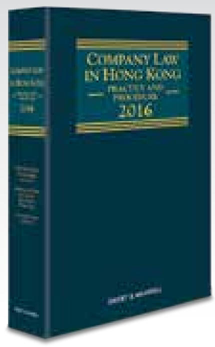

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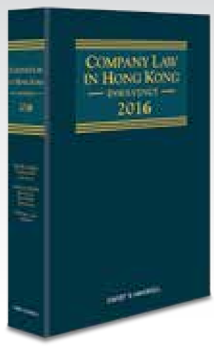

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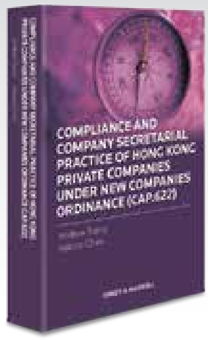

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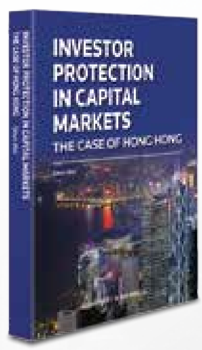

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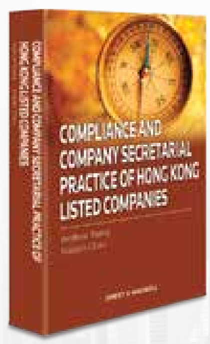

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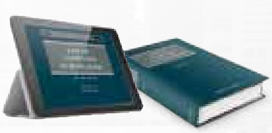

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