

Speech by Permanent Secretary for Financial Services and the Treasury (Financial Services) at Hong Kong Institute of Directors Annual Dinner cum Award Ceremony for Director Excellence 2024 (English only) (with photos)

Following is the speech by the Permanent Secretary for Financial Services and the Treasury (Financial Services), Ms Salina Yan, at the Hong Kong Institute of Directors Annual Dinner cum Award Ceremony for Director Excellence 2024 today (November 28):

Dr Christopher To (Chairman of the Hong Kong Institute of Directors), 譚國榮 (Director-General of the Economic Affairs Department of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region, Mr Xu Weigang), Dr Kelvin Wong (Chairman of the Securities and Futures Commission), Dr Moses Cheng (Founder Chairman of the Hong Kong Institute of Directors), distinguished guests, ladies and gentlemen,

Good evening. It is my great pleasure to join you all today to celebrate the anniversary of the Hong Kong Institute of Directors (HKIoD) and to congratulate the winners of this year's Awards for Director Excellence.

For 27 years, the HKIoD has played an important role in anchoring Hong Kong's position as a leading international financial centre through its unwavering commitment to promoting excellence in corporate governance and director professionalism. The Institute has made significant strides in fostering a culture of robust governance which is indispensable for earning the trust of clients, investors, business partners and stakeholders in growing a business or an entity and making it strong and prosperous over time. As the Institute's Statement of Definition for Corporate Governance points out, the board of directors of a company is ultimately responsible for corporate governance and making strategic decisions that determine the company's prosperity and integrity. I would add that a company's prosperity and integrity can contribute to the overall economic and social development of a community as well. The core values of a company and those of the society can find alignment through good corporate governance.

The Directors of the Year Awards, launched in 2001, give due recognition of exemplary boards and directors who set benchmarks for good governance practices. The theme of this year's Awards, "Leading with Agility in an Era of Innovation," resonates deeply the world's fast-paced development and the

HKSAR (Hong Kong Special Administrative Region) Government's policy emphasis on innovation and technology. Rapid technological advancements not only demand, but can help provide, new and modern approaches for delivering corporate governance.

In this connection, apart from issuing policy statements on the new technological frontier of virtual assets enabled by blockchain ledger and exponential opportunities enabled by artificial intelligence, the Financial Services and the Treasury Bureau has also made considerable progress in modernising our company law, the vehicle that provides the legal basis for the operation of our companies.

Last year, with the endorsement of the Legislative Council, we amended the Companies Ordinance to enable companies to hold virtual or hybrid general meetings, in addition to meetings in physical locations. This change is essential for businesses to hold meetings despite unexpected circumstances such as the pandemic, thus ensuring that corporate affairs can still be handled in challenging times.

To better leverage the opportunities and convenience offered by the digital economy, we will soon introduce another set of legislative proposals to amend the Companies Ordinance so that Hong Kong companies can adopt an implied consent mechanism for disseminating corporate communications via websites. This change will alleviate companies' administrative burden, streamline the communication process and enhance operational efficiency. The same bill will also make possible a treasury regime that allows listed companies greater flexibility in managing their capital through share buy-backs, holding bought-back shares in treasury without cancelling the shares, while safeguarding shareholder interests through prior approvals and repurchase moratoriums.

Ultimately, we are moving to an uncertificated or paperless securities market regime. We have already provided for the overall framework in the law and will introduce the detailed rules on the operation next year. When this is done, the whole process from IPO to any subsequent change of share ownership can be done digitally.

Apart from being a conduit, innovation and technology (I&T) is also a catalyst for change in our capital markets. Together with the Hong Kong Exchanges and Clearing Limited (HKEX) and the Securities and Futures Commission, we have taken steps to ensure that our listing platform is adequately modernised to cater for the funding needs of I&T companies. Hence, apart from pre-profit bio-tech companies, HKEX has updated the listing rules to welcome in specialist tech companies, and under the revamped GEM board, companies not reaching the pre-requisite cash flow but with substantial research component can also be admitted. The result has been very encouraging. Since the listing reforms in 2018, more than 300 companies listed in the Stock Exchange belong to the new economy.

Technological advancements have certainly enhanced our ability to cope with working under severe weather conditions. Remote working arrangements, online banking and securities services are crucial in facilitating trading

and clearing. To improve the efficiency of our listing platform, maintain mutual market access channels with other securities markets, including markets in the Mainland, and enhance our competitiveness, we have taken a big step forward in maintaining normal trading operation under severe local weather conditions since September 23. To make this happen, the stock exchange, market participants, banks and other associated service providers have worked hard to create a practical work plan that allows trading, clearing, investing and fund transfers to continue under inclement weather conditions.

I am happy to say that our market operated smoothly on the first trading day under the severe weather test when typhoon no. 8 signal was hoisted two weeks ago. This is a good demonstration of our commitment to enhancing our market infrastructure and raising our competitiveness leveraging technology and innovation.

Talking about severe or unusual weather, I note that a new Climate Governance Award is added this year to recognise outstanding achievements by directors and boards in advancing climate governance. This follows HKIoD's move in hosting the Climate Governance Initiative Hong Kong Chapter, which is part of the global initiative to mobilise and equip directors in taking climate change related decisions and organising various capacity building programmes and forums on climate change for directors.

In strong like-mindedness with HKIoD, the Government has placed climate change and sustainability at the heart of our green finance policy formulation.

Since 2020, HKEX has laid down requirements in the ESG (environmental, social and governance) Reporting Guide for listed companies to disclose their boards' oversight and governance of ESG issues, ESG management approach and strategy, and how the boards review progress against ESG-related goals.

In April this year, HKEX introduced enhanced climate-related disclosure requirements developed based on IFRS (International Financial Reporting Standards) S2 Climate-related Disclosures, which will take effect in phases starting January next year, serving as the first step to prepare listed companies towards eventual sustainability reporting in accordance with the Hong Kong Sustainability Reporting Standards.

As an international financial centre, we are taking a big step forward toward aligning local practices with global requirements. In March, the Government issued a statement outlining our vision and approach to develop a comprehensive ecosystem for sustainability disclosure, aligning with the International Financial Reporting Standards – Sustainability Disclosure Standards or ISSB Standards. As foreshadowed in the Chief Executive's 2024 Policy Address, we will soon publish a roadmap on the concrete steps to take to fully adopt ISSB Standards in Hong Kong, leading Hong Kong to be among the first jurisdictions to align its local requirements with ISSB Standards.

Ladies and gentlemen, Vice Premier He Lifeng (Vice Premier of the State Council), in his speech delivered at the Global Financial Leaders' Investment

Summit held in Hong Kong last week, offered three valuable suggestions on enhancing Hong Kong's financial development and consolidating our position as an international financial and business centre. These are, to recap, deepening reforms and continuing to innovate to enhance our competitiveness; expanding the network of co-operation and continuing our path of opening up and engagement with international markets; and leveraging our plans with national development strategies in strengthening Hong Kong's gateway and hub positions.

These policy insights are most relevant for us in navigating a changing world. Under "One Country, Two Systems", Hong Kong attaches the highest level of importance in maintaining the integrity and robustness of our financial systems. We walk our talks. HKIoD has been a strong thought leader and practical training provider of corporate governance for the public and private sectors as well as not-for-profit organisations. We look forward to our continued partnership with the HKIoD in strengthening the different pillars of corporate governance to further strengthen Hong Kong's role as an international financial and commercial centre.

As the festive season and new year are around the corner, I wish you all happiness, good health, and success in the year ahead. Thank you.

