

## Revitalising Board Governance to Embrace the Age of Innovation

### Keynote address at Hong Kong Institute of Directors' Annual Dinner and Award Ceremony for Director Excellence 2025

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Distinguished guests, ladies and gentlemen, good evening. I am honoured to speak again at the annual gathering of the Hong Kong Institute of Directors – now as Chairman of the Securities and Futures Commission (SFC).

As we all know, world-class corporate governance is the bedrock of Hong Kong's position as a leading international business and financial hub. Tonight's awardees exemplify the professionalism and integrity which underpin the city's governance quality and business vibrancy. Your tremendous efforts are iconic reflection of the Hong Kong spirit.

The theme this year "*Redefining Leadership for the New Era*" is timely in a world shaped by geo-economic realignment, technological disruption and shifting stakeholder expectations. Directors must rethink how they may drive performance by staying relevant in the face of these global challenges.

#### **Empowering Board Governance for Future Readiness**

##### *Time-tested governance principles*

First, even as the environment changes, the fundamentals of good governance do not. Directors must remain steadfast in upholding accountability, transparency and ethical stewardship in setting strategies and overseeing performance.

Sound governance is not a compliance slogan; it is the foundation of effective risk management and high-quality decision-making, and a pre-requisite for long-term sustainable growth. When boards insist on clear information, open dialogue and rigorous challenge, they reduce information asymmetry, improve market efficiency, and build investors' trust, which is the very fuel of Hong Kong's success as a global business and investment hub.

##### *Inculcating a culture of continuous improvement and innovation*

Second, boards must move from simply ensuring conformance to driving performance and transformation.

Over the course of my career spanning corporate boardrooms and financial regulation, one quality stands out among leaders who remain effective over time - an adaptive and innovative mindset that drives lifelong learning and self-improvement. Directors who keep stretching themselves are far better placed to challenge assumptions, grasp emerging trends and steer their firms through uncertainty.

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Note: This is the text of the speech as drafted, which may differ from the delivered version.

Directors have a fiduciary duty to keep learning and to bring fresh thinking into the boardroom. Your role is to provide strategic foresight and ensure that innovation, whether in business models, products or technology, aligns with stakeholder interests, regulatory expectations and wider societal needs.

Innovation does not happen by chance; it grows out of habits and culture. Boards play a decisive role in shaping that culture. By setting the tone from the top, boards can embed a mindset of growth, agility and openness to change throughout the organisation.

Setting the right culture should be the goal of good boards. It allows directors and management to go beyond meeting targets to also challenge the management to explore, adapt, and innovate. To achieve this goal, the board must have the right mix of skills, experience and perspectives. This board diversity avoids groupthink or management entrenchment, enables constructive dialogue and encourages positive confrontation, though sometimes uncomfortable to some directors. This cultural change is conducive to fostering creativity and innovation at the boardroom.

#### Enhancing operational resilience and risk management

Third, as companies embrace innovations and new technologies, boards must strengthen their focus on resilience and long-term sustainability.

Innovative practices and new technologies can deliver efficiency and growth benefits, but they also bring heightened risks such as cyberattacks, data breaches, and regulatory non-compliance. Therefore, we expect boards of listed companies to make extra effort to ensure they are using technology responsibly to grow their business.

In the face of new risks, responsible technology governance is essential. Boards need to ensure that robust oversight and controls are in place – including clear risk appetite, early warning indicators, incident response playbooks, and well-tested cybersecurity protocols. These governance practices must be updated by the management and reviewed by the board on a regular basis.

For listed companies, a serious lapse of trust can destroy shareholder value in days. The benefits of innovation can be realised if risks are properly understood, mitigated and monitored. Therefore, boards should lead in integrating technology into their enterprise-wide risk management frameworks, insisting on regular reporting, defining oversight responsibilities clearly, and raising overall digital literacy at the board and management levels.

#### **SFC's Balanced Regulatory Approach in Age of Innovation**

Let me turn briefly to the SFC's roles and efforts to facilitate responsible innovation.

Our aim is to adopt a balanced regulatory approach which supports responsible innovation while safeguarding market integrity, resilience and investor protection.

A good example is our work in developing a well-regulated digital asset ecosystem. For licensed firms, strong governance frameworks and effective internal control systems are non-negotiable. Boards and senior management bear primary responsibility for ensuring regulatory compliance and effective oversight.

For trading platforms and key intermediaries, we expect them to maintain a transparent organisational structure, clear responsibilities and reporting lines, robust risk management systems and suitably qualified individuals serving on boards.



By upholding these standards together, regulators, directors, and market participants can collectively reinforce Hong Kong's global standing as a fair, resilient and forward-looking market.

### **Closing**

Ladies and gentlemen, change is often hard at first and messy in the middle, but with the right leadership, it can be transformative in the end. In an era of rapid shifts, directors are called upon not just to oversee, but to anticipate, enable and inspire.

The awardees this evening have demonstrated that it is possible to combine strong governance with bold thinking, and discipline with innovation. Your example shows how directors can protect investors, sustain performance and, at the same time, help other organisations adapt and thrive.

With your leadership, our collective efforts, and more companies to join your league, Hong Kong can continue to grow as an innovative, well-governed and trusted international business hub. Thank you.