

# Environmental, Social and Governance

As a statutory regulator, we strive to meet high standards in the way we operate and carry out our work, underpinned by our core values of integrity, transparency and public accountability and a strong commitment to sound corporate governance, social responsibility and sustainability.

# Corporate Governance

## Governance framework

We are committed to maintaining an effective corporate governance framework comprising a well-defined management structure, high standards of conduct, comprehensive operational and financial control procedures and independent checks and balances. This framework is in line with best governance practices for public bodies, including those set out in *Corporate Governance for Public Bodies – A Basic Framework*<sup>1</sup>.

## Board

By supervising and directing our work, the SFC Board plays a key role in ensuring that we carry out our duties effectively. It is responsible for setting the SFC's overall direction, providing strategic guidance on policy making and overseeing the work of the Executive Committee (ExCo).

## Constitution

The Securities and Futures Ordinance (SFO) stipulates the constitution and proceedings of our Board. Members are appointed for a fixed term by the Chief Executive of the Hong Kong Special Administrative Region (HKSAR) or the Financial Secretary under delegated authority, and their appointment terms and conditions are determined by the HKSAR Government. Board members' emoluments for the year are detailed on page 124.

As of 31 March 2022, the Board comprised nine Non-Executive Directors (NEDs), including the Chairman; and five Executive Directors (EDs), including the Chief Executive Officer (CEO). A global recruitment exercise has commenced for the position of Executive Director, Corporate Finance.

Our NEDs have diverse backgrounds and bring to the Board a wide range of experience and expertise as well as a variety of independent perspectives. Collectively, the Board contributes to the development of the SFC's policies by providing constructive strategic comments.

See pages 16-24 for the full list of Board members and their biographies.

## Chairman and CEO

The roles and responsibilities of the non-executive Chairman and the CEO are separate and distinct.

### Chairman

- Leading the Board in setting the SFC's policies, strategy and overall direction
- Monitoring the executive team's performance
- Counselling the CEO on how the organisation is run

### CEO

- Assuming executive responsibility for the SFC's day-to-day operations
- Developing strategic objectives, including setting the SFC's agenda and priorities, and implementing them as agreed with the Board
- Assigning responsibilities to senior management and supervising their work
- Reporting regularly to the Board

## Executive Directors and Non-Executive Directors

Our EDs and NEDs have different but complementary roles. The EDs are responsible for the daily operations of the SFC and each has executive duties in key functions including listings, takeovers and corporate conduct, licensing and supervision of intermediaries, market infrastructure, investment products and enforcement. The NEDs provide guidance on and monitor the performance of the organisation's functions.

## Governance practices

We uphold high standards of corporate governance. We also put in place clear and proper policies and processes to facilitate the working of an efficient and accountable Board. We adopt the following practices:

- arranging for the Board to hold monthly meetings, quarterly policy meetings and special meetings as needed as well as an annual off-site meeting
- providing Board members with papers and relevant information sufficiently in advance to enable thorough consideration of agenda items

<sup>1</sup> Published by the Hong Kong Institute of Certified Public Accountants.

## Key components of our governance framework



- circulating draft minutes of Board meetings to members for comment
- furnishing Board members with information regarding our operations and financial condition on a monthly basis
- keeping the Board apprised of our policies and operations as appropriate
- requiring Board members to observe policies regarding conflicts of interest
- providing induction sessions and briefings on various topics to enable the NEDs to better understand the organisation and their responsibilities

In addition to regular Board meetings, we provide information updates from time to time to keep Board members informed of the SFC’s work, its impact on the markets and our interaction with stakeholders.

The Commission Secretariat is tasked with ensuring effective corporate governance. It supports the Board and senior management and facilitates Board proceedings according to relevant policies and procedures. It also assists the CEO with strategic tasks and in overseeing organisation-wide initiatives. In addition to interacting with Board members and organising their meetings, the Secretariat also acts as the central contact point with the Government, the Legislative Council (LegCo) and its members, fellow

regulators and other public bodies. The Secretariat is headed by the Commission Secretary who serves as the secretary to the Board, ExCo and Advisory Committee.

### Board evaluation

The Board constantly seeks ways to improve its effectiveness. As part of a self-assessment it conducts every other year, each board member is invited to complete a questionnaire, on an anonymous basis, on how well the Board is functioning in some key areas of its responsibilities. An analysis of the findings is presented to the Board at its off-site meeting to consider areas for improvement.

### Board appointments

During the year, Mr Tim Lui Tim-leung was reappointed as Chairman for another three-year term, effective 20 October 2021.

Mr Michael Wong Yick-kam was appointed as NED for a two-year term with effect from 1 April 2021. Mr Johnson Kong and Mr Dieter Yih were appointed NEDs for two-year terms with effect from 15 November 2021. Mr Nicky Lo Kar-chun was reappointed NED for two years with effect from 24 April 2021.

Mr Lester Garson Huang and Mr Clement Chan Kam-wing stepped down as NEDs. Mr Brian Ho Yin-tung stepped down as ED, Corporate Finance.

## Corporate Governance

### Board members



**Tim LUI**  
**Tim-leung SBS, JP**

Chairman

From 20 October 2018  
Current appointment to  
19 October 2024

#### Other SFC-related positions

- Chairman: Investment Committee and Advisory Committee
- Member: Audit Committee and Remuneration Committee
- Member: Nominations Committee and SFC (HKEC Listing) Appeals Committee
- Member, Process Review Panel for the Securities and Futures Commission

#### Current offices, public service and professional affiliations

- Chairman, Education Commission
- Member, Financial Leaders Forum, the HKSAR Government
- Member: Banking Advisory Committee and Exchange Fund Advisory Committee, Hong Kong Monetary Authority
- Member, Listing Nominating Committee, Hong Kong Exchanges and Clearing Limited
- Member, Public Service Commission, the HKSAR Government
- Director, Hong Kong Academy of Finance
- Fellow Member, Hong Kong Institute of Certified Public Accountants
- Member, Institute of Chartered Accountants in England and Wales

#### Past offices and public service

- Partner (1989-2013) and Senior Advisor (2013-2018), PricewaterhouseCoopers Hong Kong
- Member, Global Board of PricewaterhouseCoopers International (2009-2013)
- President, Hong Kong Institute of Certified Public Accountants (1996-1997)
- Chairman, Committee on Self-financing Post-secondary Education (2012-2017)
- Chairman, Self-financing Post-secondary Education Fund Steering Committee (2011-2017)
- Chairman, Standing Commission on Directorate Salaries and Conditions of Service (2009-2015)
- Chairman, Employees' Compensation Insurance Levies Management Board (2001-2007)
- Chairman, Joint Committee on Student Finance (1999-2005)
- Member, University Grants Committee (2008-2019)



**Ashley ALDER** SBS, JP

Chief Executive Officer

From 1 October 2011  
Current appointment to  
30 September 2023

#### Other SFC-related positions

- Chairman, Nominations Committee
- Member: Budget Committee and Investment Committee
- Member: Advisory Committee and SFC (HKEC Listing) Committee

#### Public service

- Board of International Organization of Securities Commissions: Chairman (since 2016); Vice-Chairman (2015-2016)
- Member, Plenary and Steering Committee, Financial Stability Board
- Member, Financial Leaders Forum, the HKSAR Government
- Council Member, Treasury Markets Association
- Vice President, The Hong Kong Institute of Bankers

#### Past SFC position

- Executive Director, Corporate Finance (2001-2004)

#### Past offices

- Herbert Smith: Partner and Head of Asia (2004-2011); Partner (1994-2001); Associate (1986-1994)



**Julia LEUNG  
Fung-ye SBS, JP**

Deputy Chief Executive  
Officer and Executive Director,  
Intermediaries

From 2 March 2015  
Current appointment to  
1 March 2024

**Other SFC-related positions**

- Chairman, Academic and Accreditation Advisory Committee
- Chairman, Fintech Advisory Group
- Member: Budget Committee and Investment Committee
- Member: Advisory Committee and SFC (HKEC Listing) Committee

**Current public service**

- Member, Council of Advisers for Applied Research, Hong Kong Institute for Monetary and Financial Research

**Past offices and public service**

- Julius Fellow, International Economics, Chatham House (2014)
- Under Secretary for Financial Services and the Treasury, the HKSAR Government (2008-2013)
- Executive Director, Hong Kong Monetary Authority (2000-2008)

**Past SFC position**

- Executive Director, Investment Products (2015-2016)

**Publication**

- *The Tides of Capital* (London: OMFIF Press, 2015)



**Thomas ATKINSON**

Executive Director,  
Enforcement

From 3 May 2016  
Current appointment to  
2 May 2022

**Other SFC-related positions**

- Member: Investor Compensation Fund Committee and Securities Compensation Fund Committee

**Past offices**

- Director of Enforcement, Ontario Securities Commission (2009-2016)
- President and CEO, Market Regulation Services Inc. (2001-2007)
- Vice President, Regulation Services, Toronto Stock Exchange (1996-2001)
- Assistant Crown Attorney, Ontario Court of Justice (1993-1996)

Notes: Except for the Chairman, CEO and Deputy CEO, other board members are listed in alphabetical order.

During the year, Mr Clement Chan Kam-wing and Mr Lester Garson Huang served on the Board as NEDs until 27 July 2021 and 14 November 2021 respectively. Mr Brian Ho Yin-tung served on the Board as ED until 27 August 2021.

The Nominations Committee nominates members of the Takeovers and Mergers Panel, the Takeovers Appeal Committee and the Disciplinary Chair Committee. See pages 173-182 for information about SFC external committees.

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**Agnes CHAN Sui-kuen**

Non-Executive Director

From 20 Oct 2018

Current appointment to  
19 Oct 2022

### Other SFC-related positions

- Chairman: Audit Committee and Budget Committee
- Member: Investment Committee and Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

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### Current offices and public service

- Managing Partner, Hong Kong and Macau, Ernst & Young
- Hong Kong General Chamber of Commerce: Chairman, Audit Committee; Member, General Committee
- Member, Public Service Commission, the HKSAR Government
- Member, Election Committee, Accountancy Subsector, the HKSAR Government
- Member, Users' Committee, Inland Revenue Department, the HKSAR Government
- Member, Exchange Fund Advisory Committee, Hong Kong Monetary Authority
- Member, Advisory Panel on BEPS 2.0, the HKSAR Government
- Member, Corporate Advisory Council, Hong Kong Securities and Investment Institute
- Accounting Advisor (Hong Kong), Ministry of Finance, People's Republic of China
- Hong Kong SAR Delegate, All-China Women's Federation

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### Past public service

- Competition Commission: Member; Chairperson of Finance and Administration Committee (2013-2018)
- Member, Mandatory Provident Fund Schemes Appeal Board (2011-2017)
- Member, Environment and Conservation Fund Committee (2012-2016)
- Member, Telecommunications Users and Consumers Advisory Committee, Office of the Communications Authority (2012-2016)



**Edward CHENG  
Wai-sun GBS, JP**

Non-Executive Director

From 1 January 2017  
Current appointment to  
31 December 2022

#### Other SFC-related positions

- Member: Budget Committee and Remuneration Committee
- Member: SFC (HKEC Listing) Appeals Committee, Takeovers and Mergers Panel and Takeovers Appeal Committee

#### Current offices and public service

- Deputy Chairman and Chief Executive, Wing Tai Properties Limited
- Chairman, Lanson Place Hospitality Management Limited
- Independent Non-Executive Director, Standard Chartered Bank (Hong Kong) Limited
- Member, Chief Executive's Council of Advisers on Innovation and Strategic Development, the HKSAR Government
- Chairman, Council of Hong Kong Academy for Performing Arts

#### Past SFC-related positions

- Member: Takeovers and Mergers Panel and Takeovers Appeal Committee (1994-2005)

#### Past offices and public service

- Chairman, University Grants Committee (2011-2015)
- Chairman, Urban Renewal Authority (2004-2007)
- Member, Commission on Strategic Development (2013-2017)
- Board Member, Airport Authority Hong Kong (2011-2017)
- Council Member, Hong Kong Polytechnic University (2006-2009)
- Member, Advisory Committee on Corruption (2004-2009) and Operations Review Committee (1997-2003), Independent Commission Against Corruption
- Member, Steering Committee on Innovation and Technology (2004-2008)
- Council Member, City University of Hong Kong (2003-2007)
- Council Lay Member, Hong Kong Institute of Certified Public Accountants (2004-2005)
- Co-chairman, SUNDAY Communications Limited (1999-2005)
- Member, Executive Committee, Hong Kong Housing Society (2000-2004)
- Council Member, Education University of Hong Kong (formerly known as The Hong Kong Institute of Education) (2000-2002)



**Christina CHOI  
Fung-ye**

Executive Director,  
Investment Products

From 1 August 2016  
Current appointment to  
31 July 2022

### Other SFC-related positions

- Chairman: Committee on Real Estate Investment Trusts and Products Advisory Committee
- Member: Advisory Committee and SFC (HKEC Listing) Committee

### Public service

- Chairman, Committee on Investment Management, International Organization of Securities Commissions
- Member: Asian Financial Forum Steering Committee and Financial Services Advisory Committee, Hong Kong Trade Development Council

### Past SFC position

- Senior Director, Investment Products (2012-2016)

### Past offices

- Partner, Clifford Chance (2001-2004)



**Victor DAWES sc**

Non-Executive Director

From 1 August 2020  
Current appointment to  
31 July 2022

### Other SFC-related positions

- Chairman, Investor and Financial Education Council
- Member: Audit Committee and Remuneration Committee
- Member: Nominations Committee, SFC (HKEC Listing) Appeals Committee and Disciplinary Chair Committee

### Current offices and public service

- Senior Counsel, Temple Chambers
- Recorder, High Court
- Chairman, Hong Kong Bar Association
- Member, Proceedings Committee, Hong Kong International Arbitration Centre
- Member, Advisory Body appointed under Part 10A of the Arbitration Ordinance





## Johnson KONG

Non-Executive Director

From 15 November 2021  
Current appointment to  
14 November 2023

### Other SFC-related positions

- Member, Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

### Current offices, public service and professional affiliations

- Managing Director, BDO Limited
- Fellow, Hong Kong Institute of Certified Public Accountants (HKICPA)
- Fellow, Institute of Chartered Accountants in England and Wales
- Fellow, CPA Australia
- Member, Election Committee, the HKSAR Government
- Member, Hong Kong Academy of Finance
- Independent Commission Against Corruption: Member, Operations Review Committee; Member, Panel of the Witness Protection Review Board
- International Federation of Accountants: Chairman, Small and Medium Practices Business Support Task Force; Deputy Chair, Small and Medium Practices Advisory Group
- Deputy Chair, Governance Committee, HKICPA
- Council Member, Association of Hong Kong Accounting Advisors
- Alternate Director, Hong Kong Association of Registered Public Interest Entity Auditors
- Member, Audit Committee, University of Hong Kong
- Accounting Advisor (Hong Kong), Ministry of Finance, People's Republic of China

### Past public service

- HKICPA: President (2020); Council Member (2015-2021); Chairman, Professional Conduct Committee (2017-2019); Inaugural Chair, Restructuring and Insolvency Faculty (2008-2012)
- Member, Securities and Futures Appeals Tribunal (2017-2021)
- Member, Appeal Panel (Housing) (2012-2018)
- Member, Advisory Group on Modernisation of Corporate Insolvency Law (2012-2016)
- Member, Board of Review (Inland Revenue Ordinance) (2010-2016)
- Member, Standing Committee on Company Law Reform (2009-2015)
- Member, Appeal Board Panel (Town Planning) (2009-2015)
- President, Hong Kong Institute of Accredited Accounting Technicians (2009-2012)
- Executive Board Member, INSOL International (2005-2010)



### **Rico LEUNG Chung-yin**

Executive Director,  
Supervision of Markets

From 28 August 2019  
Current appointment to  
27 August 2022

#### **Other SFC-related positions**

- Chairman: Investor Compensation Fund Committee and Securities Compensation Fund Committee
- Director: Investor Compensation Company Limited
- Member: SFC (HKEC Listing) Committee

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#### **Public service**

- Member, Risk Management Committee, Hong Kong Exchanges and Clearing Limited

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#### **Past SFC position**

- Senior Director, Supervision of Markets (2008-2019)

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#### **Past offices**

- Chief Operations Officer, HKFE Clearing Corporation Limited (1994-2000)



### **Dr James C LIN**

Non-Executive Director

From 1 August 2018  
Current appointment to  
31 July 2022

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#### **Other SFC-related positions**

- Chairman: Investor Compensation Company Limited
- Deputy Chairman: Audit Committee, Investment Committee and Remuneration Committee
- Member: SFC (HKEC Listing) Appeals Committee, Investor Compensation Fund Committee and Securities Compensation Fund Committee

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#### **Current offices and public service**

- Senior Partner, Davis Polk & Wardwell LLP
- Member, Process Review Panel for the Insurance Authority
- Member, Process Review Panel for Regulation of Mandatory Provident Fund Intermediaries
- Member, Disciplinary Panel A, Hong Kong Institute of Certified Public Accountants
- Harvard Law School: Visiting Lecturer on Law; Member, Dean's Asia Leadership Council

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#### **Past public service**

- Member, Appeal Panel (Housing) (2012-2018)
- Member, Securities and Futures Appeals Tribunal (2011-2017)



**Nicky LO**  
**Kar-Chun SBS, JP**

Non-Executive Director

From 24 April 2019  
Current appointment to  
23 April 2023

#### Other SFC-related positions

- Chairman, Remuneration Committee
- Member: Budget Committee and Investment Committee
- Member, SFC (HKEC Listing) Appeals Committee

#### Current offices and public service

- Director, Italade Technology Holdings
- Hong Kong Monetary Authority: Chairman, Governance Sub-committee; Member, Exchange Fund Advisory Committee

#### Past public service

- Chairman, Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR (2013-2019)
- Member, Advisory Committee on Post-service Employment of Civil Servants (2009-2013)
- Chairman, Standing Commission on Civil Service Salaries and Conditions of Service (2006-2012)
- Member, Public Service Commission, the HKSAR Government (2006-2012)
- Member, Standing Commission on Directorate Salaries and Conditions of Service (2006-2012)
- Member, Standing Commission on Disciplined Services Salaries and Conditions of Service (2001-2006)

#### Past offices

- President and Chief Executive Officer, Synnex Distributions (China) Ltd (1987-2013)
- President and Chief Executive Officer, Synnex Technology International (HK) Ltd (1987-2013)
- Principal Assistant Secretary and Deputy Secretary for Trade and Industry, the Trade and Industry Branch of the Government Secretariat (1985-1987)
- Administrative Officer, the HKSAR Government (1974-1987)



**Michael WONG**  
**Yick-kam MH, JP**

Non-Executive Director

From 1 April 2021

Current appointment to  
31 Mar 2023

### Other SFC-related positions

- Member, Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

### Current offices and public service

- Chairman, Council of the Hong Kong Metropolitan University
- Non-Executive Director, Urban Renewal Authority
- Member, Board of Trustees of New Asia College, The Chinese University of Hong Kong
- Member, Land and Development Advisory Committee
- Member, Executive Committee, Hong Kong Youth Hostels Association

### Past offices and public service

- Sun Hung Kai Properties Group: Non-Executive Director (2013-2015); Non-Executive Director and Group Principal Advisor (2009-2013); Executive Director (1996-2009)
- Chairman, Hong Kong Youth Hostels Association (2005-2014)
- Member, Social Innovation and Entrepreneurship Development Fund Task Force (2013-2020)
- Member, Steering Committee on the Child Development Fund (2008-2016)
- Member, Social Welfare Advisory Committee (2009-2015)



**Dieter YIH JP**

Non-Executive Director

From 15 November 2021

Current appointment to  
14 November 2023

### Other SFC-related positions

- Member, Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

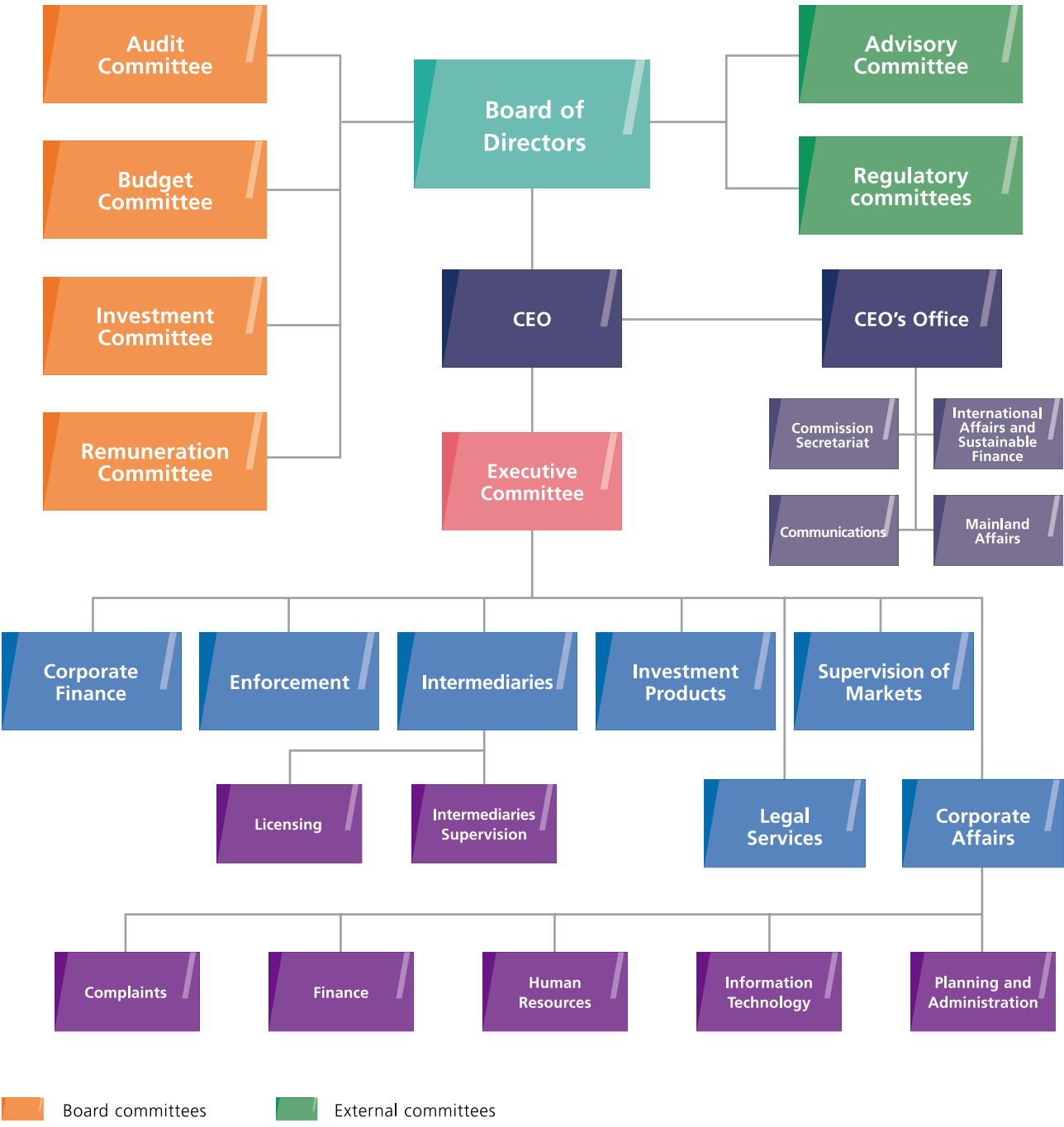
### Current offices and public service

- Partner, Kwok Yih & Chan, Solicitors
- Non-Executive Director, eMPF Platform Company Limited
- Chairman, Financial Dispute Resolution Centre
- Member, Education Commission
- Member, University Grants Committee
- Member, Standing Committee on Legal Education and Training
- Quality Education Fund Steering Committee: Member; Chairman, Dissemination and Promotion Sub-committee
- Hong Kong Institute of Certified Public Accountants: Member, Registration and Practising Committee; Member, Regulatory Oversight Board

### Past public service

- President, The Law Society of Hong Kong (2012-2013)
- Deputy Chairman, Council of the Education University of Hong Kong (2016-2022)
- Convenor, Investigation Panel (Panel A), Hong Kong Institute of Certified Public Accountants (2014-2021)
- Member, Banking Review Tribunal (2016-2022)
- Member, Standing Committee on Judicial Salaries and Conditions of Service (2016-2021)
- Member, Listing Committee, The Stock Exchange of Hong Kong Limited (2017-2021)

Organisational structure



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## Corporate Governance

### Board meetings

In addition to monthly meetings, the Board also meets from time to time to conduct in-depth discussions of policy issues and convenes special meetings as needed. An annual off-site meeting is also held which sets out strategic objectives and management priorities.

Last year, 13 Board meetings were held with an average attendance rate of 99%.

### Meeting attendance record

Meetings attended/held	Board	Audit Committee	Budget Committee	Investment Committee	Remuneration Committee	Executive Committee
<b>Chairman</b>						
Tim Lui Tim-leung	13/13	1/2	–	1/1	4/4	–
<b>Executive Directors</b>						
Ashley Alder	13/13	–	1/1	1/1	–	25/25
Julia Leung Fung-yee	13/13	–	1/1	1/1	–	24/25
Thomas Atkinson	12/13	–	–	–	–	22/25
Christina Choi Fung-yee	13/13	–	–	–	–	23/25
Brian Ho Yin-tung <sup>1</sup>	6/6	–	–	–	–	12/12
Rico Leung Chung-yin	13/13	–	–	–	–	25/25
<b>Non-Executive Directors</b>						
Agnes Chan Sui-kuen	13/13	2/2	1/1	1/1	3/4	–
Clement Chan Kam-wing <sup>2</sup>	5/5	1/1	–	–	3/3	–
Edward Cheng Wai-sun	13/13	–	1/1	–	4/4	–
Lester Garson Huang <sup>3</sup>	8/8	–	–	–	3/3	–
Johnson Kong <sup>4</sup>	5/5	–	–	–	1/1	–
Dr James C Lin	13/13	2/2 <sup>5</sup>	1/1 <sup>6</sup>	1/1	4/4 <sup>7</sup>	–
Nicky Lo Kar-chun	13/13	–	1/1	1/1	4/4 <sup>8</sup>	–
Victor Dawes, SC	12/13	1/2	–	–	3/4	–
Michael Wong Yick-kam <sup>9</sup>	13/13	–	–	–	4/4	–
Dieter Yih <sup>10</sup>	5/5	–	–	–	1/1	–
<b>Senior Director and Chief Counsel</b>						
Andrew Wan Chi-yiu	–	–	–	1/1	–	22/25
Andrew Young	–	–	–	–	–	23/25
<b>Interim Head, Corporate Finance</b>						
Megan Tang Siau-feng <sup>11</sup>	–	–	–	–	–	13/13

1 Appointment expired on 27 August 2021.

2 Appointment expired on 27 July 2021.

3 Appointment expired on 14 November 2021.

4 Appointed as a member of the Board and Remuneration Committee effective on 15 November 2021.

5 Appointed as Deputy Chairman of Audit Committee effective on 28 July 2021.

6 Appointed as Deputy Chairman of Budget Committee effective on 15 November 2021.

7 Appointed as Deputy Chairman of Remuneration Committee effective on 15 November 2021.

8 Appointed as Chairman of Remuneration Committee effective on 15 November 2021.

9 Appointed as a member of the Board and Remuneration Committee effective on 1 April 2021.

10 Appointed as a member of the Board and Remuneration Committee effective on 15 November 2021.

11 Appointed as Interim Head, Corporate Finance and a member of the Executive Committee effective 28 August 2021.

## SFC committees

### Board committees

Each of our four board committees focuses on clearly-defined areas of the SFC's operations and is chaired by an NED. The presence and active participation of the NEDs provide effective checks and balances for our management decisions.

Committee	Membership	Responsibilities	Meetings
Audit Committee	Four NEDs	<ul style="list-style-type: none"> <li>Reviews annual financial statements</li> <li>Recommends the appointment of external auditors</li> <li>Coordinates the scope of the external audit and reviews audit findings</li> <li>Examines management procedures to ensure effective financial and internal controls</li> </ul>	2
Budget Committee	Four NEDs and two EDs <sup>^</sup>	<ul style="list-style-type: none"> <li>Examines and approves the parameters and bases used in the annual budget</li> <li>Conducts the mid-year budget review</li> <li>Reviews the annual budget and makes recommendations to the Board</li> </ul>	1
Investment Committee	Four NEDs, two EDs and a Senior Director <sup>^</sup>	<ul style="list-style-type: none"> <li>Advises on the SFC's fund management policies, strategies and investment guidelines</li> <li>Recommends the appointment of investment managers and advisers and monitors their performance including compliance with the investment guidelines</li> <li>Advises on investment risk management and asset allocation and monitors the performance of investments</li> </ul>	1
Remuneration Committee	Nine NEDs	<ul style="list-style-type: none"> <li>Reviews the structure and level of staff remuneration</li> <li>Reviews trends in remuneration packages and recommends adjustments</li> <li>Considers other matters as required, including recommendations to the Government on EDs' remuneration and re-appointment</li> </ul>	4

<sup>^</sup> In a non-voting capacity.

### External committees

External committees are set up under the SFO and comprise a large number of members outside the SFC who reflect the diverse views of market participants. These committees play an important role in the governance of the SFC.

The Advisory Committee offers insight and advice on policy matters related to the performance of the SFC's functions. The majority of members are external representatives appointed by the Financial Secretary under authority delegated by the Chief Executive of the HKSAR. The Committee is headed by the Chairman and its members include the CEO and not more than two other EDs.

Each regulatory committee specialises in specific areas such as investment products, shareholders' rights and interests, takeovers and mergers, continuous professional training for licensees and investor compensation. Appointed by the Board, members include NEDs, EDs, industry representatives and other stakeholders. There were 14 regulatory committees as at the end of March 2022.

See pages 173-182 for the responsibilities and membership lists of the external committees.

## Corporate Governance

### Executive Committee

As the highest executive body within the organisation, ExCo performs administrative, financial and management functions as delegated by the Board and ensures that the SFC functions effectively. ExCo is chaired by the CEO and includes all other EDs, the Chief Counsel, and the Chief Financial Officer and Senior Director of Corporate Affairs.

ExCo meets regularly to consider policy and operational proposals and expense requests from different divisions of the organisation. During the year, 25 ExCo meetings were held with an average attendance rate of 95%.

### Standards of conduct

To promote and maintain public confidence, a high standard of integrity and conduct is required of our staff. In addition to complying with relevant legal obligations, staff are required to adhere to our code of conduct which spells out our standards in detail and covers confidentiality, conflicts of interest, personal investments and acceptance of gifts and hospitality. Each staff member is given a copy of the code and must attend mandatory training. Failure to comply with the code may result in disciplinary action.

### Accountability and transparency

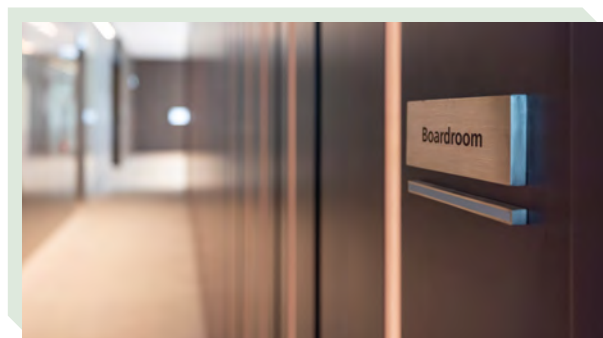
Stringent policies and procedures are in place to ensure that we act with credibility, fairness and transparency.

### Delegation of authority

A system of delegation of authority clearly delineates the authority of the Board and different levels of the executive management. The Board delegates regulatory powers and functions to EDs, with power to sub-delegate to staff in their respective divisions, as permitted under the SFO, to facilitate the discharge of their duties in our daily operations.

### Budgeting

We follow a disciplined approach in preparing our budget to maintain effective fiscal control and plan for the coming year and beyond. Under our policy



of tightly controlling expenditures, we make prudent assumptions, exercise robust financial control and identify areas where resources could be deployed to meet the SFC's strategic objectives, priorities and operational needs. During the budget process, divisions' expense requests for the following year are critically assessed.

The annual budget, after consideration by the Budget Committee and approval by the Board, is submitted to the Financial Secretary for approval and then tabled before LegCo. We also appear before LegCo's Panel on Financial Affairs to present our budget each year.

### Investment

We aim to achieve long-term financial sustainability and attach great importance to the prudent management of our reserves, which are managed according to the investment guidelines approved by the Financial Secretary.

We have delegated responsibility for the selection, retention and management of the investments of our Reserve Fund and the Investor Compensation Fund to external investment managers. We regularly review their compliance with the investment guidelines. The external investment managers have confirmed that they adopt the Principles of Responsible Ownership<sup>2</sup> in their undertakings to manage these investments. The Investment Committee monitors the performance of investments and advises on asset allocation and risk management.

<sup>2</sup> Issued by the SFC in March 2016, these voluntary principles aim to provide guidance on how investors should fulfil their ownership responsibilities in relation to investments in Hong Kong listed companies.



## New Non-Executive Directors

During the year, Mr Johnson Kong, Mr Michael Wong Yick-kam and Mr Dieter Yih joined the SFC Board as NEDs.

Mr Kong, a former president of the Hong Kong Institute of Certified Public Accountants, is active in public service related to finance and compliance. His professional background has been instrumental in enabling him to ease into his new role and deal with the more technically demanding parts of the SFC's work, he explained.

Since joining the Board, Mr Kong has observed that it functions in an extremely well-organised and professional manner. He has also been impressed by the professionalism and active participation of the other NEDs.



*The SFC has extensive responsibilities and it plays a pivotal role in regulating the local securities and futures markets and also in the international arena.*

*Johnson Kong*

Mr Yih is an experienced solicitor and a past president of the Law Society of Hong Kong. In his new role as an NED, Mr Yih sees his main responsibility as to independently oversee and constructively challenge the management team, whilst contributing an external dimension and market information to discussions.

Although he joined the Board only recently, Mr Yih appreciated the opportunities he has had to learn more about the broad range of our work. He also recognised that our senior executives actively engage with the Board and take time to explain and provide analyses to the NEDs.



*The SFC plays an active role in building the reputation of Hong Kong's financial markets as well as supporting market development initiatives, and I look forward to contributing to this work.*

*Dieter Yih*

Mr Wong's background in leadership positions in listed companies and public bodies helped him prepare for his new duties as an NED. In addition, his experience in financial investment has given him a solid understanding of the operations of Hong Kong's capital market.

Since joining the Board, Mr Wong has developed a deeper understanding of the functions of the SFC. He also found that our NEDs are involved in approving a considerable amount of decisions which have significant implications for the securities and futures markets.



*Members of the public should have a good understanding of the SFC's important role in enhancing Hong Kong's status as an international financial centre, upholding the integrity and order of the financial markets and protecting investors' interests.*

*Michael Wong*

## Corporate Governance

### Financial control and reporting

To uphold a high standard of integrity and exercise vigorous controls over the use of public funds, we engage an independent external professional firm to conduct an annual review of our financial control policies and procedures to ensure that they are practical and robust.

We voluntarily observe applicable requirements stipulated in the Hong Kong Companies Ordinance when preparing our financial reports, and we adopt the Hong Kong Financial Reporting Standards for preparing financial statements and disclosing financial information.

In addition, we follow good market practice to ensure our financial reports are transparent and informative.

Our practices include:

- Selecting relevant accounting policies and applying them consistently
- Appointing an external firm to conduct an interim review and annual audit
- Presenting our interim and annual financial statements to the Audit Committee for consideration
- Seeking the Board's approval of quarterly and annual financial statements and publishing them in our quarterly and annual reports
- Reporting key financial data to the Board and ExCo on a monthly basis
- Providing regular reports to the Government

### Handling complaints and grievances

We extend our principles of accountability and transparency to our complaints handling procedures. Reports of improper practices of the SFC or our staff can be made under our procedures for handling complaints against the SFC or its employees. These cover dissatisfaction with the manner in which the SFC or our staff carried out or failed to carry out our duties. Detailed procedures for members of the public to lodge a complaint with us are available on our website.

### Efficient use of resources

We regularly review our corporate resources, including space and accommodation requirements, to ensure that we operate efficiently, identify our needs and strategic priorities and allocate resources accordingly.

We relocated our office from Central to Quarry Bay last year. The cost savings resulting from the office relocation have enhanced our long-term sustainability and support our plan to eventually purchase our own office premises. Last year, we began transferring the rental savings of around \$125 million to our reserve set aside for the acquisition of office premises. We will transfer this amount to the property acquisition reserve each year across the rest of the lease term.

To formulate effective regulatory responses in rapidly-evolving and increasingly complex markets, we set up cross-divisional project teams to work on policies or initiatives related to the functions of multiple divisions. This allows more efficient use of our resources across the organisation.

## Stakeholder communication

We engage with a wide range of stakeholders including the Government, LegCo members, the financial services industry, regulatory counterparts and the general investing public in a timely and effective manner<sup>3</sup>.

Before implementing a rule change, we conduct public consultations and publish consultation conclusions. We issue statements and announcements to inform the market about our policies as well as industry-related publications, reports and surveys on more specialised topics. Annual and quarterly reports keep the public informed of our key regulatory work and finances.

Press releases announce our latest regulatory actions and other SFC news. Our Facebook page features updates on topics of interest to the general public. Information of interest to the financial industry and other professionals is provided on our LinkedIn page. We respond to public enquiries promptly, striving to meet our performance pledges.

In addition, we reach out to stakeholders to explain our work and policies and we discuss specific regulatory issues at seminars or other events. We attend meetings at LegCo, including meetings of the Panel on Financial Affairs, to present our budget, explain policy initiatives and other issues of public interest.

We adopt an open approach to disclosing information subject to the secrecy provisions of the SFO. Our corporate website ([www.sfc.hk](http://www.sfc.hk)) provides up-to-date, easily accessible public and industry information, which is constantly reviewed and enriched.

Internally, we emphasise effective communication within the organisation. Apart from utilising our intranet and internal circulars, we organise regular CEO sharing sessions and briefings by senior executives on the work of various divisions to keep our staff apprised of the latest developments and current priorities.

In November 2021, one staff member from the Complaints Team of the Corporate Affairs Division and one from the Investment Products Division received The Ombudsman's Awards 2021 for Officers of Public Organisations<sup>4</sup>.

<sup>3</sup> See Stakeholders on pages 94-98.

<sup>4</sup> See page 104.

## Risk management

To perform our regulatory functions effectively in a dynamic market environment, it is important for us to identify, assess and manage external and internal risks in a timely and systematic manner.

### External risks

Our market contingency plan sets out measures for dealing with emergency situations which may affect Hong Kong's securities and futures markets. Rehearsing the plan on a regular basis helps us react promptly, appropriately and in a coordinated manner in cases where crises arise.

We adopt a forward-looking approach to identify current and emerging risks and assess the potential implications for the Hong Kong market. A comprehensive framework is in place to monitor a broad array of asset classes and detect possible vulnerabilities. We have developed our own indicators to monitor market trends, trading patterns and signs of any build up or concentration of positions across different market segments. We keep in close contact with other financial regulators to share intelligence about market conditions and systemic concerns.

We adopt a comprehensive, structured approach to assessing risk using new regulatory technologies to collect and analyse large volumes of data and information as markets become more complex and interconnected. We use artificial intelligence to analyse information from prospectuses about the roles of companies and individuals to detect conflicts of interest in initial public offerings. We also enhanced our market surveillance system to detect more types of risks and identify abnormal price movements.

The cross-divisional Risk Review Group identifies and monitors potential and emerging risks facing the SFC in a comprehensive manner. The group regularly reports to ExCo and the Board.

Amidst the COVID-19 outbreak, we urged licensed corporations to implement facilitative measures for their staff to get vaccinated. We also advised licensees and other market participants to contact us if they encountered difficulties in relation to their regulatory obligations.

## Corporate Governance

### Internal risks and control

We have internal control measures in place to address possible risks associated with our operations, including financial risks and threats to our information and office security.

Our policies and procedures for financial control help us uphold a high standard of integrity and exercise rigorous controls on the use of public funds.

In addition to appointing an external auditor, we engage an independent external firm to conduct internal audits to assess the effectiveness of our controls and identify the key risks of all our business processes. The scope of each review is approved by the Audit Committee and may include banking and investment, finance, procurement, human resources and information technology. The findings, together with recommendations, are reported back to the Audit Committee. Enhancements to related policies and procedures are then made where necessary.

To facilitate compliance with the Personal Data (Privacy) Ordinance, we provide staff with a data privacy manual and a quick guide comprising frequently asked questions and illustrative examples.

We put the following measures in place to provide for safe and smooth operations:

- A regularly updated business resumption plan addresses readily identifiable risks, including technical problems, fires, natural disasters and other emergencies. The scope of the plan covers office premises, communications and computer services.
- An information security policy provides guidance on how to protect the confidentiality and integrity of information. The policy is revised from time to time to keep up with technological and other changes in the way we operate.
- Access controls protect our information and systems from unauthorised access, use or modification and office access controls safeguard against unauthorised entry to our premises. Access rights are properly assigned and closely managed.

During the year, we reconfigured our staffing arrangements to ensure the continued delivery of our public services as usual during the COVID-19 pandemic and keep any interruptions or delays to a minimum. We have been highly supportive of the Government's effort to encourage COVID-19 vaccinations and a very high percentage of our staff have been vaccinated. We expanded our remote access capacity and provided access to system applications to enable all staff to work from home, if necessary, in a secure and efficient manner.



## Independent checks and balances

Independent bodies provide external checks and balances on our operational work to ensure fairness in our decision making, observance of due process and proper use of our regulatory powers. Apart from scrutiny by the Process Review Panel and the Securities and Futures Appeals Tribunal, we are subject to judicial review by the courts and indirect oversight by the Ombudsman.

Independent body	Relevant functions	SFC-related tasks handled
<b>Process Review Panel</b> <ul style="list-style-type: none"> <li>An independent panel established by the Chief Executive of the HKSAR in 2000</li> <li>Comprises representatives from various sectors and two ex-officio members, namely the SFC Chairman and a representative from the Department of Justice</li> </ul>	<ul style="list-style-type: none"> <li>Reviews and advises on the adequacy of our internal procedures and operational guidelines, including those for the handling of complaints and licensing applications, inspection of intermediaries, product authorisation, corporate finance transactions and the exercise of investigation and disciplinary powers</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed 60 cases and published its annual report in December 2021</li> </ul>
<b>Securities and Futures Appeals Tribunal</b> <ul style="list-style-type: none"> <li>Chaired by current or former judges appointed by the Chief Executive of the HKSAR and comprising two other members drawn from a panel appointed by the Financial Secretary under delegated authority</li> </ul>	<ul style="list-style-type: none"> <li>Reviews specified decisions made by the SFC or the Investor Compensation Company Limited</li> <li>Has power to confirm, vary or set aside decisions made by the SFC (and where a decision is set aside, substitute any other decision it considers appropriate) or refer the matter back to the SFC with directions</li> </ul>	<ul style="list-style-type: none"> <li>Received requests to review eight new cases</li> <li>Decided on two cases received in 2021-22</li> </ul>
<b>The Ombudsman</b>	<ul style="list-style-type: none"> <li>Handles public complaints against the SFC and its staff for alleged maladministration</li> </ul>	<ul style="list-style-type: none"> <li>Commenced four preliminary inquiries</li> </ul>
<b>Courts</b>	<ul style="list-style-type: none"> <li>Handle judicial reviews of SFC decisions</li> </ul>	<ul style="list-style-type: none"> <li>Handled six judicial review cases</li> </ul>

## Performance pledges

In fulfilling our regulatory roles, we pledge to be responsive to the public, market participants and the intermediaries under our supervision.

		Cases meeting the pledge		
		2021/22	2020/21	2019/20
<b>Applications for subordinated loan or modification/ waiver of requirements under SFO</b>				
Commence review of application upon receipt	2 business days	<b>98%<sup>1</sup></b>	97%	100%
<b>Authorisation/registration of investment products</b>				
Take-up of applications upon receipt	5 or 2 business days <sup>2</sup>	<b>100%</b>	100%	100%
Preliminary response to applications after take-up for paper gold schemes, private open-ended fund companies, Thai domiciled funds under the Thailand-Hong Kong Mutual Recognition of Funds (MRF) and Hong Kong-domiciled feeder funds each investing in a single Thai-domiciled master fund that meets the requirements under the MRF scheme	7 business days	<b>100%</b>	100%	100%
Preliminary response to applications after take-up for other products	14 business days	<b>100%</b>	100%	100%
<b>General enquiries</b>				
Preliminary replies	5 business days	<b>100%</b>	100%	100%
<b>Processing of licensing applications<sup>3</sup></b>				
Corporations	15 weeks	<b>100%</b>	100%	100%
Representatives (provisional licences)	7 business days	<b>99%<sup>4</sup></b>	99%	99%
Representatives (normal licences)	8 weeks	<b>99%<sup>4</sup></b>	99%	99%
Representatives (responsible officers)	10 weeks	<b>99%<sup>4</sup></b>	99%	99%
Transfer of accreditation	7 business days	<b>99%<sup>4</sup></b>	99%	99%
<b>Complaints against intermediaries and market activities</b>				
Preliminary response	2 weeks	<b>99.8%<sup>5</sup></b>	99.7%	99.8%

1 One case failed to meet the pledge.

2 The pledge of five business days is applicable to the authorisation of the following products:

- Unit trusts and mutual funds
- Mandatory provident fund products (including pooled investment funds)
- Pooled retirement funds
- Real estate investment trusts
- Investment-linked assurance schemes

The pledge of two business days is applicable to the authorisation of other products (which include paper gold schemes) and the registration of private open-ended fund companies.

3 During the year, we processed 16,232 applications that were subject to performance pledges, 14,296 of which were processed within the applicable period. The completion of the vast majority of the remaining 1,936 applications was delayed for reasons beyond our control. For example:

- unresolved fitness and propriety issues;
- outstanding vetting requests;
- outstanding material information from applicants; and
- requests by applicants that we delay finalising their applications.

To more accurately reflect our performance, these applications are not included in the percentages stated.

4 The delay was usually short and resulted from unexpected complications, such as abnormal increases in our workflow and resulting resourcing difficulties.

5 Seven cases failed to meet the pledge.

During the year, 99.91% of takeovers and mergers-related applications and transactions met the performance pledges. Details of the response time are listed in the following table.

<b>Consultations and rulings under sections 6 and 8 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs (Codes)</b>	
<b><i>Applications for rulings and consultations with the Takeovers Executive</i></b>	
– All ruling applications and consultations under the Codes (except for those set out below)	5 business days <sup>6</sup>
– Applications for rulings that are conditional on obtaining shareholders' approval in a general meeting	Normally within 5 business days before the relevant general meeting
– Fast track EFM/EPT applications and EFM/EPT annual confirmations <sup>7</sup>	10 business days
– All other EFM/EPT applications	21 business days
<b>Comments and clearance of announcements and documents under Rule 12 of the Takeovers Code</b>	
<b><i>First draft of firm intention announcement under Rule 3.5 of the Takeovers Code</i></b>	
– No complex Code issues involved	2 business days
– Complex Code issues involved	3 business days <sup>8</sup>
<b><i>All other announcements (including revised drafts)</i></b>	
– No complex Code issues involved	1 business day
– Complex Code issues involved	3 business days <sup>8</sup>
<b><i>All drafts of shareholders' documents<sup>9</sup></i></b>	5 business days

<sup>6</sup> If the subject matter involves complex Code issues, the time limit will be extended to 21 business days and the applicants will be informed of this.

<sup>7</sup> EFMs and EPTs refer to exempt fund managers and exempt principal traders as defined under the Codes.

<sup>8</sup> The parties will be informed of the longer time needed.

<sup>9</sup> Including offer documents, offeree board circulars, whitewash circulars, scheme documents and share buy-back circulars.

# Green and Sustainable Finance

The SFC has been at the forefront of the global effort to green the financial system and one of our key priorities is to contribute to advancing Hong Kong's position as a green and sustainable finance hub in the Asia-Pacific Region, including in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). We have made significant progress in achieving the objectives set out in our *Strategic Framework for Green Finance* published in September 2018.

We collaborate with local and overseas counterparts to drive efforts to retool the financial system to support capital allocation decisions which take climate and sustainability risks into consideration by embedding sustainability practices in Hong Kong's financial sector.

We work closely with the Government and other financial regulators via the Green and Sustainable Finance Cross-Agency Steering Group (CASG)<sup>1</sup>, which our Chief Executive Officer (CEO) Mr Ashley Alder co-chairs with Mr Eddie Yue, the Chief Executive of the Hong Kong Monetary Authority (HKMA). In December 2021, the CASG announced the progress made in efforts to advance Hong Kong's position as a leader in green and sustainable finance and the way forward to help the financial ecosystem's transition towards carbon neutrality (see sidebar on page 39).

## Carbon market opportunities

Carbon markets are expected to significantly scale and grow in importance in the transition to a green, low-emission and climate-resilient economy. As an international financial centre, Hong Kong is in a unique position to play a strategic role as China's international gateway and mobiliser of capital to facilitate the national carbon neutrality goal.

The SFC recognises the strategic value Hong Kong can add in the development of carbon markets both regionally and globally. We co-chair the CASG's Carbon Market Workstream<sup>2</sup>, which during the year engaged with Mainland financial and environmental authorities as well as market stakeholders to assess carbon market opportunities for Hong Kong. In March 2022, the CASG announced its next steps to



CEO Mr Ashley Alder at the HKEX Green Asia Summit (Photo: HKEX)

support the development of Hong Kong as a regional carbon trading centre following the release of a preliminary feasibility assessment. These steps include developing a global, high-quality voluntary carbon market in Hong Kong and working with regional authorities on carbon market opportunities as part of GBA cooperation.

## Regulatory collaboration

The SFC plays a key role in global regulatory efforts to address sustainability and climate change. In speeches and events throughout the year, including at the 26th United Nations Climate Change Conference of the Parties (COP26) in Glasgow, Scotland in November 2021, Mr Alder shared his views on the importance of sustainability disclosures and urged support for the establishment of the International Sustainability Standards Board (ISSB) (see sidebar on page 37).

We actively participate in key international initiatives to enhance the regulatory development of green and sustainable finance, particularly within the International Organization of Securities Commissions' (IOSCO) Sustainable Finance Task Force (STF), where we contribute to its initiatives for sustainability-related disclosures, carbon markets and promotion of good practices. Ms Julia Leung, our Deputy CEO and Executive Director of Intermediaries, serves as STF Vice Chair and Co-Chair of the STF Workstream on Corporate Reporting.

<sup>1</sup> CASG members include the Environment Bureau, Financial Services and the Treasury Bureau, Hong Kong Exchanges and Clearing Limited (HKEX), HKMA, Insurance Authority, Mandatory Provident Fund Schemes Authority and the SFC.

<sup>2</sup> The Carbon Market Workstream is co-chaired by the SFC and HKEX, and its members include the Environment Bureau, Financial Services and the Treasury Bureau and the HKMA.



## Global action to address climate change

In November 2021, Mr Ashley Alder, our CEO and Chair of the Board of IOSCO, joined leaders from more than 200 countries at COP26 in Glasgow, Scotland. He also took part in the Green Horizon Summit held in conjunction with the conference.

Mr Alder shared with COP26 participants the important role IOSCO and securities regulators play in building investors' trust in the markets. He stressed that, whilst dealing with the climate emergency is mainly a matter for governments, the development of global baseline standards for corporate sustainability disclosures can make a significant difference in combating climate change.

Investors need reliable data to make informed investment decisions and channel private financing into greening the international economy, but the current corporate reporting landscape is fragmented, incomplete and inconsistent across jurisdictions, industries and companies, with many competing standards, Mr Alder told the conference. However, the global standards developed by the ISSB will address fundamental challenges which lead to concerns around mispricing of assets, misallocation of capital and the risk of greenwashing. They will also help build investor

a International Financial Reporting Standards.



Mr Ashley Alder at COP26

trust, encourage essential financial flows into sustainable investments and hold companies accountable for their net zero claims.

IOSCO considers that the IFRS<sup>a</sup> Foundation is the organisation best suited to launch an international standard-setting board because it can provide quality governance and due process with public oversight, Mr Alder emphasised. The new board will focus on enterprise value creation and a "climate first" approach to the development of sustainability disclosure standards. IOSCO will review the ISSB's proposed standards with a view to endorsing them for use by its members before the end of 2022.

Hong Kong's potential adoption of these standards has global significance, as Hong Kong is uniquely positioned to connect vast amounts of global capital with leading mainland China businesses, Mr Alder added.

## Listed companies

As a member of IOSCO's STF Technical Experts Group, we provided comments on the Climate-related Disclosures Prototype published in November 2021 by the IFRS Foundation's Technical Readiness Working Group. The ISSB used the prototype as the basis for developing its climate standards, which will serve as a global baseline for companies to report consistent and comparable information about climate-related risks and opportunities. We also work closely with the Stock Exchange of Hong Kong to develop a framework for climate-related reporting by listed companies in Hong Kong.

We also lead the Sustainable Finance Working Group of the IOSCO Asia-Pacific Regional Committee and represent IOSCO in the Financial Stability Board's Working Group on Climate Risk. In addition, we participate in the International Platform on Sustainable Finance, the Network of Central Banks and Supervisors for Greening the Financial System and the Sustainable Stock Exchanges Initiative.

## Green and Sustainable Finance



Ms Julia Leung, Deputy CEO and Executive Director, Intermediaries at the European Chamber of Commerce's Green Forum

### Asset managers

In August 2021, we concluded a consultation on amendments to the Fund Manager Code of Conduct to require fund managers managing collective investment schemes to take climate-related risks into consideration in their investment and risk management processes and provide investors with appropriate disclosures. To assist fund managers in complying with the new requirements, we also issued a circular to set out the expected standards and provide examples of industry practices for the management of climate-related risks. The new requirements will be effective from 20 August 2022.

In setting these requirements, we took into account international regulatory developments and initiatives such as the approach adopted by the European Union and the Task Force on Climate-related Financial Disclosures. We also took on board recommendations that the requirements align with global green and sustainable finance trends and reduce licensed corporations' compliance burden.

To provide further guidance to the industry, we held two webinars via the SFC official Facebook page and explained the new requirements at the events of local associations during the year.

### ESG funds

In view of the rapid growth of environmental, social and governance (ESG) funds and international regulatory developments, we published a circular in June 2021<sup>3</sup> setting out enhanced requirements for

disclosures and annual assessments for ESG funds, especially those with a climate-related focus. We also hosted industry briefings to explain the requirements.

We maintain a central database on our website of all SFC-authorized ESG funds. Since 1 January 2022, the database has also included the key features of these funds to enhance their transparency. There were more than 120 SFC-authorized ESG funds as of 31 March 2022.

### Raising investor awareness

We work with the Investor and Financial Education Council (IFEC)<sup>4</sup> to raise public awareness and understanding of green and sustainable finance through its mass communication and stakeholder collaboration initiatives. Sustainable finance education was featured during the IOSCO-led World Investor Week 2021, a global campaign held in Hong Kong. The IFEC also integrated ESG information into its mass media campaign "What You Need to Know about Investing", which included short videos and blogs.

During the year, our senior executives spoke to local and international audiences about the development of green and sustainable finance. Our Chairman Mr Tim Lui discussed Hong Kong's unique position to emerge as the regional green finance hub in keynote speeches delivered in November 2021 at a summit co-hosted by the World Green Organisation and the United Nations Economic and Social Commission for Asia and the Pacific and an industry conference on ESG technology and data.

### Practising sustainability

Internally, we integrate green and sustainable finance into our policies and operations. Our Investment Committee enquires into how and to what extent external fund managers incorporate ESG principles into their investment and risk analysis processes to ensure that they discharge their obligations in accordance with the SFC's Principles of Responsible Ownership.

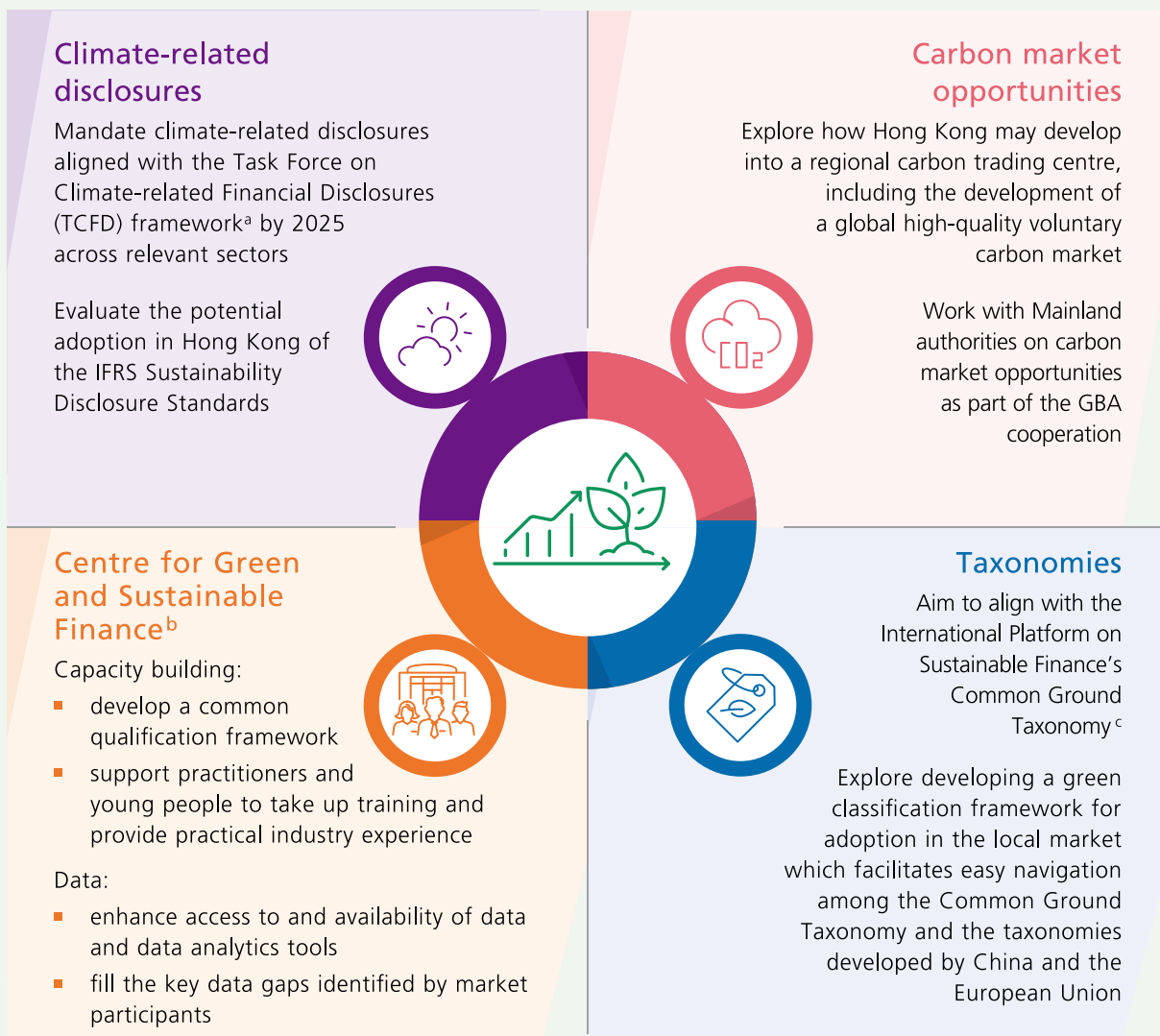
We joined a landlord-tenant sustainable development programme where there will be an energy audit of the SFC premises to understand our energy usage for air conditioning, water and electricity. Suggestions for energy reduction will be provided.

<sup>3</sup> This circular supersedes a previous version issued in April 2019.

<sup>4</sup> The IFEC is an SFC subsidiary which is dedicated to improving financial literacy in Hong Kong.

## Advancing Hong Kong's green and sustainable finance development

In December 2021, the CASG announced the progress it had made and the way forward to advance Hong Kong's position as a leader in green and sustainable finance and help the financial ecosystem's transition towards carbon neutrality. The CASG will focus on four areas.



a The TCFD framework is structured around four thematic areas: governance, strategy, risk management, and metrics and targets.

b Launched by the CASG, the Centre for Green and Sustainable Finance is a cross-sector platform which coordinates the efforts of financial regulators, government agencies, industry stakeholders and academia in capacity building, thought leadership and policy development.

c The taxonomy will provide a common reference point for the definition of investments which are considered as environmentally sustainable.

# Corporate Social Responsibility

Our corporate social responsibility (CSR) initiatives focus on supporting sustainability, protecting the environment, caring for the community and promoting staff wellness.

## A socially responsible organisation

The COVID-19 pandemic has presented unprecedented challenges to society. More than ever, it is essential for both the public and private sectors to contribute positively to the community, the environment and the public interest. As a regulator in an international financial centre, we are committed to acting as a socially responsible organisation and incorporating CSR principles into our daily operational decisions and practices.

Reporting directly to the SFC’s Executive Committee, the CSR Committee plans and coordinates our CSR efforts. It is chaired by the Chief Financial Officer and Senior Director of Corporate Affairs, and its members include representatives from units across the organisation.

The committee is responsible for:

- formulating and developing our CSR vision, principles, framework and policies;
- organising and promoting CSR activities; and
- setting objectives, targets and key performance indicators to measure the effectiveness of our CSR efforts.

The three working groups under the CSR Committee—the Commission Volunteers Group, Green Working Group and Wellness Group—are charged with planning and implementing initiatives under specific themes.

We explain our CSR goals, principles and activities on our corporate website and intranet, and circulate a quarterly e-newsletter to update staff about our CSR initiatives. The newsletter is also a platform for participants to share first-hand accounts of our CSR activities and for staff to provide feedback.

Our CSR efforts were recognised by the Hong Kong Council of Social Service which has named us a “Caring Organisation” since 2006 and last year awarded us the “15 Consecutive Years Logo”.

## Marketplace support

As a regulator of Hong Kong’s financial markets, we adopt measures to enhance industry-wide operational efficiency and minimise resource consumption by both the SFC and industry participants. We also promote environmentally-responsible practices.

## Industry-wide operational efficiency

To reduce the industry’s compliance burden and paper consumption, we ceased to issue printed licences<sup>1</sup> to licensed individuals in 2015. Details of licensed individuals are only available on our online Public Register of Licensed Persons and Registered

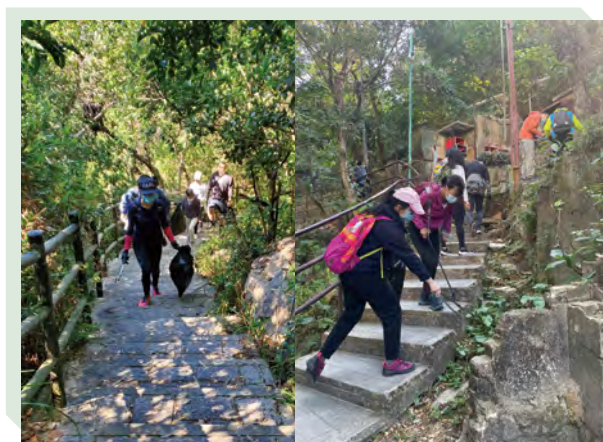
## CSR working groups and themes

	Focus	2021/22	2022/23
<b>Commission Volunteers Group</b> 	Community	Make a difference	Spread the kindness
<b>Green Working Group</b> 	Environment	Build a greener SFC	Make the world a better place
<b>Wellness Group</b> 	People	Stay healthy, stay happy	Stay well, do everything well

<sup>1</sup> We continue to issue printed licences for licensed corporations and certificates of registration for registered institutions, and these must be exhibited prominently at their places of business.



Mid-autumn volunteering with Po Leung Kuk



Hiking trail clean-up

Institutions. Extending the mandatory online submission of annual returns and notifications to cover all intermediaries starting April 2019 also saves paper.

Our new, fully-digitalised licensing platform<sup>2</sup> has replaced all paper-based processes and will provide greater efficiency for the industry. New functions were also introduced on WINGS<sup>3</sup>, a one-stop platform for making electronic submissions to the SFC, to facilitate more straight-through processing. Documents on display under the Takeovers Code are now required to be submitted electronically on WINGS, and an online system is available to streamline the submission and posting of Rule 22<sup>4</sup> dealing disclosures.

### Sustainable finance

Supporting Hong Kong's development as a green and sustainable finance hub within the Greater Bay Area and internationally is a key priority for the SFC. We drive and coordinate green efforts locally and internationally, including through the Green and Sustainable Finance Cross-Agency Steering Group, which we co-chair with the Hong Kong Monetary Authority, and the International Organization of Securities Commissions, whose board we chair. We also collaborate with stakeholders to promote sustainable finance initiatives and investor awareness of them<sup>5</sup>.

### Professional competence and financial literacy

Our continuous professional training (CPT) requirements<sup>6</sup> help enhance the competence of licensees. We upgraded the CPT requirements in January 2022 to align with market developments and the rapidly evolving regulatory landscape. For instance, environmental, social and governance (ESG) is now included as a relevant topic for CPT purposes. In addition, we announced special extensions to allow more flexibility for SFC licensees to meet the CPT requirements during the pandemic.

We provide funding to the IFRS Foundation<sup>7</sup> to support its work. We also fund our subsidiary, the Investor and Financial Education Council, which is dedicated to improving financial literacy in Hong Kong.

### Community

We provide our staff with volunteering and engagement opportunities to make a positive change in the community and offer volunteering leave to encourage staff participation in community service. This year, 39 SFC staff spent a total of 120 hours volunteering to help the underprivileged and elderly.

<sup>2</sup> See Intermediaries on pages 61-67.

<sup>3</sup> Web-based INteGrated Service.

<sup>4</sup> Required disclosures during an offer period under the Takeovers Code.

<sup>5</sup> See Green and Sustainable Finance on pages 36-39.

<sup>6</sup> Under the SFC's Guidelines on Continuous Professional Training, licensees are required to complete a minimum of five CPT hours per calendar year for each type of regulated activity.

<sup>7</sup> The IFRS Foundation is a not-for-profit organisation established to develop, promote and facilitate the adoption of the International Financial Reporting Standards.

## Corporate Social Responsibility



Christmas charity sale

Our staff support community services through donations and participating in fundraising events. This year, we raised a total of \$86,922 through our Christmas charity sale, donations for rapid test kits and four Community Chest events: Green Low Carbon Day, Dress Casual Day, Love Teeth Day and Skip Lunch Day.

Donating used items to charities helps people in need and reduces waste. This year, we donated used monitor arms and unused gifts to the Salvation Army's recycling programme. To share the festive spirit with needy families, we encouraged staff to join the Mooncake Sharing Programme in partnership with Food Angel.

We partnered with Po Leung Kuk to prepare and distribute gift packs with daily and anti-epidemic

supplies for grassroots families and elderly persons who live alone. We also engaged with Fu Hong Society and the Hong Kong Society for Rehabilitation to sell groceries and items made by their members at our in-house Christmas charity sale, where additional funds were raised from the sale of items made by our staff.

During the year, a record surge in the number of COVID-19 infections led to a huge demand for early detection. In March 2022, we partnered with the Neighbourhood Advice-Action Council to prepare for emergency distribution of rapid test kits to help ease the burden and worries of the elderly. Within three days, we collected donations of \$33,700 from 95 staff and distributed 1,124 rapid test kits to the homes of the elderly.



Donations to the Salvation Army and Feeding Hong Kong

## Volunteering in the time of COVID-19

Social distancing measures and pandemic restrictions have changed the way our staff participate in volunteering efforts. We continue to organise volunteering activities as part of our commitment to the community, but some events have shifted from face-to-face engagement to virtual or phone interaction to keep our volunteers and those they engage with safe.

For instance, we collaborated with the Po Leung Kuk Vicwood K.T Chong Neighbourhood Elderly Centre to host an online event in June 2021. Our staff and the elderly interacted virtually in a games session and did simple stretching exercises together. The event helped offer emotional support and showed our care to the elderly during the pandemic, which has been a cause of considerable stress for them.



During the year, we also organised a phone call support programme in collaboration with Hong Kong Christian Service. Fifteen colleagues were each paired with an elderly person and checked in on them over the phone at least once a week for over a month. Some of the elderly persons had no access to smartphones or lived alone, and the programme provided opportunities for interaction.

## Volunteering events

Month	Activity	Purpose	Outcome
June 2021	Online volunteering with Po Leung Kuk	To provide emotional support to and social interaction with the elderly during the pandemic	Seven staff volunteers interacted virtually with the elderly, playing games and doing stretching exercises
September 2021	Office furniture donation	To donate office furniture to those in need	250 monitor arms were donated to the Salvation Army Recycling Programme
September 2021	Mid-autumn volunteering with Po Leung Kuk	To connect with grassroots families and the elderly who live alone	17 staff volunteers prepared and distributed gift packs with anti-pandemic and daily supplies at Po Leung Kuk Tin Ka Ping Harmony Land for Families
October 2021	Donation of food and anti-pandemic supplies	To help people living in poverty who struggle to afford nutritious meals	Staff donated items to Feeding Hong Kong
December 2021	Hike and clean-up Hong Kong trail	To help rid trails of increasing pollution and waste	15 volunteers gathered at Devil's Peak to clean up the hiking trail and deliver the message of "leave no trace" to hikers
December 2021	Christmas charity series	To raise funds and spread Christmas joy to the underprivileged	Donated seven boxes of unused gifts to the Salvation Army and raised funds from the sale of items prepared by Fu Hong Society and the Hong Kong Society for Rehabilitation's members and our staff volunteers
March 2022	Fundraising for rapid test kits distribution	To ease the burden and worries of the elderly during the epidemic	Collected \$33,700 from 95 staff and distributed 1,124 rapid test kits to the elderly

## Contributions

	2021/22	2020/21	2019/20
Number of staff participating in volunteering activities	39	20	74
Total volunteering hours	120	40	263
Funds raised for community causes	\$86,922	\$47,739	\$82,246
Corporate sponsorships for community causes <sup>^</sup>	\$2,000	N/A	\$31,535

<sup>^</sup> Including donations in lieu of corporate gifts made in the names of guest speakers invited to our in-house training seminars.

## Environment

We strive to manage our consumption and minimise our carbon footprint. An internal protocol, *A Guide to Working "Green" at the SFC*, sets out guidance for staff to protect the environment at the workplace.

Energy-conserving features were introduced in our new office, including motion and daylight sensor lighting. The office layout was designed to allow more natural light. Recycling bins are conveniently available at multiple locations across the office.

We joined Swire Properties' Green Performance Pledge (GPP), its landlord-tenant sustainable development programme. Swire will perform an energy audit of the SFC's office premises at One Island East to understand our energy usage and provide suggestions for reducing energy consumption.

Following our relocation to the new office, some furniture and fixtures from our old office were sold to staff to recycle. The proceeds were donated to our Commission Volunteers Group fund.

To reduce paper consumption, we use electronic processes for internal procedures. Meeting materials are shared on tablet computers and paperless diaries are available. For the first time, this year's annual report was only published as a digital version online to save paper.

Other green practices adopted in our workplace to use resources more efficiently include:

- sharing recycling tips and information with staff;
- recycling coffee grounds;
- reusing stationery by providing stationery refills;
- automatically turning off desktop computers every weekend; and
- setting black and white printing as the default for all staff.



Staff are provided with tips on using our office recycling bins (Source: Environmental Protection Department)



Screensaver created by our CSR committee



We organise activities for our staff and their family members to raise environmental awareness. To promote an eco-friendly lifestyle, we arranged webinars on climate change and organised green hikes during the year. In collaboration with Po Leung Kuk, we introduced Green@Community—a community recycling network launched by the Environmental Protection Department—via a webinar and encouraged staff to make good use of the recycling facilities in our offices. We arranged a hiking trail clean-up at Devil’s Peak to promote the concept of “leave no trace”. We also recycled used red packets in support of Greeners Action’s campaign and encouraged staff to donate mooncake boxes and old books to help protect the environment.

We support the World Wide Fund for Nature’s global warming prevention and environmental conservation causes.

- No Shark Fins Policy: We have in place an organisation-wide policy pledging not to serve shark fins at any SFC event.
- Earth Hour 2022: We took part in this annual energy conservation event for the twelfth year. We encouraged staff to switch off lights for one hour and made a pledge as a corporate supporter.

To raise awareness of global warming and promote wise use of air conditioning, we supported Green Sense’s No Air Con Night, which called on households to switch off their air conditioning for 12 hours.

## Workplace

We attach high importance to staff’s wellbeing and strive to maintain both their physical and mental health.

Height-adjustable desks are installed at all regular workstations in our new office for improved ergonomics. To cater to the needs of working mothers, well-equipped wellness rooms are designed specifically for lactation.

We also organised activities to encourage healthier lifestyles and promote health awareness during the year:

- staff were encouraged to submit healthy lifestyle tips and the best five entries were shared with all staff;
- a tea therapy talk introduced the therapeutic benefits of tea and a webinar discussed healthy eating;
- a crystal singing bowl meditation session demonstrated how to calm the body and mind through sound vibration;
- a yoga session was held virtually for colleagues to do exercise at home;
- an anger management talk highlighted ways to deal with emotions;



Earth Hour 2022



No Air Con Night

## Consumption and recycling

	2021/22	2020/21	2019/20
<b>Consumption</b>			
Paper (pieces/head)	5,421	7,321	8,712
Electricity (kWh)	3,323,495	3,055,590	4,188,211
<b>Recycling</b>			
Paper (kg)	19,669	66,464	35,897
Toner and printer ink cartridges	715	897	949

- stretching and resistance band workshops were presented by a registered physiotherapist; and
- a nutrition talk shared tips and recipes for an easy and healthy diet.

We are dedicated to creating positive mental health for our staff and the wider community as well as promoting best practices for corporate policies. Clinical psychology and counselling services are offered as part of our Employee Assistance Programme for staff and their immediate family members. As a founding member of the City Mental Health Alliance Hong Kong (CMHA HK), we actively participate in its activities.

We took part in the CMHA HK Mental Health in the Workplace Surveys to help better address and support mental health and wellbeing in the business community.

This year, we supported and organised an event for C-suite executives hosted by CMHA HK titled “Mental Health as a Key Element of Operational Resiliency in the Hong Kong Finance Industry”. The event brought together industry leaders and a counsellor to share personal mental health stories. The panellists also discussed practical ways organisations are addressing mental health-related challenges in the workplace.



Stretching and resistance band workshop

## Supporting mental health at work

To address mental health issues and provide a healthier working environment under the current pandemic, the SFC has stepped up its mental wellbeing strategy to provide more support for staff.

During the year, we shared free webinars and articles provided by CMHA HK and Mind Hong Kong and held meditation sessions to provide staff with more resources for maintaining good mental health and work-life balance. We also organised a talk about anger management with the Mental Health Association of Hong Kong.

To support World Mental Health Day, World Suicide Prevention Day, and the “Move it for Mental Health” campaign<sup>a</sup> organised by Mind Hong Kong, we promoted related events via email and shared useful links and information.

To raise mental health awareness, we circulated four weekly articles on the themes of depression, anxiety and the use of online social media platforms, bipolar disorder and substance abuse and the fear of missing out. A total of 77 staff



(Photo: Mind Hong Kong)

members participated in our weekly quizzes to test their knowledge of mental health issues.

In April 2021, Ms Julia Leung, our Deputy Chief Executive Officer and Executive Director of Intermediaries, joined the Wellbeing at Work Asia Summit, a virtual senior leader panel organised by CMHA HK. Ms Leung acknowledged that coping with stress both at work and at home was tough for many, and senior management should prioritise work to focus on critical functions during difficult times to relieve anxiety on the part of staff.

<sup>a</sup> The campaign aims to highlight the importance of exercising regularly to maintain mental and physical health. Participants were encouraged to complete 280,000 or more steps in February 2022.