

The Hong Kong Chartered Governance Institute

Submission

The Financial Services and the Treasury Bureau (FSTB)

Public Consultation Paper on Promoting Paperless Corporate Communication for Hong Kong Companies

The Hong Kong Chartered Governance Institute 香港公司治理公會

(Incorporated in Hong Kong with limited liability by guarantee)

3/F, Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong

Tel: (852) 2881 6177

E: ask@hkcg.org.hk

W: hkcg.org.hk

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By email: e-comm-consult@fstb.gov.hk

Division 6, Financial Services Branch,
Financial Services and the Treasury Bureau
15/F, Queensway Government Offices
66 Queensway, Hong Kong

Public Consultation on Promoting Paperless Corporate Communication for Hong Kong Companies

(Terms and expressions used in this submission have the meanings set out under the consultation document)

About HKCGI

The Hong Kong Chartered Governance Institute (HKCGI), formerly known as The Hong Kong Institute of Chartered Secretaries, is the only qualifying institution in Hong Kong and the Mainland of China for the internationally recognised Chartered Secretary and Chartered Governance Professional qualifications.

With over 70 years of history and as the Hong Kong/China Division of The Chartered Governance Institute (CGI), the Institute's reach and professional recognition extend to all of CGI's nine divisions, with about 40,000 members and students worldwide. The Institute is one of the fastest growing divisions of CGI, with a current membership of over 7,000, 300 graduates and 2,600 students with significant representations within listed companies and other cross-industry governance functions.

Believing that better governance leads to a better future, HKCGI's mission is to promote good governance in an increasingly complex world and to advance leadership in the effective governance and efficient Administration of commerce, industry and public affairs. As recognised thought leaders in our field, the Institute educates and advocates for the highest standards in governance and promotes an expansive approach which takes account of the interests of all stakeholders.

Support for the proposals

Our institute has, since 2018, not only called for but also presented detailed proposed legislative changes to Section 833 of the CO to the FSTB and SFC to allow for the electronic dissemination of corporate communications by listed companies. We have also highlighted that currently, a listed company needs to juggle between a paper-based system, a hybrid system (partially paper-based and digital), and a fully digital system, which creates administrative costs with only minor incremental enhancement of shareholder communication from the applied governance perspective. There is a need for legislative changes to the CO from the sustainability perspective

to reduce paper use and embrace digitalisation conducive to Hong Kong's stature as an International Financial Centre.

Apart from these reasons, as set out under the FSTB's consultation document, to level the playing field with overseas incorporated listed issuers, where laws are more permissive, we support the proposed legislative changes to allow listed companies incorporated in Hong Kong to rely on implied consent for disseminating corporate communications using their websites. This will be done without shareholders' consent or with separate notifications each time a new corporate communication is published on listed issuers' websites. All these will be subject to applicable laws and regulations as well as the articles of associations of the companies concerned.

We understand the need to inform those shareholders who have not provided an electronic communication channel by paper notification initially upon the legislative changes coming into effect. However, we query why listed companies should print documents for shareholders uploaded on their websites. To make a request, the shareholders would have already been aware of the electronic communication and could have printed the documents themselves. Even if there is the right to require listed companies to print the documents under section 837 of the CO, this should be revised to ensure that the listed company can charge for reasonable administrative, in addition to printing costs.

Given their special nature, we are open to actionable corporate communications to be sent paper-based to those that have not provided an electronic communication channel at the listed companies' expenses including documents relating to (a) provisional allotment letter and excess application form in connection with a rights issue or open offer; (b) application form for assured entitlement under an open offer; (c) blue application form for a preferential offering; (d) pink application form for employee reserved shares; and (e) acceptance forms in connection with takeovers, mergers and share buy-backs.

In terms of expanding the implied consent mechanism to non-listed companies, we support the proposal but understand the need for a one-off express consent mechanism because there is no equivalent to the HKEX New Alerts system.

If there are any questions, please feel free to reach out to Ellie Pang FCG HKFCG(PE), Chief Executive, HKCGI or Mohan Datwani FCG HKFCG(PE), Deputy Chief Executive, HKCGI at 2881 6177 or research@hkcg.org.hk.

Yours sincerely,

For and on behalf of
The Hong Kong Chartered Governance Institute



Ernest Lee FCG HKFCG(PE)
President