

Environmental, Social and Governance

As a statutory regulator, we endeavour to uphold high standards in our operations and deliver on our public mission. Our core values of integrity, transparency and public accountability drive everything we do. Maintaining sound corporate governance is essential to the effective delivery of our regulatory policies. We commit ourselves to social responsibility and sustainability by spearheading local and global efforts.



Corporate Governance

Adopting effective governance framework

We are firmly committed to upholding a robust corporate governance framework that comprises a well-defined management structure, high standards of conduct, comprehensive operational and financial control procedures, and independent checks and balances. This is essential to ensuring that we carry out our work as a statutory regulator efficiently, fairly and with integrity, and is in line with best governance practices for public bodies, including those set out in *Corporate Governance for Public Bodies — A Basic Framework*¹.

Our Board

The SFC Board plays a pivotal role in ensuring that we effectively carry out our duties to the fullest extent.

Constitution

The Securities and Futures Ordinance (SFO) stipulates the constitution and proceedings of our Board. 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. Their appointment terms and conditions are determined by the HKSAR Government. Board members' emoluments for the year are detailed on page 163.

As of 31 March 2024, the Board comprised nine Non-Executive Directors (NEDs), including the Chairman; and six Executive Directors (EDs), including the Chief Executive Officer (CEO).

With diverse backgrounds, our NEDs bring a wealth of experience, expertise and independent perspectives to the Board. Together, the Board contributes to the development of the SFC's policies by providing strategic insights.

See pages 24-33 for the full list of Board members and their biographies.

Key components of our governance framework



¹ Published by the Hong Kong Institute of Certified Public Accountants.

Key responsibilities of Board



Chairman and CEO

The non-executive Chairman and the CEO each has distinct roles and responsibilities. The clear division of duties entails a more effective corporate governance structure.

Executive Directors and Non-Executive Directors

Our EDs and NEDs play different but complementary roles. The EDs are entrusted with managing the SFC's daily operations and each has executive duties in key functions – listings, takeovers and corporate conduct, licensing and supervision of intermediaries, market infrastructure, investment products, enforcement and legal services. The NEDs provide guidance on and monitor the performance of the SFC's various functions.

Governance practices

Upholding top-notch corporate governance standards is our priority. We put in place clear and proper policies and processes to help the Board work in an efficient and accountable manner. We arrange monthly meetings, quarterly policy meetings and special meetings as needed for the Board, as well as an annual retreat. To help Board members stay abreast of the SFC's work and its impact on the markets, we furnish them with timely information and updates regarding our operations and financial conditions well in advance of meetings. Furthermore, we hold induction briefings for new NEDs to enable them to better understand the organisation, its functions and powers, and their responsibilities.

Roles and responsibilities of Chairman and CEO

Chairman



- ◆ Leads the Board in setting the SFC's policies, strategy and overall direction
- ◆ Monitors the executive team's performance
- ◆ Counsels the CEO on how the organisation is run

CEO



- ◆ Assumes executive responsibility for the SFC's day-to-day operations
- ◆ Develops strategic objectives, including setting the SFC's agenda and priorities, and implementing them as agreed with the Board
- ◆ Assigns responsibilities to senior management and supervising their work
- ◆ Reports regularly to the Board

Secretariat and External, a unit within the CEO's Office, is tasked with ensuring effective corporate governance. It provides secretarial support to the Board and the Advisory Committee. It ensures the effective delivery of strategic governance and oversees organisation-wide initiatives, assisting the Board and the CEO in directing work processes to enable good governance, enhance efficiency and manage changes. It is responsible for the SFC's overall external development and stakeholder management, acting as the central relationship point with the Government, the Legislative Council (LegCo) and its members, fellow regulators, other public bodies and industry associations. It also oversees the SFC's publications and social media. The Commission Secretary and Chief Governance Officer is the head of Secretariat and External. He serves as the secretary to the Board, and is a member of the Executive Committee (ExCo). He is also the Data Privacy Officer of the SFC responsible for ensuring the SFC's compliance with the data privacy rules and standards.

Board evaluation

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

Board appointments

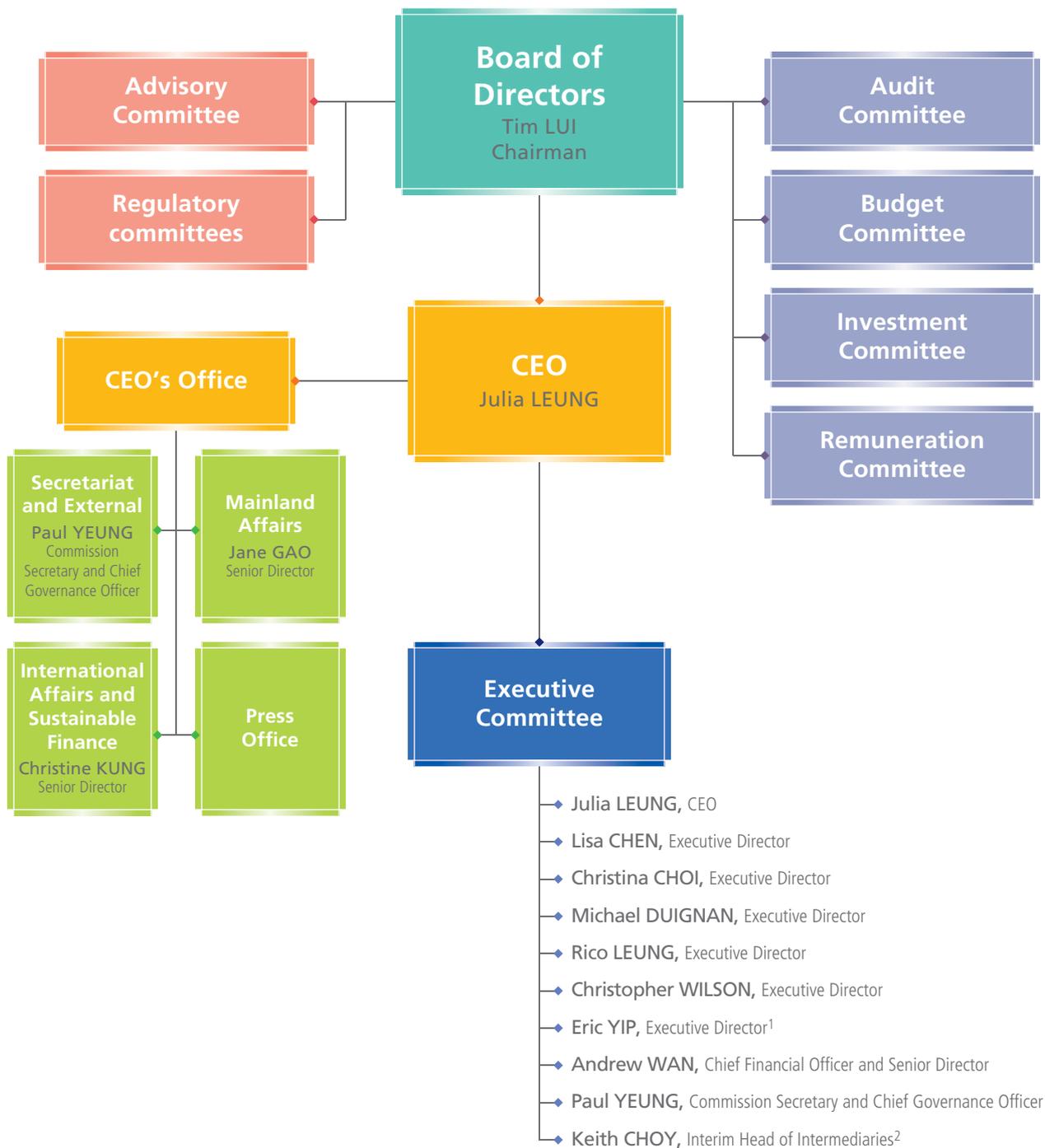
During the year, Mr Michael Wong Yick-kam and Mr Nicky Lo Kar-chun were reappointed NEDs for two years, effective 1 April 2023 and 24 April 2023, respectively, while both Mr Johnson Kong and Mr Dieter Yih were reappointed NEDs for another two-year term, effective 15 November 2023. Ms Lisa Chen Ping and Dr Eric Yip Chee-hang were appointed EDs for three years, effective 22 May 2023 and 2 May 2024, respectively.

Board meetings

In addition to monthly meetings, the Board meets from time to time to discuss policy issues in depth and convenes special meetings as needed to address key matters. Furthermore, the Board holds an annual retreat meeting to set out strategic objectives and management priorities to effectively steer the organisation towards the desired goals.

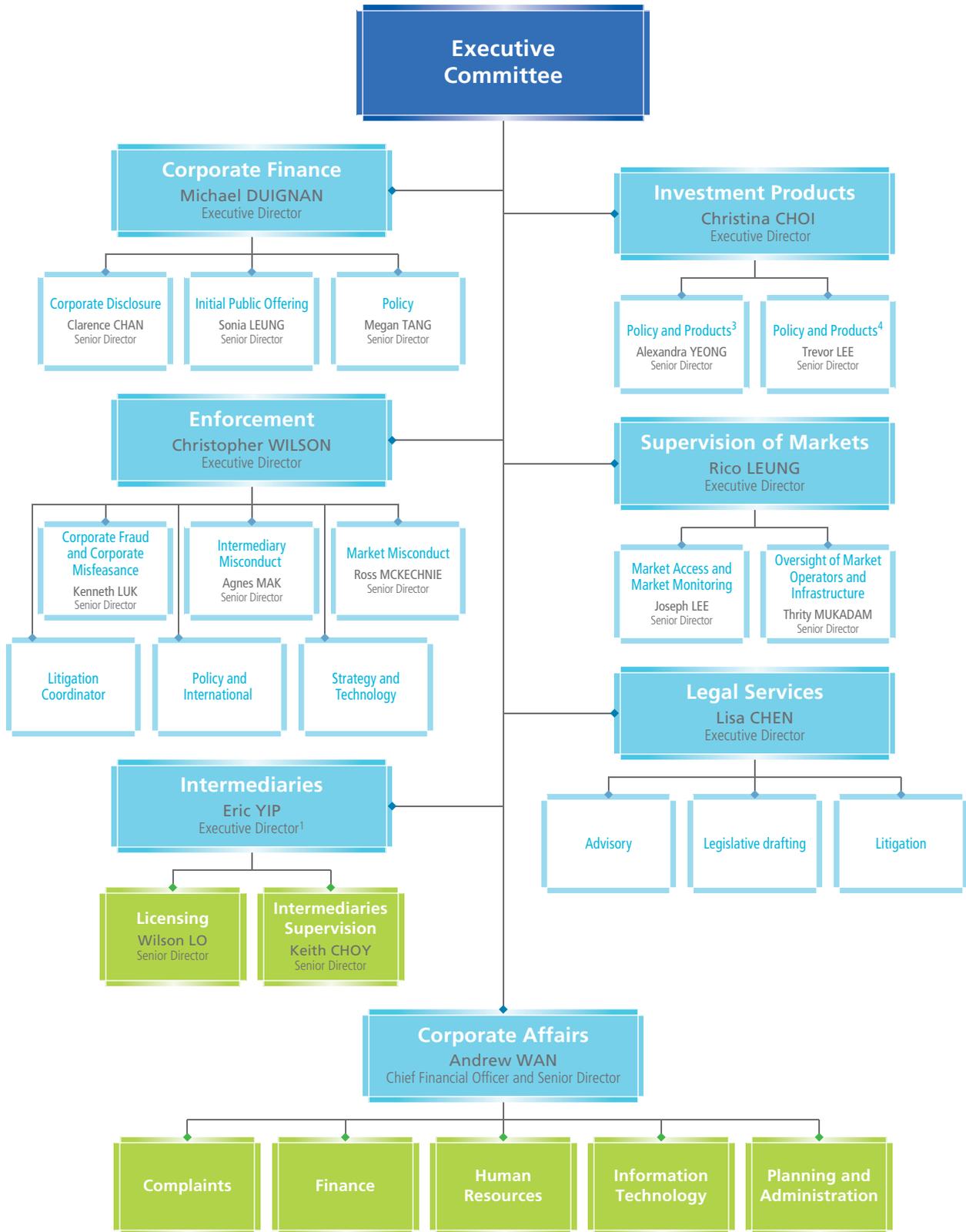
Last year, 14 Board meetings were held with an average attendance rate of 94%.

Organisational structure



- Board committees
- External committees

¹ Appointment took effect on 2 May 2024.
² Appointment expired on 1 May 2024.



Environmental, Social and Governance

³ Relating to the International Organization of Securities Commissions, environmental, social and governance, mandatory provident funds, pooled retirement funds, structured products, unit trusts and mutual funds.

⁴ Relating to the Mainland, exchange-traded funds, investment-linked assurance schemes, real estate investment trusts, unit trusts and mutual funds.

Meeting attendance record

| Meetings attended/held | Board | Audit Committee | Budget Committee | Investment Committee | Remuneration Committee | Executive Committee |
|--|-------|-----------------|------------------|----------------------|------------------------|---------------------|
| Chairman | | | | | | |
| Tim Lui Tim-leung | 14/14 | 2/2 | – | 2/2 | 1/2 | – |
| Executive Directors | | | | | | |
| Julia Leung Fung-yee | 13/14 | – | 1/1 | 2/2 | – | 15/17 |
| Lisa Chen Ping ¹ | 11/11 | – | – | – | – | 13/14 |
| Christina Choi Fung-yee | 14/14 | – | – | – | – | 11/17 |
| Michael Duignan | 13/14 | – | – | – | – | 14/17 |
| Rico Leung Chung-yin | 13/14 | – | – | – | – | 16/17 |
| Christopher Wilson | 12/14 | – | – | – | – | 14/17 |
| Non-Executive Directors | | | | | | |
| Agnes Chan Sui-kuen | 13/14 | 2/2 | 1/1 | 1/2 | 2/2 | – |
| Chew Fook-aun ² | 13/14 | – | – | – | 2/2 | – |
| Victor Dawes | 13/14 | 2/2 | – | – | 2/2 | – |
| Johnson Kong ³ | 13/14 | – | – | – | 2/2 | – |
| Dr James C Lin | 13/14 | 2/2 | 1/1 | 2/2 | 2/2 | – |
| Nicky Lo Kar-chun | 14/14 | – | 1/1 | 2/2 | 2/2 | – |
| Michael Wong Yick-kam ⁴ | 12/14 | – | – | 1/1 | 2/2 | – |
| Dieter Yih ⁵ | 13/14 | – | – | – | 2/2 | – |
| Chief Financial Officer and Senior Director | | | | | | |
| Andrew Wan Chi-yiu | – | – | – | 2/2 | – | 14/17 |
| Commission Secretary and Chief Governance Officer | | | | | | |
| Paul Yeung Kwok-leung ⁶ | – | – | – | – | – | 16/17 |
| Interim Head, Intermediaries | | | | | | |
| Keith Choy Chung-fai | – | – | – | – | – | 15/17 |

¹ Appointed as a member of the Board and Executive Committee effective on 22 May 2023.

² Appointed as a member of the Budget Committee effective on 5 February 2024.

³ Appointed as a member of the Audit Committee effective on 5 February 2024.

⁴ Appointed as a member of the Investment Committee effective on 5 February 2024.

⁵ Appointed as a member of the Audit Committee effective on 5 February 2024.

⁶ Appointed as a member of the Executive Committee effective on 24 May 2023.

SFC committees

Executive Committee

ExCo, being the highest executive body within the organisation, carries out a wide range of administrative, financial and management functions as delegated by the Board and ensures that the SFC functions effectively. Chaired by the CEO, ExCo comprises all other EDs, the Chief Financial Officer and Senior Director of Corporate Affairs, and the Commission Secretary and Chief Governance Officer.

ExCo convenes regular meetings to deliberate on policy and operational proposals and expense requests from different divisions of the organisation. Throughout the year, 17 ExCo meetings were held with an average attendance rate of 86%.

Board committees

Each of our four board committees has a distinct focus on well-defined areas of the SFC's operations and is chaired by an NED. The involvement and active participation of the NEDs provide effective checks and balances to scrutinise our management decisions to ensure their soundness and efficacy.

External committees

Established under the SFO, external committees are made up of a large number of members outside the SFC. They represent the diverse perspectives of market participants and play a crucial role in the governance of the SFC.

The Advisory Committee provides insights and advice on policy matters concerning the SFC's functions. The majority of members are external representatives

Board committees

| | |
|--|------------|
| Audit Committee | 2 Meetings |
| Responsibilities | |
| <ul style="list-style-type: none"> ◆ Reviews annual financial statements ◆ Recommends the appointment of external auditors ◆ Coordinates the scope of the external audit and reviews audit findings ◆ Examines management procedures to ensure effective financial and internal controls | |
| | 4 NEDs |

| | |
|---|-------------------|
| Budget Committee | 1 Meeting |
| Responsibilities | |
| <ul style="list-style-type: none"> ◆ Examines and approves the parameters and bases used in the annual budget ◆ Conducts the mid-year budget review ◆ Reviews the annual budget and makes recommendations to the Board | |
| | 4 NEDs |
| | 1 ED [^] |

| | |
|--|--------------------------------|
| Investment Committee | 2 Meetings |
| Responsibilities | |
| <ul style="list-style-type: none"> ◆ Advises on the SFC's fund management policies, strategies and investment guidelines ◆ Recommends the appointment of investment managers and advisers and monitors their performance including compliance with the investment guidelines ◆ Advises on investment risk management and asset allocation and monitors the performance of investments | |
| | 5 NEDs |
| | 1 ED |
| | 1 Senior Director [^] |

| | |
|---|------------|
| Remuneration Committee | 2 Meetings |
| Responsibilities | |
| <ul style="list-style-type: none"> ◆ Reviews the structure and level of staff remuneration ◆ Reviews trends in remuneration packages and recommends adjustments ◆ Considers other matters as required, including recommendations to the Government on EDs' remuneration and re-appointment | |
| | 9 NEDs |

[^] In a non-voting capacity.

Meet our new Executive Director

In May 2023, we welcomed a new member to our Board — Ms Lisa Chen, ED of Legal Services.

With 15 years of experience in the Enforcement Division (ENF) and Legal Services Division (LSD), Ms Chen brings a wealth of legal knowledge and enforcement and litigation experience to her new role. Her prior experience as a Senior Director of ENF has given her valuable insights into the importance of effective collaboration between divisions and other law enforcement agencies to drive optimal enforcement outcomes. This has prepared her to lead LSD in providing legal advice and guidance that ensure effective enforcement actions by the SFC.

She recalls her memorable experience heading ENF's Intermediary Misconduct Team — upholding market integrity by taking disciplinary actions against sponsor failures, anti-money laundering breaches and internal control failures. By effectively communicating the high standards that the SFC expects from regulated firms, these actions have proven critical in mitigating harm to investors and maintaining a fair market.

In her new position, Ms Chen aspires for LSD to be proactive in assisting other divisions to identify potential problems in the market, addressing them early and preventing them from escalating into



Ms Lisa Chen

In my new role, I not only provide legal advice and guidance, but I also actively participate in discussions, debates, and decisions surrounding emerging issues.

Lisa Chen

crises. To achieve this goal, LSD will take near-term measures to optimise workflows through technology and enhance the quality of its work.

As a Board member, Ms Chen is committed to advising and collaborating with other divisions and the Board to implement the SFC's strategic priorities. She firmly believes that through teamwork, the SFC can achieve its mission of promoting market integrity, investor protection and sustainable growth in the financial industry.

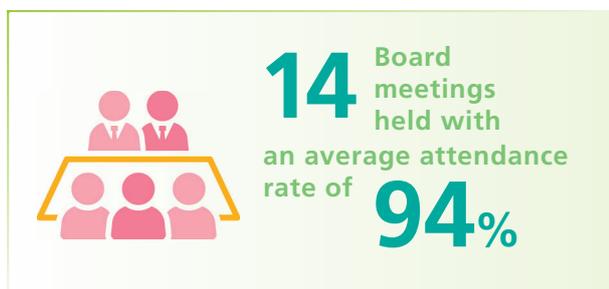
appointed by the Financial Secretary under authority delegated by the Chief Executive of the HKSAR. The Committee is headed by the Chairman and its members include the CEO and not more than two other EDs.

In addition, each regulatory committee specialises in certain areas such as investment products, shareholders' rights and interests, takeovers and mergers, continuous professional training for licensees and investor compensation. Members of these committees are appointed by the Board and consist of NEDs, EDs, industry representatives and other stakeholders. There were 14 regulatory committees as at the end of March 2024.

See pages 214-223 for the responsibilities and membership lists of the external committees.

Formulating strategic plans

As the financial regulator of a leading international financial centre (IFC), we make strategic plans to guide our regulatory work through changing market developments and regulatory landscape. In particular, as our financial markets have been facing unprecedented challenges and opportunities in recent years, we see the importance to set strategic priorities to steer market development and maintain Hong Kong's status as a leading IFC. At its annual retreat meeting during the year, the Board discussed market outlook and forward-looking initiatives of the SFC, which facilitates our formulation of strategies and priorities for the upcoming years.



In January 2024, with the Board's support and endorsement, we published our three-year strategic plan for 2024-26 to announce our priorities in capital market regulation and approach to enhance the competitiveness of the Hong Kong markets and drive their sustainable development. Details of these priorities are set out in Strategic Priorities on pages 12-23.

Upholding standards of conduct

Our staff must uphold a high standard of integrity and conduct to instill and preserve public trust. Besides complying with their legal obligations, staff are obligated to adhere to our code of conduct which sets out our standards in detail. It covers confidentiality, conflicts of interest, personal investments and acceptance of gifts and hospitality. Failure to comply with the code may result in disciplinary action.

In February 2024, we enhanced the staff investment recording system to align with the latest changes in the policy on personal dealings of financial products in our code of conduct and introduce user-friendly features. Also, we launched a new e-workflow system specifically designed for all staff and Board members to declare conflicts of interest. Staff training was organised before the new systems were implemented.

Maintaining accountability and transparency

We have established rigorous policies and procedures to ensure that we act with credibility, fairness and transparency.

Delegation of authority

A comprehensive system of delegation of authority is in place under which the authority of the Board and different levels of the executive management are clearly delineated. As permitted under the SFO, the Board delegates regulatory powers and functions to EDs, with power to sub-delegate to staff in their respective divisions, to facilitate the discharge of their duties.

Budgeting

Each year our annual budget is prepared following a disciplined and prudent approach in order to maintain effective fiscal control and plan for the next financial year. This involves careful management of expenditure by adopting our internal financial control policies, making pragmatic assumptions and identifying areas where resources can be deployed to meet our strategic objectives, priorities and operational needs. Divisions' expense requests for the next financial year are critically assessed during the budget process to ensure that resources are efficiently and effectively utilised. 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 present our budget each year to LegCo's Panel on Financial Affairs.

Investment

The reserves of the SFC are invested conservatively and cautiously to achieve our objective of long-term financial sustainability. Management of our reserves adheres to the investment guidelines approved by the Financial Secretary to ensure proper risk management so that financial resources are available for future needs.

Corporate Governance

We have delegated responsibility for the selection and management of our investments to reputable external investment managers which are mandated to comply with the investment guidelines and regularly review their compliance with them. The external investment managers have confirmed that they adopt the Principles of Responsible Ownership² in their undertakings to manage these investments.

The Investment Committee, one of our Board committees, advises the SFC on investment management policies and guidelines, risk management and performance, and strategies and asset allocation.

High standards of corporate governance gain recognition

The SFC has always been at the forefront of adopting best practices in corporate governance, information disclosure and personal data privacy. Our dedication in these areas were recognised through three prestigious awards received during the year, which served as a testament to our unwavering commitment.

Our *Annual Report 2022-23* let us take home a Corporate Governance Award^a from the Hong Kong Institute of Certified Public Accountants' Best Corporate Governance and ESG Awards, as well as a Silver Award^b in the Hong Kong Management Association's Best Annual Reports Awards. The judges commended our standards of corporate governance, including implementing effective corporate governance framework, robust internal controls and risk management, as well as independent checks and balances. They also appreciated our initiatives to support Hong Kong's development as a sustainable finance hub and

^a Public sector/not-for-profit organisations (large) category.

^b Non-profit making and charitable organisations category.

Financial control and reporting

In order to ensure the appropriate management and use of public funds, we adhere to strict financial controls and reporting procedures that are embedded in our processes. Each year, we engage an external independent professional services firm to review our compliance with those controls and procedures and reassess their continued effectiveness and robustness.

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

efforts to keep stakeholders and the public informed of our regulatory work and financials.

In addition, we were honoured with a Privacy-Friendly Gold Award from the Office of the Privacy Commissioner for Personal Data. This accolade underscored our long-term commitment to good data governance in the era of big data. It is also a recognition of our privacy protection measures in place, including the implementation of internal policies on personal data handling.



² 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.

In addition, we keep up-to-date with best market practices 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 firmly believe in upholding our principles of accountability and transparency, which extend to every aspect of our operations, including our complaints handling procedures. Reports of improper practices of the SFC or our staff can be filed under our procedures for handling complaints against the SFC or its employees. These encompass dissatisfaction with the SFC or our staff in carrying 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

Our regular reviews of corporate resources ensure that we operate efficiently by identifying our needs and strategic priorities, and allocating resources accordingly.

As a long-term accommodation plan, we purchased our permanent office at One Island East in Quarry Bay, which would eliminate recurring rental expenses, channel the cost savings towards other uses, and minimise any potential operational disruption resulting from further relocation. See Corporate Developments on pages 137-143 for more details.

We strategically configure resources across the organisation to align with our priorities to deliver robust supervision and enforcement. In response to rapidly-evolving and increasingly complex and interconnected markets, we set up cross-divisional project teams to work on policies or initiatives related to the functions of multiple divisions in order to formulate regulatory responses in a timely and effective manner.

Following recent virtual asset-related frauds, we comprehensively reviewed our manpower and processes and set up an internal coordination task force during the year for more efficient handling of these matters. In addition, we enhanced a number of operational processes with digitisation and automation. The use of traditional and generative artificial intelligence further improves our operational efficiency.

Supporting sustainability

As a socially responsible organisation, we are dedicated to addressing the full range of risks arising from climate change and sustainability. We have a sound framework for corporate governance around related risks and opportunities in this area. We are committed to becoming a carbon-neutral organisation before 2050, in line with the HKSAR Government's climate action plan³. Additionally, we set an interim target to reduce 50% of our total carbon emissions by 2030. See Sustainability on pages 115-124 for more details of our work.

³ Hong Kong's Climate Action Plan 2050.

Fostering external communications

To help our stakeholders better understand our work and policies, we engage with a broad 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. We have adopted a more proactive approach in our external communications particularly in light of changing market developments and public expectations. A wide range of publicity activities, advertising campaigns and education initiatives are conducted through both offline and online channels including social media. See Communications and Education on pages 89-97 for more details.

We also reach out to the industry and the public to explain our policies and listen to their views through workshops, seminars and other activities. We attend meetings at LegCo to present our budget, explain policy initiatives and other issues of public interest.

In addition to responding to public enquiries, we handle complaints from the public with integrity. In November 2023, two staff members from the Enforcement Division and the Complaints Team of the Corporate Affairs Division respectively received the Ombudsman's Awards 2023 for Officers of Public Organisations in recognition of excellence in handling public complaints.

Managing risks proactively

To perform our regulatory functions effectively in a dynamic market environment, it is important for us to identify, assess and manage both external and internal risks in a timely and systematic manner. We adopt a wide range of tools to monitor risks to the market and our organisation, and implement effective control measures or regulatory response to mitigate the potential risks that may affect the market or our operations.



Alerting the public against financial scams and suspicious investment products



Speaking at industry events

Staying vigilant to manage risks

Mitigating market risks amid uncertainty

Hong Kong's financial market continues to face volatility at times due to external macro factors such as global economic uncertainty, the monetary policies of major central banks, overseas market turbulence and geopolitical tensions. We have therefore stayed vigilant and taken a proactive approach to manage risks, leveraging our regulatory toolkit with agility, to ensure market integrity and financial stability.

Our robust surveillance system provides reliable and timely market data across different sectors of the capital markets to identify significant abnormal situations that may affect financial stability. This thus enables us to monitor the market comprehensively. We have developed proprietary indicators to monitor market trends, trading patterns and changes in positions across various market segments. To detect irregularities, we conduct holistic assessment of potential systemic risks arising from positions across the markets. We also closely monitor fund flows into and out of the Hong Kong stock market and assess potential risks and implications for the market. In times of high market volatility, we may make ad hoc requests for additional reporting of information from major market participants to better assess risks in the stock and derivatives markets.

Trading data collected under the Hong Kong investor identification regime launched in March 2023 have strengthened our market supervision with information of investor identities for all transactions. In addition, our cross-divisional Risk Review Group identifies and assesses potential and emerging risks facing the SFC and the Hong Kong market at large.

Furthermore, we coordinate with the Government and other financial regulators to exchange information about market situations and to react promptly, appropriately and in a coordinated manner where crises arise. Our market contingency plan sets out measures in different market segments for dealing with emergency situations which may affect Hong Kong's securities and futures markets.

Safeguarding against risks internally

We take risks which may affect our operations seriously, including financial risks and threats to our information and office security. Our financial control policies and procedures ensure that we uphold a high standard of integrity and exercise rigorous controls on the use of public funds.

To provide for safe and smooth operations, we regularly update our business resumption plan to address readily identifiable risks and emergencies covering office premises, communications and computer services. Apart from 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. Approved by the Audit Committee, the scope of each review may cover banking and investment, finance, procurement, human resources and information technology. The findings, together with recommendations, are reported back to the Audit Committee and enhancements to related policies and procedures are then made where necessary.

To facilitate compliance with the Personal Data (Privacy) Ordinance, we have designated the Commission Secretary and Chief Governance Officer as the Data Privacy Officer. We also have a data privacy manual and provide staff with a quick guide comprising frequently asked questions and illustrative examples.

Our information security policy provides guidance on safeguarding the confidentiality and integrity of information and it is frequently updated to keep up with technological and operational changes. We refine our information security practice to summarise key cybersecurity risks exposed by the SFC, aiming for effective communication and risk management. We also deploy timely updates to the access controls of our information and systems to protect them from unauthorised access, use or modification. Additionally, we consult external experts and partner with other law enforcement agencies to gather latest intelligence to strengthen our security posture against evolving threats.

Ensuring independent checks and balances

Independent bodies play an important role in maintaining a fair and balanced approach to our operational work. They are responsible for conducting external checks and balances to ensure fairness in our

decision making, observance of due process and proper use of our regulatory powers. The Process Review Panel and the Securities and Futures Appeals Tribunal scrutinise our actions and procedures. In addition, we are subject to judicial review by the courts and indirect oversight by the Ombudsman.

| Independent body | Relevant functions | SFC-related tasks handled |
|---|---|--|
| <p>Process Review Panel </p> <ul style="list-style-type: none"> ◆ An independent panel established by the Chief Executive of the HKSAR in 2000 ◆ Comprises representatives from various sectors and two ex-officio members, namely the SFC Chairman and a representative from the Department of Justice | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ Reviewed 60 cases and published its annual report in December 2023 |
| <p>Securities and Futures Appeals Tribunal </p> <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ Reviews specified decisions made by the SFC or the Investor Compensation Company Limited ◆ 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 | <ul style="list-style-type: none"> ◆ Received requests to review four new cases ◆ Decided on one case brought forward from 2021-22 ◆ Allowed one case received in 2023-24 to be withdrawn |
| <p>The Ombudsman </p> | <ul style="list-style-type: none"> ◆ Handles public complaints against the SFC and its staff for alleged maladministration | <ul style="list-style-type: none"> ◆ Commenced four preliminary inquiries |
| <p>Courts </p> | <ul style="list-style-type: none"> ◆ Handle judicial reviews of SFC decisions | <ul style="list-style-type: none"> ◆ Handled three judicial review cases |

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 | | |
|---|-----------------------------------|--------------------------|---------|---------|
| | | 2023/24 | 2022/23 | 2021/22 |
| Applications for subordinated loan or modification/ waiver of requirements under SFO | | | | |
| Commence review of application upon receipt | 2 business days | 100% | 100% | 98% |
| Authorisation/registration of investment products | | | | |
| Take-up of applications upon receipt | 5 or 2 business days ¹ | 100% | 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 | 100% | 100% | 100% |
| Preliminary response to applications after take-up for other products | 14 business days | 100% | 100% | 100% |
| General enquiries | | | | |
| Preliminary replies | 5 business days | 100% | 100% | 100% |
| Processing of licensing applications² | | | | |
| Corporations | 15 weeks | 100% | 100% | 100% |
| Representatives (provisional licences) | 7 business days | 100% | 99% | 99% |
| Representatives (normal licences) | 8 weeks | 99% ³ | 99% | 99% |
| Representatives (responsible officers) | 10 weeks | 99% ³ | 99% | 99% |
| Transfer of accreditation | 7 business days | 99% ³ | 99% | 99% |
| Complaints against intermediaries and market activities | | | | |
| Preliminary response | 2 weeks | 99.9% ⁴ | 99.9% | 99.8% |

¹ 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 (effective from 1 November 2021)

The pledge of two business days is applicable to the authorisation of other products (which include investment-linked assurance schemes (prior to 1 November 2021) and paper gold schemes) and the registration of private open-ended fund companies.

² During the year, we processed 12,950 applications that were subject to performance pledges, 11,710 of which were processed within the applicable period. The completion of the vast majority of the remaining 1,240 applications was delayed for reasons beyond our control. For example:

- unresolved fitness and properness 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.

³ The delay was usually short and resulted from unexpected complications, such as abnormal increases in our workflow and resulting resourcing difficulties.

⁴ One case failed to meet the pledge.

Corporate Governance

During the year, 100% of takeovers and mergers-related applications and transactions met the performance pledges. Details of the response time are listed in the following table.

| Consultations and rulings under sections 6 and 8 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs (Codes) | |
|---|---|
| <i>Applications for rulings and consultations with the Takeovers Executive</i> | |
| – All ruling applications and consultations under the Codes (except for those set out below) | 5 business days ⁵ |
| – 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 ⁶ | 10 business days |
| – All other EFM/EPT applications | 21 business days |
| Comments and clearance of announcements and documents under Rule 12 of the Takeovers Code | |
| <i>First draft of firm intention announcement under Rule 3.5 of the Takeovers Code</i> | |
| – No complex Code issues involved | 2 business days |
| – Complex Code issues involved | 3 business days ⁷ |
| <i>All other announcements (including revised drafts)</i> | |
| – No complex Code issues involved | 1 business day |
| – Complex Code issues involved | 3 business days ⁷ |
| <i>All drafts of shareholders' documents⁸</i> | 5 business days |

⁵ 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.

⁶ EFMs and EPTs refer to exempt fund managers and exempt principal traders as defined under the Codes.

⁷ The parties will be informed of the longer time needed.

⁸ Including offer documents, offeree board circulars, whitewash circulars, scheme documents and share buy-back circulars.

Sustainability

This year, we continue to structure our sustainability section around the Task Force on Climate-Related Financial Disclosures (TCFD)¹ Recommendations. The table below summarises our regulatory and operational efforts to advance our sustainability agenda² and promote the incorporation of climate and sustainability considerations across the financial sector.



Governance

Board and management's role

We put in place a well-defined management structure for corporate governance relating to climate and sustainability. Our Chief Executive Officer (CEO) Ms Julia Leung chairs the cross-divisional Sustainable Finance Working Group, which reports regularly to the Board and senior management on developing regulatory policies, coordinating local and international engagement, and implementing internal decarbonisation efforts.



Strategy

The risks and opportunities we identified and their impact on our regulatory initiatives and operational activities

Climate change poses physical and transition risks to both the real economy and the financial system, and escalates the risk of greenwashing. Regulators play a key role in supporting the management of such risks and facilitating effective capital allocation for transition.

Leading financial market transformation through technology and environmental, social and governance (ESG) is one of the SFC's strategic priorities for 2024-26. We adopt a comprehensive sustainable finance policy framework with a climate-first approach. In addition to developing regulatory policies in line with our *Agenda for Green and Sustainable Finance*³ to promote transparent markets and ensure investor protection, we take active steps to decarbonise our operations and conduct scenario analysis to assess the resilience of our operations.

Climate and sustainability-related issues are cross-border and cross-sectoral. The SFC participates actively in international regulatory discussions to develop best practices and recommendations on sustainable finance, which will have implications for our policy development in Hong Kong. We also spearhead local initiatives to contribute to the development of a sustainable finance ecosystem to bolster Hong Kong's position as a leading sustainable finance hub. Key focus areas include alignment with global standards through the adoption of the IFRS⁴ Sustainability Disclosure Standards, and the promotion of Green Fintech, capacity building and talent development to scale sustainable finance.



Risk management

Our processes on identifying, assessing and managing risks

Our cross-divisional Risk Review Group identifies and monitors potential and emerging risks faced by the SFC, including those relating to climate and sustainability, and reports to the Board and senior management.

To ensure that we effectively identify, assess and manage climate and sustainability-related risks, we monitor and take steps to reduce our greenhouse gas emissions, and participate in local and international stakeholder engagement activities. Additionally, we implement regulatory measures to enhance investor protection through combatting greenwashing risk, promote capacity building within the financial services sector and raise awareness amongst investors.



Metrics and targets

Our emissions, metrics for assessing risks, and targets

We have committed to achieving carbon neutrality before 2050, with an interim target of reducing 50% of our total carbon emissions by 2030. We are closely monitoring our carbon footprint, and have reduced our total carbon emissions by 48.6% against the baseline. Our Scope 1, 2, and 3 emissions, and decarbonisation initiatives are disclosed to the public.

¹ The TCFD was established in 2015 to help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities. The final TCFD Recommendations, issued in June 2017, cover four core areas: governance, strategy, risk management, and metrics and targets. Under these four core areas are 11 recommended disclosures.

² See Strategic Priorities on pages 12-23.

³ We published the *Agenda for Green and Sustainable Finance* in August 2022 to set out further steps to support Hong Kong as a regional sustainable finance centre, having achieved the goals set out in our *2018 Strategic Framework for Green Finance*.

⁴ International Financial Reporting Standards.

This section outlines how we incorporate climate and sustainability considerations in developing our regulatory initiatives and our organisation's activities. It is structured around the TCFD Recommendations.

We take the lead in advancing Hong Kong's position as an international sustainable finance hub and developing an effective regulatory framework to support the financial system's transition to a low-carbon future. We introduce regulatory initiatives to combat greenwashing and build industry capacity and awareness through our information and guidance, with a view to maintaining the transparency and orderliness of our financial markets and enhancing investor protection.

Within the organisation, we actively integrate climate and sustainability into our internal policies and take steps to manage relevant risks in our day-to-day operations. We support the HKSAR Government's climate strategies and are taking steps to meet our target of 50% reduction in total carbon emissions by 2030.

Governance: Comprehensive framework for sustainability

As a statutory financial regulator, we have established a robust framework for corporate governance around climate and sustainability-related risks and opportunities⁵. Our cross-divisional Sustainable Finance Working Group, which is led by our CEO Ms Julia Leung, comprises members from across the organisation. It meets regularly to coordinate our policy initiatives and organisational activities in line with our overall strategy for sustainable finance. Members of this group report to and seek guidance from the Board and the Executive Committee (ExCo) periodically and at least on a semi-annual basis.



Our International Affairs and Sustainable Finance team⁶ is responsible for coordinating our sustainable finance efforts at the local, regional and global levels. The team advises the Board, ExCo and senior management on our sustainability strategy and coordinates with the HKSAR Government, other local and international regulatory agencies and industry bodies to formulate and implement sustainable finance initiatives.

The SFC's Investment Committee enquires into how and to what extent our external fund managers incorporate environmental principles into their investment and risk analysis processes. To ensure their compliance with the SFC's Principles of Responsible Ownership, we regularly communicate with our external fund managers and have engaged an independent consultant to oversee and assess their commitments and practices.

⁵ The Board is responsible for setting the overall direction and providing strategic guidance on policymaking, whilst the Executive Committee is responsible for considering policy and operational proposals. See Corporate Governance on pages 99-114.

⁶ This team within the CEO's Office reports directly to our CEO Ms Julia Leung.

Strategy: Maintain transparent markets and protect investors

Leading financial market transformation through technology and ESG is one of our strategic priorities for 2024-26. We aim to bolster Hong Kong's position as a sustainable finance hub both internationally and in Asia-Pacific, including the Guangdong-Hong Kong-Macao Greater Bay Area. In addition, we introduce measures which enhance financial market transparency and protect investor interests.

Adopting a climate-first approach

Climate change presents risks related to its physical impact and the transition to a lower-carbon economy, which affect both the real economy and the financial system. Addressing these risks will require significant financial resources. As Hong Kong is uniquely positioned to bridge capital flows between international investors and Asia including Mainland China, local regulators including the SFC have been contributing to the development of an ecosystem to support capital allocation for a low-carbon transition in the region and the world.

Climate-related risks affect the operations of not only the firms we regulate but also the SFC. To better understand the resilience of our operations against climate-related risks, we conducted a physical and transition risk assessment with reference to scenarios developed by the Intergovernmental Panel on Climate Change and Network of Central Banks and Supervisors for Greening the Financial System.

As a growing concern accompanying the continual growth of sustainable finance, greenwashing may weaken investors' confidence in an orderly and effective green and sustainable finance market, dilute sustainability efforts and pose investor protection risks. Gatekeeping against greenwashing is our top priority. We closely monitor the latest market and regulatory developments and implementation of existing measures.

Implementing a comprehensive strategy for sustainable finance

The *Agenda for Green and Sustainable Finance* details our strategy to develop a robust regulatory framework, which covers listed companies, asset managers, ESG funds, investor protection, technology and innovation,

A comprehensive strategy for sustainable finance



Sustainability

and carbon markets. Under this framework, we work collaboratively to build the local sustainable finance ecosystem and actively contribute to international standard setting by taking a lead at the International Organization of Securities Commissions (IOSCO).

Building an enabling local ecosystem

Sustainability considerations are not only cross-border but also cross-sectoral in nature. Recognising the need to strengthen local coordination, we initiated and co-lead Hong Kong's Green and Sustainable Finance Cross-Agency Steering Group (Steering Group)⁷, which aims to coordinate the management of climate and environmental risks, accelerate the growth of green and sustainable finance and support the HKSAR Government's climate strategies.

During the year, the Steering Group progressed in advancing its 2023-25 priorities of world-class regulation, data and technology for transition, market opportunities and product innovation, and communication, capacity building and collaboration with the Mainland, regional and global markets. It launched:

- ◆ new workstreams on Hong Kong's adoption of the IFRS Sustainability Disclosure Standards published by the International Sustainability Standards Board (ISSB) as appropriate, and on policy and market development initiatives to support transition planning and finance;
- ◆ the Prototype Hong Kong Green Fintech Map to help corporates and financial firms identify Green Fintech solutions to meet business needs (see sidebar on page 119);

- ◆ greenhouse gas emissions calculation and estimation tools to facilitate sustainability reporting by corporates and financial institutions (see sidebar on page 119);
- ◆ the Guangdong-Hong Kong-Macao Greater Bay Area Green Finance Cooperation Meeting and an industry roundtable to exchange views on regional collaboration, sustainability disclosures, transition finance, as well as data and Green Fintech; and
- ◆ a revamped website which serves as a centralised hub for sustainability-related data, regulation, news and events, training and internship opportunities. It also contains an e-portal to facilitate entities in digital sustainability reporting⁸.

In addition, the Steering Group continues to administer the HKSAR Government's Pilot Green and Sustainable Finance Capacity Building Support Scheme and supports the Sustainable Finance Internship Initiative.

Developing a comprehensive regulatory framework

Corporate sustainability disclosures

We continue to take steps to enhance sustainability disclosures in Hong Kong. Disclosures aligned with international standards are integral to meeting investors' needs for comparable and consistent information to inform decisions, and also to reinforcing Hong Kong's position in intermediating capital flows.

⁷ Established in May 2020, the Steering Group is co-chaired by the SFC and the Hong Kong Monetary Authority, and also includes the Financial Services and the Treasury Bureau, Environment and Ecology Bureau, Insurance Authority, Mandatory Provident Fund Schemes Authority, Accounting and Financial Reporting Council and Hong Kong Exchanges and Clearing Limited.

⁸ The sustainability disclosure e-portal facilitates reporting against the Climate and Environmental Risk Questionnaire for Non-listed companies, which was developed and launched in 2022 by the Steering Group and CDP, a global non-profit body that runs the world's environmental disclosure system for companies, cities, states and regions.

Data and technology to support growth of sustainable capital markets

The availability and quality of sustainability-related data in the real economy are crucial to market transparency and to investors in making informed decisions, thereby channeling capital flows into sustainable projects.

To facilitate sustainability reporting by corporates and financial institutions in Hong Kong, the Steering Group and the Hong Kong University of Science and Technology launched two tools to calculate and estimate greenhouse gas emissions in February 2024.

The tools, which are available for free public access on the Steering Group's website, feature clearly disclosed methodologies and incorporate Hong Kong and the Mainland's elements data in the calculation and estimation modelling while referencing widely adopted international standards.

Additionally, during the Hong Kong Green Week, the Steering Group, Cyberport and Invest Hong Kong launched the Prototype Hong Kong Green Fintech Map, a directory of over 50 Green Fintech firms operating in Hong Kong as of February 2024. The Green Fintech solutions offered by these firms include ESG data and analytics, ESG disclosures and regulatory reporting, climate risk modelling and assessment, green digital finance and investments, and carbon credit trading and analytics.

Green Fintech has potential to facilitate the flow of sustainability-related information and support financial institutions in ways such as meeting regulatory requirements and informing investment decisions and developing new financial products. The map aims to help corporates and financial firms identify Green Fintech solutions which meet their business needs.



Launch ceremony of greenhouse gas emissions calculation and estimation tools



Sustainability

We co-lead a working group on sustainability disclosures with the Financial Services and the Treasury Bureau under the Steering Group. This working group is developing a roadmap on Hong Kong's appropriate adoption of the IFRS Sustainability Disclosure Standards, which will comprise four key areas of sustainability reporting, assurance, data and technology, and capacity building. During the year, we contributed to the working group's desktop research and stakeholder engagement activities, which informed the HKSAR Government's vision statement on developing a sustainability disclosure ecosystem in Hong Kong issued in March 2024.

To build Hong Kong listed companies' capabilities and preparedness, we have been working closely with the Stock Exchange of Hong Kong Limited (SEHK) to develop enhanced climate-related reporting requirements. In

April 2023, SEHK consulted the market on proposals to enhance climate-related disclosures under its ESG framework, which were informed by the exposure draft IFRS S2 Climate-related Disclosures. The finalised Listing Rule requirements were announced in April 2024 and will take effect on 1 January 2025. This is an important first step towards achieving Hong Kong's ambition of becoming one of the first jurisdictions to align local sustainability disclosure requirements with the IFRS Sustainability Disclosure Standards.

Many companies listed on SEHK have businesses with sizable Mainland operations and value chain exposures. We have been engaging with the China Securities Regulatory Commission to ensure that our approach considers the pace of regulatory developments on the Mainland.

Promoting sustainability disclosures in Hong Kong

The SFC takes active steps to prepare the industry and raise its awareness of sustainability reporting against international standards, including the IFRS Sustainability Disclosure Standards, to bolster Hong Kong's position as a leading sustainable finance hub.

In November 2023, we held our inaugural Forum on Sustainability Disclosures where more than 200 leaders from the financial industry, listed companies and industry associations, as well as policymakers from Hong Kong, the Mainland and Asia-Pacific attended. Discussions focused on the benefits and challenges of adopting international sustainability reporting and assurance standards locally, including the enormous fund-raising opportunities associated with comparable high-quality disclosures as well as the need for increased public-private partnerships and use of technology to address data gaps.



SFC Forum on Sustainability Disclosures

In March 2024, we hosted an industry roundtable organised by the Steering Group and the ISSB to discuss and promote sustainability disclosures by companies and financial institutions in Hong Kong. Participants exchanged views on their experiences in and the unique circumstances for entities making sustainability disclosures in Hong Kong and Asia. Following this event, the Steering Group and the ISSB agreed to maintain dialogues and strengthen collaboration on developing comprehensive capacity building programmes.

Intermediaries

We continue to closely monitor the implementation of our climate-related requirements for fund managers⁹, which aim to help investors make informed investment decisions and understand the impact of climate change on their investments.

With investors' increasing demand for ESG-related products, the use of ESG ratings and data products by asset managers and funds has grown considerably. Our fact-finding exercise and industry outreach found that surveyed asset managers had concerns about data quality, transparency, and conflicts of interest management of these product providers. In October 2023, we supported and sponsored the development of a voluntary code of conduct for ESG ratings and data products providers via an industry-led working group. When this code is finalised, we will consider providing principles-based guidance to our licensed corporations on leveraging it to conduct due diligence and ongoing assessment.



ESG funds

We closely monitor ESG funds' compliance with our enhanced requirements for disclosures and annual assessments, which aim to help investors understand the features of these funds and determine whether they meet their investment needs. During the year, we maintained dialogue with fund managers of new ESG funds with novel strategies and kept abreast of latest market developments in this area.

Public outreach

We work with the Investor and Financial Education Council (IFEC), an SFC subsidiary dedicated to improving financial literacy in Hong Kong, to raise public awareness and understanding of sustainable finance through mass communication and public outreach initiatives.

Our Senior Director and Head of International Affairs and Sustainable Finance Ms Christine Kung spoke at an event as part of Hong Kong Federation of Youth Groups' *Stepping Forward with Commitment to Hong Kong* campaign. She also acted as a judge of the Hong Kong Securities and Investment Institute's competition on sustainability projects for university students in promoting Hong Kong's sustainable finance initiatives and supporting young talent development.

Sustainable finance initiatives launched by the IFEC during the year included:

- ◆ holding a talk to discuss financial return and ESG benefits of sustainable investing with support from Hong Kong Exchanges and Clearing Limited (HKEX), the CFA Institute and CFA Society Hong Kong during IOSCO's World Investor Week 2023;
- ◆ publishing a series of articles on its website and blog explaining financial return and ESG benefits of sustainable investing, how ESG adds value to shareholders, ESG indexes and ratings, and greenwashing; and
- ◆ raising public awareness and understanding of green and sustainable finance through social media channels and newspaper columns.

IFEC also gauged retail investors' awareness and perception of sustainable finance through its flagship research *Retail Investor Study 2023*. The findings of this study helped to inform IFEC's continuing effort on educating the investing public on the topic.

⁹ Fully effective in November 2022, the SFC's new conduct of conduct for fund managers requires them to systematically assess climate-related risks associated with their investment strategies and portfolios and to provide investors with appropriate disclosures.

Being a leading voice in the international regulatory community

As climate change and other sustainability concerns are global in nature, a coordinated approach is crucial to effectively promote understanding of sustainability, address related risks, harness its opportunities, and mitigate any potential risks of regulatory fragmentation and arbitrage. International standards and policy recommendations have significant importance in informing our domestic policy agenda, which we seek to align with international best practices with a view to showcasing a clear pathway for the region.

Our international priority is to ensure that global regulatory approaches and requirements are interoperable and adopted across jurisdictions. Through our leading role within IOSCO's Sustainable Finance Task Force (STF) and Asia-Pacific Regional Committee, we promote regulatory alignment, knowledge sharing and capacity building in the region on sustainable finance topics including sustainability disclosures and carbon markets.

In addition, we are a supporter of the TCFD Recommendations, a member of the International Platform on Sustainable Finance, and a member of the Consultative Group of the United Nations Sustainable Stock Exchanges Initiative (SSE). We also participate in the SSE's Advisory Group on Carbon Markets.

Risk management: Monitoring and addressing sustainability challenges

We proactively identify, assess and manage climate and sustainability-related risks to our regulatees and ourselves. Our cross-divisional Risk Review Group takes active steps to identify and monitor potential and emerging risks facing the SFC in a comprehensive manner, including macro financial risks and operational risks relating to climate and sustainability. The group reports to the Board and ExCo regularly.

Risks to regulatory initiatives

Our local and international engagements help us identify and assess climate and sustainability-related risks. We are a member of the IOSCO Committee on Emerging Risks, which focuses on the identification and assessment of regulatory issues across securities markets and informs the IOSCO Board in determining key priorities. We also actively engage with regulatory bodies and the industry on the latest developments and risks associated with climate and sustainable finance.

We facilitate the financial sector's consideration and management of climate and sustainability risks by introducing a number of regulatory requirements and guidance. We also worked with local and international regulators and stakeholders to promote the adoption of global standards.

Risks to operational activities

In late 2023, we made an important strategic decision to acquire the floors we already occupied in One Island East, which were previously leased. This minimises disruptions to our operations while ensuring cost-effectiveness and environmental sustainability¹⁰.

Swire Properties, as the co-owner and property manager of the building, has taken proactive steps to address climate change. It has established 1.5°C-aligned science-based targets, which aim for net-zero emissions by 2050. To further strengthen resilience and mitigate risks, short and medium-term measures have been identified, such as enhancing flood protection measures and alert systems, improving chiller efficiency, conducting regular inspections of the glass facade, and implementing smart monitoring systems.

¹⁰ See Corporate Developments on pages 137-143.

With a commitment to address climate-related risks while ensuring business continuity, we have incorporated comprehensive measures into our business resumption plan. This plan not only covers our office premises, but also encompasses our communications and computer services. We actively mitigate various risks associated with climate-related physical hazards, technical issues, fires, and other emergencies. Furthermore, we conduct routine simulation exercises and have established emergency response teams to effectively manage critical crises and maintain operational capabilities during major incidents. To promote energy efficiency and minimise environmental impact, we prioritise regular maintenance of our electrical and audio-visual equipment, as well as our air conditioning systems.

By ensuring optimal efficiency, we save energy and reduce our carbon footprint. We have also engaged an external consultant to assess our corporate emissions footprint and have been monitoring our emissions on a regular basis.

Metric and targets: Taking stock of our climate impact

As a responsible organisation, our commitment extends to addressing the full range of risks arising from climate change and sustainability. We have pledged to achieve carbon neutrality before 2050, in line with the HKSAR Government's *Hong Kong's Climate Action Plan 2050*, with an interim target of reducing 50% of our total carbon emissions by 2030.

An external consultant assesses our organisation's emissions footprint covering Scope 1 (direct emissions), 2 (indirect emissions), and 3 (value chain and investments) emissions under the Greenhouse Gas Protocol. We reduced 48.6% of our total carbon emissions against our baseline. The table below shows the Scope 1, 2 and 3 emissions for our baseline and the 2023-24 financial year.

The SFC's Scope 1, 2, and 3 emissions^a in 2023/24 (tCO₂e^b)



^a The emission figures were computed by the SFC's consultant based on available data, and in some cases are subject to estimation.
^b Tonnes of carbon dioxide equivalent.
^c Including electricity transmission and distribution, hotel accommodations, car rentals and waste.
^d Restated to reflect updates in emission factors including CH₄ and N₂O.
^e Restated to include estimated carbon emissions from solid waste.
^f Restated to reflect changes in fuel and others categories.

Sustainability



The SFC receives the Green Performance Pledge Award (Platinum)

Our office premises in Quarry Bay take green factors into consideration and have received a Building Environment Assessment Method rating of Platinum, the highest rating available. During the year, we achieved significant improvements in energy savings, water efficiency, and waste diversion rates by undertaking a range of reduction efforts detailed below and our corporate green initiatives focused on waste reduction and recycling¹¹.

We are one of the four organisations to receive the highest platinum rating of Swire Properties' Green Performance Pledge, an action-oriented programme that provides tools and support for tenants to improve their performance on energy, water and waste reduction. During the year, we conducted energy audits, water flow tests, and retrofitted flow restrictors to reduce energy and water usage. In addition, we replaced approximately 360 fluorescent tubes with LED light strips in all floor corridors. We will continue to collaborate with Swire Properties under the programme to further reduce our resources consumption and environmental impact.

To meet our carbon neutrality goals, we work towards reducing our portfolio's financed emissions. We closely monitor and review the allocation of assets in our investment portfolio and engage with our fund managers to communicate our targets, understand our financed emissions, request disclosures of emissions metrics as appropriate, and consider green investment options.

To support talent development in sustainable finance, we offer the Sustainable Finance Internship Programme to provide university students with exposure to setting and implementing sustainable finance policies. Apart from introducing initiatives to raise staff awareness of the need to decarbonise and reduce our carbon footprint¹¹, we have enhanced our internal staff training curriculum to support our sustainable finance regulatory initiatives.

Understanding practical use case of carbon credits

During the year, representatives of the Steering Group visited the Organic Resources Recovery Centre Phase 2 (O · PARK2) located in Sha Ling to learn about emissions computation, new technologies to reduce emissions, and how carbon credits were applied to offset emissions.

O · PARK2 is a HKSAR Government project focusing on converting food waste into biogas, which would then be used for electricity generation to support the operations of the facility and provide energy to the power grid. Apart from adopting sustainable business practices, the project operator purchased voluntary carbon credits from CORE Climate, HKEX's trading platform for verified carbon credits, to offset carbon emissions from the project.



Visit to O · PARK2 in Sha Ling

¹¹ See Corporate Social Responsibility on pages 125-133.

Corporate Social Responsibility

We are committed to making a positive impact on society by giving back to the community and promoting sustainable practices. Caring for the community, supporting sustainability, protecting the environment, and promoting staff wellness are essential components of our corporate social responsibility (CSR) initiatives.

Driving positive changes

As a regulator in an international financial centre, we are firmly dedicated to acting as a socially responsible organisation and incorporating CSR principles into our daily operational decisions and practices.

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. It reports directly to the SFC’s Executive Committee.

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.

Three working groups are established under the CSR Committee — the Commission Volunteers Group, Green Working Group and Wellness Group. Each group is charged with planning and implementing initiatives under specific themes.

We share our CSR goals, principles and activities on our corporate website and intranet, and send out regular event recaps, upcoming events and quarterly e-newsletters to update staff about our CSR activities. Our CSR intranet serves as a one-stop platform for enhanced communications, letting participants share first-hand accounts of our CSR activities and feedback.

Our CSR efforts have been recognised by the Hong Kong Council of Social Service, which has named us a “Caring Organisation” since 2006.

CSR working groups and themes





Fostering a greener marketplace

Being a regulator of Hong Kong's financial markets, we adopt measures to enhance industry-wide operational efficiency and promote eco-friendly practices. Our initiatives not only contribute to conserving energy but also aim to improve the overall sustainability of the industry.

The industry can electronically sign and submit licensing applications and other documents and communicate more efficiently with us through our fully digitalised licensing platform WINGS¹ 2.0, together with a companion mobile application WINGS Mobile. During the year, about 186,000 applications and regulatory filings were electronically signed and submitted via WINGS. About \$55 million were paid to the SFC electronically. It is estimated that over 1,140,000 sheets of paper, equivalent to about 114 trees, have been saved since the launch of WINGS 2.0, as we no longer accept licensing applications in paper form.

Empowering community through volunteering

Through volunteering and engagement opportunities, our staff make a positive change in the community. We offer volunteering leave to encourage staff participation in community service. This year, 212 SFC staff including their friends and family members spent a total of 863 hours volunteering on society inclusion, elderly caring, animal protection and environmental conservation.

Our staff also support community services through donations and participation in fundraising events. We raised a total of \$90,209 this year through various large-scale community events, such as Pedal Power 10 (see sidebar on page 131) 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 minimises waste in landfills. This year, we donated 480 rapid antigen test kits to the Hong Kong Sports Association for Physically Disabled and 25 printers to the needy through the Caritas Computer Workshop. Also, eight cartons of toys, clothing and books were collected for the Salvation Army Recycling Programme. To promote a culture of sharing and resource circulation, we encouraged staff to join events organised by Swire Properties including the Mooncake Sharing Programme and Red Packet Recycling Programme.

Contributions

| | 2023/24 | 2022/23 | 2021/22 |
|--|----------|----------|----------|
| Number of staff participating in volunteering activities | 212 | 99 | 39 |
| Total volunteering hours | 863 | 409 | 120 |
| Funds raised for community causes | \$90,209 | \$80,156 | \$86,922 |
| Corporate sponsorships for community causes [^] | \$5,000 | \$24,185 | \$2,000 |

[^] Including donations in lieu of corporate gifts made in the names of guest speakers invited to our in-house training seminars.

¹ Web-based INTeGrated Service.

During the year, we collaborated with the Fu Hong Society and the Hong Kong Society for Rehabilitation to sell groceries and items made by their members at our in-house Christmas Giving Fair. In the same event, we also invited Coffee Bunnies, a social enterprise under The Neighbourhood Advice-Action Council that provides opportunities for youth employment amid the pandemic, to provide brewed beverages to participants. Additional funds were also raised from the sale of items handmade by our staff.

To foster a culture of harmony between people and animals, we collaborated with Time Auction and Rise Wise to organise a therapy dog experiential day for children with special educational needs (SEN). A total of 19 colleagues joined this event, which raised awareness towards these children and leveraged therapy dogs to serve the community.

Additionally, we partnered with ImpactHK to organise a Kindness Walk where staff volunteers and their family members served food and necessities to the homeless in Tung Chau Street Park. This activity gave us an opportunity to understand the issue of homelessness and the importance of taking action to serve the community. In a food sorting activity jointly organised with Feeding Hong Kong, our staff volunteers and their family members helped sort food at the Yau Tong warehouse, raising their awareness towards food waste and its connection to hunger.

Protecting our environment

Going green in workplace

We are dedicated to minimising our impact on the environment and promoting sustainability². 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 in our office include motion and daylight sensor lighting, and LED light fittings. The office layout was designed to allow more natural light. Recycling bins collecting a range of materials are conveniently located across the office and the number of individual waste bins in office has been reduced to encourage less waste.

To reduce our paper consumption, we make our internal procedures electronic and share meeting materials on tablets and paperless diaries. We explain to staff the environmental impact of colour printing and remind them to consider the environment before printing. Printers are set by default to print greyscale and double-sided to encourage eco-friendly printing. Our annual reports are only published online as a digital version.



Engaging with SEN children and therapy dogs



Sorting food for charity deliveries

² See Sustainability on pages 115-124.

Full resumption and beyond under One SFC family

With normalcy fully resumed after the pandemic, we stepped up to organise meaningful events for staff and the community throughout the year, with a total of 48 events held and staff participation surpassing 2,000. Volunteering work participation has increased significantly to 212 staff who volunteered and about 863 hours, up 86% from the pre-pandemic period, and over \$90,000 in staff donations were made to community.

At the same time, we have further built rapport across the organisation under our core value of "One SFC" through a variety of engaging recreational activities. While resuming popular major events and interest classes, we organised a series of new thematic activities to elevate staff's experience. For the first time, we launched the Summer Chill series including the first-ever SFC TGIF happy hours in-house event, which featured our staff's engrossing music performance. More

than 120 participants enjoyed mingling in a fun and relaxing atmosphere with food and drinks after work. In addition to the popular movie night, we offered a brand new wine tasting experience and the Ping Pong Jam sessions in the series.

Furthermore, the highly anticipated Christmas Dinner in our Winter Fest Series returned with an impressive turnout of 800 colleagues or 82% of all staff. A new "SFC Festive CNY" series featuring engaging activities was organised during the Chinese New Year.

To provide a positive workplace that embraces the power of leisure, we resumed our sports activities during the year which promote staff morale and team bonding. These included the Stanley International Dragon Boat Championships, Basketball Supervisory Cup, Corporate Challenge in The Standard Chartered Marathon and football tournament. Our excellent teamwork powered us to the best results in sporting events over the years.



Our football team wins the first BNP Paribas Football Bowl



Christmas dinner



Dragon boat race

Our volunteering events

| Month | Activity | Purpose | Outcome |
|-----------------------------|---|--|--|
| August 2022– August 2023 | Phone call support to the elderly with Neighbourhood Advice-Action Council | To provide emotional support to the elderly | 14 staff volunteers were paired with elderly individuals and checked in on them over the phone at least twice a month |
| April 2023 | Rapid antigen test kit donation to Hong Kong Sports Association for the Physically Disabled | To help ensure the safety and health of athletes and staff in sports events | Donated 480 sets of rapid antigen test kits |
| April 2023 | Trail and beach clean-up at Lap Sap Wan | To raise awareness towards the marine refuse problem | 24 staff volunteers and their family members participated in the activity |
| June 2023 | Soap art recycling workshop with Soap Cycling | To improve the personal hygiene and promote a greener lifestyle | 50 staff volunteers made colourful soap bars for underprivileged groups |
| July 2023 | Printer donation to Caritas Computer Workshop | To give away items to those in need and reduce electronic waste in landfills | Donated 25 printers |
| August 2023 | Kindness Walk with ImpactHK | To understand the issue of homelessness by interacting with the homeless and understand the challenges they face | 16 staff volunteers and their family members distributed necessities to the homeless in Tung Chau Street Park |
| October 2023 | Food sorting with Feeding Hong Kong | To raise awareness towards food waste and its connection to hunger | 30 staff volunteers and their family members sorted food in the warehouse of Feeding Hong Kong for charity deliveries |
| November 2023 | Mental health and wellness therapy dog experiential day with SEN children | To know more about SEN children and leveraging therapy dogs | 19 staff volunteers engaged with SEN children and therapy dogs through games |
| December 2023 | Christmas giving fair | To raise funds and spread Christmas joy to the underprivileged | Four staff volunteers prepared muffins, mocktails and handicrafts for the charity sale |
| February 2024 | Embracing and caring for abandoned dogs in animal shelter | To better understand the issue of abandoned animals' welfare | 21 staff volunteers visited an animal shelter, the House of Joy and Mercy, and donated food and necessities to the charity |
| March 2024 | Hike and clean-up activity | To help rid trails of waste and promote the practice of leaving no trace | 24 staff volunteers participated in the trail clean-up |

Corporate Social Responsibility



Planting trees at habitat restoration programme



Beach cleanup

Other green practices adopted in our workplace include:

- ◆ switching to LED light stripes in all the floor corridors;
- ◆ installing water flow restrictor to reduce water usage;
- ◆ switching to bamboo paper towels in all pantries;
- ◆ sharing sustainable habits both in the workplace and daily lives;
- ◆ sharing recycling tips and information with staff;
- ◆ recycling coffee grounds;
- ◆ reusing stationery by providing stationery refills; and
- ◆ automatically turning off desktop computers every weekend.

The SFC was the first cohort of companies to participate in the Green Performance Pledge³ conducted by Swire Properties. Our improvements in energy savings, water efficiency and waste diversion rate led us to achieve the highest Platinum rating during the year.

Eco-friendly activities

During the year, we held a number of outdoor activities for staff and their family members to raise environmental awareness and promote a low-carbon, sustainable lifestyle. A total of 24 staff members, along with their friends and families, joined the beach clean-up at Lap Sap Wan, which helped promote environmental protection, particularly reduction of marine refuse. We partnered with the Kadoorie Farm and Botanic Garden to organise a habitat restoration programme where 14 staff volunteers planted native tree species on the hillside of Tai Mo Shan. Participants not only contributed to environmental sustainability but also gained a better understanding of nature

preservation. To promote organic and green living, we organised an eco tour at Go Green Organic Farm for 33 participants, including staff members and their families, to experience a farm visit and take part in hands-on activities such as planting seeds, touring the organic farm, and creating DIY sand paintings.

We also launched the “20-Day Go Green Team Challenge” to encourage staff to embrace green living and improve their health and well-being. 14 staff members successfully completed the challenge by adopting various green habits for 14 and 20 days, such as having a no-meat day, shopping from sustainable shops and joining the vegan day.

Various green workshops, including those on soap art recycling and T-shirt bag upcycling, were available for staff to utilise recyclable and eco-friendly materials, giving new life to unwanted items. Additionally, we encouraged staff to support the events organised by Swire Properties on recycling electrical equipment and clothing. To raise awareness of global warming and 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.

On an ongoing basis, we support the global warming prevention and environmental conservation causes of the World Wide Fund for Nature.

- ◆ No Shark Fins Policy: We have in place an organisation-wide policy pledging not to serve shark fins at any SFC event.
- ◆ Earth Hour 2024: Taking part in this annual energy conservation event for over 20 years, we encouraged staff to switch off lights for one hour and made a pledge as a corporate supporter.

³ An action-oriented programme that provides tools and support for office tenants to reduce consumption of energy, water and waste.

Pedalling for charity

In April 2023, 23 participants including staff and their family members participated in Pedal Power 10, a charity cycling event to raise money for less advantaged youth, schools, and communities to join Outward Bound training courses. These trainings help teenagers gain confidence, build resilience and acquire leadership skills.

All participants successfully completed the ride from Tai Mei Tuk to Science Park either along a 16.6 km regular route or a 31.6 km elite route on a Saturday

morning with perfect weather. Two colleagues took prizes home, with one coming second on the elite route and another coming third on the regular route.

Held since 2011, Pedal Power was not only a fun and rewarding activity for all involved but also a meaningful way to give back to the community. By raising money for Outward Bound training courses, we help empower the development of youth and promote a more inclusive and resilient society.



Consumption and recycling

| | 2023/24 | 2022/23 | 2021/22 |
|----------------------------------|-----------|-----------|-----------|
| Consumption | | | |
| Paper (pieces/head) | 4,419 | 5,429 | 5,421 |
| Electricity (kWh) | 3,231,983 | 2,924,902 | 3,322,576 |
| Recycling | | | |
| Paper (kg) | 20,679 | 25,095 | 19,669 |
| Toner and printer ink cartridges | 563 | 637 | 715 |

Corporate Social Responsibility

Enhancing wellness

We strive to provide a healthy and safe working environment which emphasises employee wellbeing. Our holistic wellbeing framework covering physical, mental, social and family wellbeing sets the foundation for the activities we provided to staff throughout the year:

- ◆ Workshops on recognising and maintaining mental wellbeing for individuals and people managers to support mental health at work
- ◆ Workshops on managing emotions in the workplace facilitated collaboration and overall wellbeing
- ◆ Webinars on emotional care for parents and the elderly helped enhance healthy family relationships
- ◆ A month-long Step Challenge initiative promoted the benefits of physical exercise
- ◆ The SFC Wellbeing Bazaar showcased how the use of artificial intelligence and innovative technology can help us with our mental and physical wellness

- ◆ Various fitness classes helped enhance staff's cardiovascular strength, physical flexibility and coordination as well as stretching
- ◆ Workshops on sound therapy, tea appreciation and chocolate tasting and a massage week helped improve staff wellbeing

As a founding member of the City Mental Health Alliance Hong Kong (CMHA HK), we actively take part in its initiatives. During the year, in addition to participating in the Thriving at Work assessment to take stock of our progress in the journey to promote workplace mental health, we joined its mental health in the workplace surveys to help better address and support mental health and wellbeing in the business community. We promoted free webinars and articles offered by CMHA HK and Mind Hong Kong to provide staff with more resources for maintaining physical and mental health. We also organised a talk with Family Development Foundation on achieving a balance between work and family life. To support both the World Mental Health Day and World Suicide Prevention Day, we promoted a self-care challenge to all staff and shared useful links and information on the importance of looking after yourself, family and friends.



The SFC Wellbeing Bazaar



Fitness class



Tufting workshop

CSR Activity Calendar



July – September 2023

- ◆ Kindness walk with ImpactHK
- ◆ Printer donation to Caritas Computer Workshop
- ◆ Lunch and learn: Recycle of household and office waste
- ◆ Lunch and learn: Relationship between climate change and meat consumption
- ◆ "20-Day Go Green" team challenge
- ◆ DIY eco-friendly lantern workshop
- ◆ World Suicide Prevention Day – "WE CARE" Challenge
- ◆ BarreKore classes
- ◆ Stretching classes for upper and lower back

January – March 2024

- ◆ Embracing and caring abandoned dogs in animal shelter
- ◆ Community Chest Skip Lunch Day
- ◆ Hike and trail clean-up
- ◆ Lunch and learn: Green living
- ◆ Red packet recycling
- ◆ Earth Hour 2024
- ◆ Massage week
- ◆ Sound therapy workshop
- ◆ Detox diet week challenge and healthy fruit day



April – June 2023

- ◆ Pedal Power 10
- ◆ Phone call support to elderly^
- ◆ Blood donation day
- ◆ Surgical masks and rapid antigen test kit donation
- ◆ Community Chest Green Low Carbon Day
- ◆ Trail and beach clean-up at Lap Sap Wan
- ◆ Soap art recycling workshop
- ◆ **DIY T-shirt bag upcycling workshop**
- ◆ Share your green tips challenge
- ◆ Healthy diet week
- ◆ Fitness classes
- ◆ Chocolate tasting workshop



October – December 2023

- ◆ Food sorting and repacking with Feeding Hong Kong
- ◆ Therapy dog experiential day with SEN children
- ◆ Community Chest Dress Casual Day
- ◆ Community Chest Love Teeth Day
- ◆ Christmas giving fair
- ◆ Tree planting in Kadoorie Farm and Botanic Garden's habitat restoration programme
- ◆ **Organic farm tour**
- ◆ No Air Con Night
- ◆ World Mental Health Day – Pamper yourself challenge
- ◆ Mental health weekly articles sharing



^ August 2023–August 2024.