

HKIoD Festive Season Gathering 香港董事學會佳節聯誼

Date	日期：21 Dec 2022
Time	時間：6pm-8pm
Theme	主題：Governance for the Right Balance 適當平衡的管治
Speaker	講者：Ir Edmund K H Leung, Deputy Chairman of HKIoD 香港董事學會副主席 梁廣灝工程師
Venue	地點：The Harcourt Suite, The Hong Kong Club, 1 Jackson Road, Central 香港中環昃臣道一號香港會所夏慤廳



Message from Ir Edmund Leung, Deputy Chairman, HKIoD, at the event

23 December 2022

Good evening, members and guests of The Hong Kong Institute of Directors.

I bring you greetings from our Chairman Christopher To and our Council. Chairman Christopher has a professional engagement today and could not join us to meet you in person, but I and many of our Council members are here to celebrate Christmas and the New Year with you.

With the recent lifting of Covid restrictions, social gatherings have resumed, and I am sure you feel just as excited and warm as I do to be able to enjoy a friendly drink and mingle with friends.

Christmas is a time for sharing and I have been asked to speak to you for a few minutes.

I am an engineer in the infrastructure sector and I hope you will allow me to speak on issues I am familiar with, hopefully inspiring you to consider our role as directors.

Probably the most common topic in our circle these days is ESG. I guess we all know what ESG represents: Environmental, Social and Governance.

I believe we all understand environmental issues. Climate change, energy savings, carbon reduction, and reducing emissions and waste are all subjects familiar to us. The targets can be measured.

But when it comes to social issues, they have become a little bit woolly to understand, as social issues cannot be measured quantitatively.

I have seen a lot of incidents recently: The Mirror incident at the Hong Kong Coliseum, the two incidents on the MTR that disrupted passenger service, the many road accidents involving buses and goods vehicles, and the major power disruption in Tuen Mun.

It is very easy to blame all of these on inexperienced operating personnel and a lack of skilled people due to emigration, but I do see a link between these incidents and ESG.

Most commercial companies are driven by profit, and shareholders would not accept a downward trend in profits year-on-year. The easy way to deal with this, for management, is to squeeze costs to maximize profits, especially in lean years. In doing so, they get an immediate boost in financial results but, in many cases, this severe cost cutting can result in longer term deterioration in performance, leading to failures.

The significance of ESG is to bring up the need to care for environmental and social issues. Attention to stakeholders, in addition to shareholders, should maintain the balance and ensure sustainability.

How often do we see major public utility companies making less profit at times when markets are difficult? I would say never! Publicly listed companies are there to make profits for shareholders, and their executives are sacked as soon as profits drop.

So, the poor stakeholders, mainly the public consumers or commuters, suffer.

You would say, “but Edmund, we have the G for Governance, which should ensure the right balance of attention to both stakeholders and shareholders.”

Yes, but how effective is that in the real world? How often are independent non-executive directors, who balance the stakeholders and shareholders (including minority shareholders), brave enough to fight this in board meetings?

I personally believe that we need to raise the stakes a lot higher on the Governance aspects to ensure that balance, much more than the lip service we give it these days.

We cannot rely on our government to control this. It takes too long and often the penalties imposed are not serious enough to change mindsets.

This is why professional institutes like ours can play a role in promoting the need for much stronger balance.

Our role in society is to promote effective governance to fellow directors. Only they can change the focus of management to look at issues wider than short term financial profit. For public utilities, this not only affects our comfort and convenience, but also risks human lives.

We are fortunate that our public utilities are still among the best in the world in efficiency, but we should not be complacent.

Proper attention to ESG for public and private companies will ensure fairness and well-being to all sectors of our community. Benefits to a small sector of the community only breed contempt and disharmony in society, with severe long-term damage.

During this festive season, when we are thinking of joy and enjoyment, we should pay a bit of attention to promoting good governance to achieve better harmony. It will definitely help our society in the longer term.

So much for my personal views. I better stop here to let you enjoy the festive spirit.

I wish you and your family a very Merry Christmas and a most prosperous New Year.