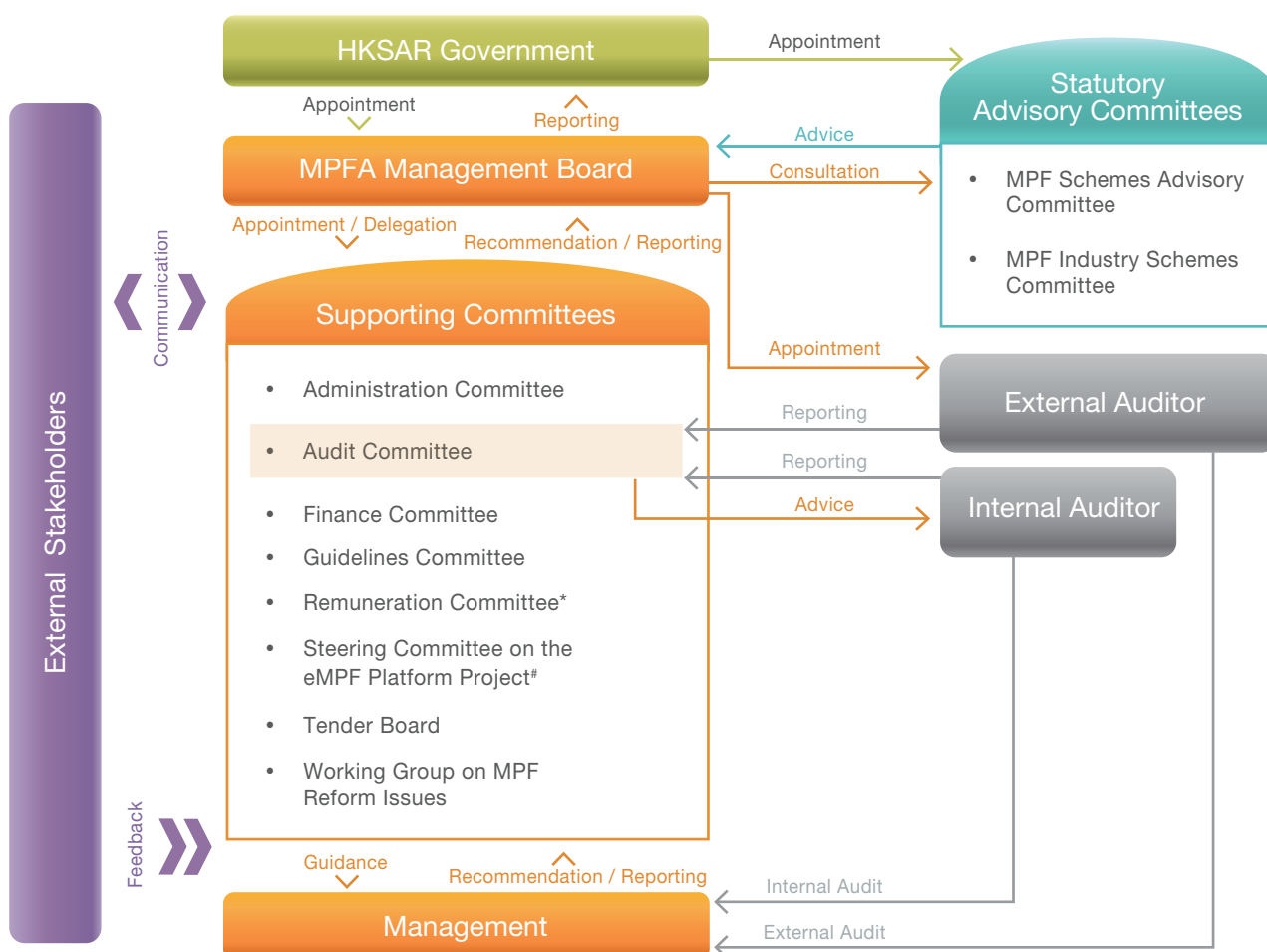


# CORPORATE GOVERNANCE

MPFA contributes to the sustainable development of the second pillar of the retirement protection system in Hong Kong through regulating, supervising and improving the MPF System. In fulfilling this role, we are committed to high standards of corporate governance to promote fairness and ethical conduct and ensure accountability and transparency in our operations. We also strive to enhance the governance standards of our regulatees in the best interests of MPF scheme members. Work in this respect is reported in the Business Operations section on page 46.

MPFA's corporate governance framework and practices are in line with the requirements of the Mandatory Provident Fund Schemes Ordinance (MPFSO) and the governance principles and best practices recommended for public bodies.

## Governance Structure



\* Remuneration Committee makes recommendation to the Government

# Established since March 2019 to oversee specifically the development and implementation of the eMPF Platform project

### The Management Board

#### Role and responsibilities

The Management Board is responsible for determining key corporate strategies and policies, overseeing the delivery of planned programmes, endorsing the corporate plan and budget of MPFA, and ensuring that MPFA's operations are conducted prudently and within the framework of applicable laws, regulations and policies. It gives directions to the executives of MPFA for the administration of MPFA's affairs and delegates the management of day-to-day operations to the executives.

#### Composition

The composition of the Management Board is governed by the MPFSO. It is to consist of not fewer than 10 directors, a majority of whom must be non-executive directors (NEDs). As at 31 March 2020, the Management Board consists of 11 NEDs and five executive directors (EDs).

It is stipulated in the MPFSO that the NEDs are to include representatives of the interests of employers and employees. This is to ensure broad representation of public interests. NEDs also include a balance of experts and professional knowledge that would contribute to the MPF System.

#### Appointment and terms and conditions of office

Directors on the Board are appointed by the Chief Executive of Hong Kong Special Administrative Region (HKSAR) or, under delegated authority, the Financial Secretary of HKSAR. All directors are appointed for a specific term.

The terms and conditions of office of the EDs are determined by the Chief Executive of HKSAR or, under delegated authority, the Financial Secretary of HKSAR.

The Remuneration Committee considers and makes recommendations to the Government regarding the remuneration of EDs. NEDs are not remunerated. The remunerations of individual EDs are disclosed on pages 118 to 119.

#### Responsibilities of directors

With diverse expertise, experience and background, the directors exercise due care and diligence to oversee MPFA's performance.

NEDs, who are not employees of MPFA and not involved in its daily operation, provide insights, bring in independent judgment and maintain objectivity in the Board's decision-making process, and give the Board the benefit of their skills and knowledge. EDs are employees of MPFA responsible for the management of executive functions and day-to-day operations.

#### Chairman and Managing Director

The positions of Chairman and Managing Director are held by different persons and their roles are segregated. The Chairman is an NED providing the Management Board and MPFA with leadership and strategic direction, while the Managing Director is an ED and the administrative head responsible for executing the direction of the Management Board and administering the affairs of MPFA.

### Membership (31.3.2020)

#### Chairman



**Dr David Wong Yau-kar, GBS, JP**

*(from 17 Mar 2015; current term expires on 16 Mar 2021)*

- Chairman, Remuneration Committee, MPFA
- Chairman, Steering Committee on the eMPF Platform Project, MPFA
- Chairman, Working Group on MPF Reform Issues, MPFA
- Deputy, the National People's Congress
- Member, Financial Leaders Forum
- Member, Chief Executive's Council of Advisers on Innovation and Strategic Development
- Member, Exchange Fund Advisory Committee, Hong Kong Monetary Authority
- Independent non-executive director of a number of listed and non-listed companies

#### Non-executive Directors



**Hon Abraham Shek Lai-him, GBS, JP**

*(from 17 Mar 2015; current term expires on 16 Mar 2021)*

- Chairman, Tender Board, MPFA
- Member, Legislative Council
- Member, Court of The Hong Kong University of Science and Technology
- Member, Council and Court of The University of Hong Kong
- Member, Advisory Committee on Corruption of Independent Commission Against Corruption
- Independent non-executive director of a number of Hong Kong listed companies



**Mr Kingsley Wong Kwok, JP**

*(from 17 Mar 2015; current term expires on 16 Mar 2021)*

- Member, National Committee of the Chinese People's Political Consultative Conference (2018-23)
- Member, Hainan Committee of the Chinese People's Political Consultative Conference
- Chairman, The Hong Kong Federation of Trade Unions (HKFTU)
- Chairman, HKFTU Workers' Medical Clinics
- Vice Chairman, Service Industry General Union



**Mr Chan Kam-lam, GBS, JP**

*(from 17 Mar 2017; current term expires on 16 Mar 2021)*

- Chairman, Administration Committee, MPFA
- Member, National Committee of the Chinese People's Political Consultative Conference (2003-18)
- Member, Legislative Council (1995-2016)
- President, Kingrich Asia Holdings Limited
- President, Kingrich Trading Limited
- Director, Shenyang Wuai World Enterprise Company Limited



**Dr Bankee Kwan Pak-hoo, JP**

*(from 17 Mar 2017; current term expires on 16 Mar 2021)*

- Chairman & CEO, Celestial Asia Securities Holdings Limited (CASH Group)
- Chairman, CASH Financial Services Group Limited
- Board Member, Hong Kong Retail Management Association
- Deputy Chairman, Business Facilitation Advisory Committee (BFAC); Convenor, Wholesale and Retail Task Force of BFAC
- Member, Election Committee for the Fourth and Fifth Term of the Chief Executive Election of Hong Kong Special Administrative Region
- Standing Committee Member and Deputy Convener (Hong Kong & Macau Members), Shanghai Committee of the Chinese People's Political Consultative Conference
- Executive Vice President, Hong Kong-Shanghai Economic Development Association
- Director, Hong Kong Justice of the Peace Association



**Mrs Ayesha Macpherson Lau, JP**

*(from 17 Mar 2017; current term expires on 16 Mar 2021)*

- Chairman, Audit Committee, MPFA
- Partner, KPMG China; Managing Partner, Hong Kong, KPMG
- Chairman, International Fiscal Association Hong Kong Branch
- Member, Joint Liaison Committee on Taxation
- Member, Exchange Fund Advisory Committee, Governance Sub-committee, Financial Infrastructure and Market Development Sub-Committee, The Hong Kong Monetary Authority
- Member, Public Service Commission
- Member, Council of The University of Hong Kong
- Chairman, Joint Committee on Student Finance
- Member, Legal Aid Services Council
- Accounting Advisor, Ministry of Finance, the People's Republic of China



**Prof Simon Wong Kit-lung, JP**

*(from 17 Mar 2017; current term expires on 16 Mar 2021)*

- Chairman, Finance Committee, MPFA
- Chairman and Chief Executive Officer, LH Group
- Adjunct Professor, College of Business of City University of Hong Kong
- President, Institution of Dining Art
- Chairman, Catering Industry Training Advisory Committee, Vocational Training Council
- Chairman, Quality Tourism Services Association
- Vice-Chairman, Employees Retraining Board
- Member, Commission on Poverty
- Member, Hong Kong Tourism Board
- Member, MPF Industry Schemes Committee (2012-18)



**Ms Yvonne Cheng Wai-sum, SC**

*(from 1 Oct 2018; current term expires on 30 Sep 2020)*

- Chairman, Guidelines Committee, MPFA
- Senior Counsel, Hong Kong
- Recorder of the Court of First Instance of the High Court
- Member, Securities and Futures Appeals Tribunal Panel
- Member, Financial Reporting Review Panel
- Chairman, Appeal Tribunal Panel (Buildings)



**Mr Lam Chun-sing**

*(from 17 Mar 2019; current term expires on 16 Mar 2021)*

- Chairman, The Federation of Hong Kong and Kowloon Labour Unions
- Member, Protection of Wages on Insolvency Fund Board
- Member, Steering Committee on Qualifications Framework Fund
- Member, Employees Retraining Board
- Member, MPF Schemes Advisory Committee (2015-19)



**Secretary for Financial Services and the Treasury**

*(from 1 Jul 2002; current term expires on 16 Mar 2021)*

**Mr James Henry Lau Jr, JP (ex officio)**

*(The incumbent since 1 Jul 2017)*

- Under Secretary for Financial Services and the Treasury (2014-17)
- Chief Executive Officer, Hong Kong Mortgage Corporation (2004-12)
- Head and Executive Director of various divisions, Hong Kong Monetary Authority (1993-2004)
- Administrative Officer (AO) to AO Staff Grade C in the Administrative Service, Hong Kong Government (1979-93)

*Alternate: Permanent Secretary for Financial Services and the Treasury (Financial Services)*



**Secretary for Labour and Welfare**

*(from 1 Jul 2007; current term expires on 16 Mar 2021)*

**Dr Law Chi-kwong, GBS, JP (ex officio)**

*(The incumbent since 1 Jul 2017)*

- Member, Commission on Poverty
- Chairperson, Community Care Fund Task Force
- Previously Associate Professor, Department of Social Work and Social Administration, The University of Hong Kong
- Member, Legislative Council (1995-97, 1998-2004)

*Alternate: Permanent Secretary for Labour and Welfare*

Executive Directors



**Ms Alice Law Shing-mui**

*Deputy Chairman and Managing Director*

*(from 1 Jul 2018; current term expires on 30 Jun 2021)*

- Chief Operating Officer and Executive Director, MPFA (2012-18)
- Solicitor, Hong Kong (a partner specializing in corporate and commercial practice in a Hong Kong law firm before joining the public sector in 1998)
- Senior Fellow, Hong Kong Securities and Investment Institute
- Member of Council of Advisors for Applied Research of the Hong Kong Institute for Monetary and Financial Research of the Academy of Finance (since 2019)
- Member, Global Future Council on Financial and Monetary Systems of World Economic Forum (2019-20)
- Member, Advisory Committee on Bachelor of Business Administration Programme in Insurance, Financial and Actuarial Analysis, The Chinese University of Hong Kong (2012-18)
- Member, Products Advisory Committee, Securities and Futures Commission (2017-20)
- Member, Hong Kong Monetary Authority's Preparatory Committee for the Establishment of the Academy of Finance (2018-19)
- Director to Senior Director positions at Securities and Futures Commission with last position as Senior Director (Policy, China & Investment Products) (2004-12)
- Non-executive Director, Hong Kong Securities Institute (2004-08)



**Mr Cheng Yan-chee**

*Chief Corporate Affairs Officer and Executive Director*

*(from 3 Apr 2013; current term expires on 2 Apr 2022)*

- Member, Financial Education Coordination Committee of the Investor and Financial Education Council (since Aug 2019)
- Member, Board of Directors of Investor and Financial Education Council (2013-19)
- Deputy Secretary for Home Affairs, Hong Kong Special Administrative Region Government (HKSARG) (2011-12)
- Deputy Secretary for Financial Services and the Treasury, HKSARG (2007-11)
- Deputy Director-General of Trade and Industry, HKSARG (2006-07)
- Deputy Secretary for Education and Manpower, HKSARG (2001-06)
- Deputy Director of Information Technology Services, HKSARG (1999-2001)



**Mr Leo Chu King-chi**

*Chief Operating Officer and Executive Director*

*(from 19 Aug 2019; current term expires on 18 Aug 2022)*

- Chartered Financial Analyst
- Senior Vice President, Post-Trade Division, Hong Kong Exchanges and Clearing Limited (2010-19)
- Vice President, Clearstream Banking (2007-10)
- Vice President, Asia, Tradeweb (2005-07)
- Last position as Head of China and Taiwan, Bloomberg Hong Kong (1998-2005)
- Held various positions in banks before joining Bloomberg Hong Kong



**Ms Cynthia Hui Wai-ye**

*Executive Director (Members)*

*(from 1 Feb 2008; current term expires on 31 Jan 2023)*

- Qualified actuary
- Fellow of the Institute of Actuaries of Australia
- Member, Advisory Committee on Human Resources Development in the Financial Services Sector (2011-13)
- Chief Supervision Manager, MPFA (2006-08)
- Advisor (Insurance Affairs), MPFA (2005-06)
- Held Appointed Actuary, Chief Actuary and Regional Actuary positions in multi-national insurance firms and positions with responsibilities for information technology in major financial institutions in Australia before joining MPFA



**Ms Gabriella Yee Gar-bo**

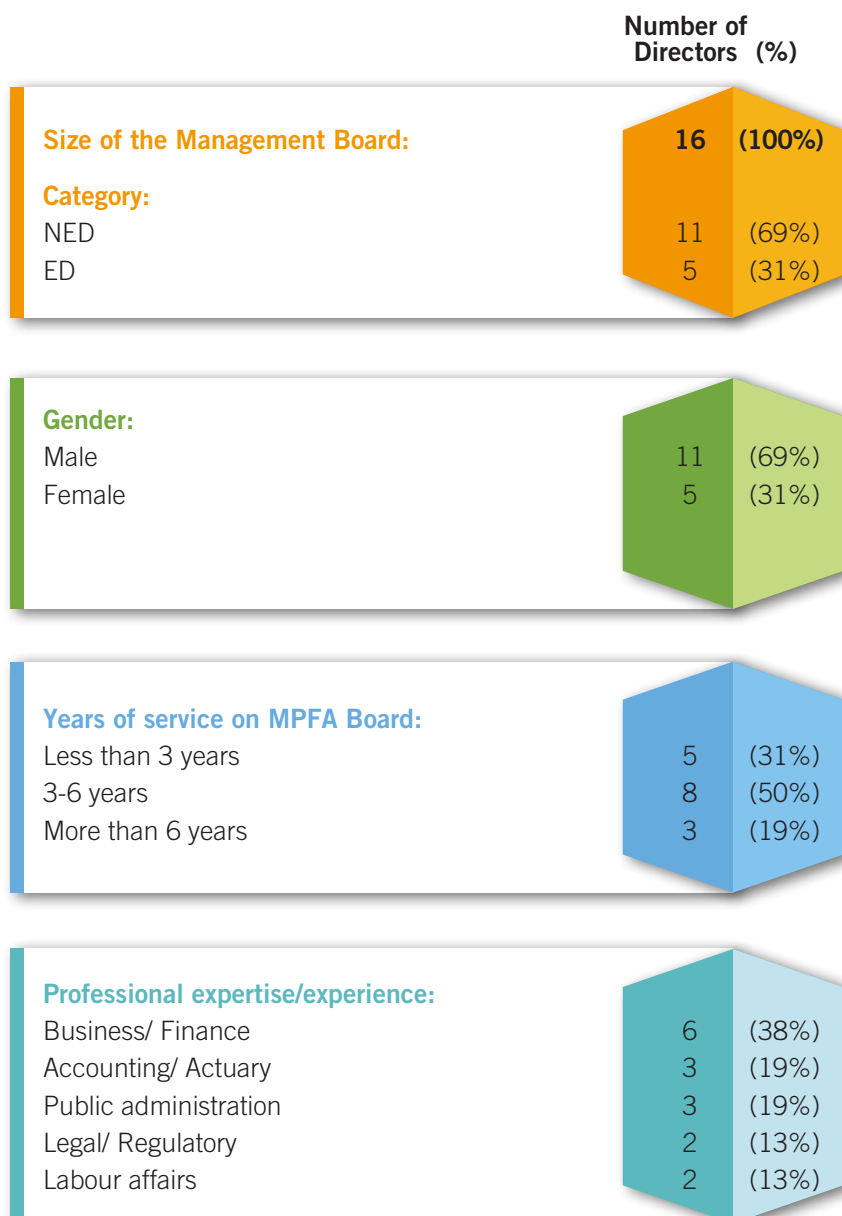
*Executive Director (Policy)*

*(from 25 Mar 2017; current term expires on 24 Mar 2023)*

- Head (Policy Development and Research), MPFA (2011-17)
- Chief Manager (Policy Development and Research), MPFA (2008-11)
- Senior Manager, MPFA (1999-2008)
- Held various positions in the insurance/retirement benefits sector before joining MPFA



## Board diversity



Note: Percentages may not sum up to 100% due to rounding.

### Induction

Newly appointed directors are given briefings and information packages to familiarize them with the MPF System and the work of MPFA. Apart from monthly progress reports on various aspects of work of MPFA, directors are provided with information and briefings on specific issues when necessary to facilitate informed decisions.

### Board processes

Board processes adopted and documented in MPFA's Standing Orders facilitate directors' effective participation in Board business. Key elements include:

- Meetings are held as often as necessary, usually about six meetings a year;
- Participation in meetings by telephone or video conferencing can be arranged for directors (in 2020, telephone and video conferencing was arranged for meetings in line with the Government's policy of social distancing during the COVID-19 pandemic);
- Any director may propose a matter for discussion at Board meetings;
- Agendas and papers are issued to directors well in advance of a meeting;
- The Secretary to the Management Board keeps minutes of meetings recording the directors attending, matters discussed and decisions made;
- Draft minutes are sent to all directors for comments within a reasonable time; and
- Directors are required to observe procedures for declaration of interests and reminded of the same at meetings.

The Secretary to the Management Board is responsible for ensuring that Board policy and procedures are followed and facilitating information flow within the Board.

### Code of conduct for directors

Directors are required to observe the conduct requirements set out in the MPFA Code of Conduct for Directors. They should uphold the principles of honesty, integrity, objectivity and impartiality, be accountable for their decisions and actions, act in the best interests of MPFA, and place public interests above private interests.

EDs, as employees of MPFA, are also bound by the Code of Conduct for Staff of MPFA.

### Management of conflicts of interest

Directors are required to make a general disclosure of their interests, such as remunerated directorship and employment, on appointment to the Management Board, review the disclosed information on an annual basis, and notify the Secretary to the Management Board promptly of any changes.

Directors are also required by legislation to report the nature of a pecuniary interest in a matter placed before the Management Board if the interest appears to raise a conflict with the proper performance of the director's duties in relation to the consideration of the matter. Particulars of the disclosure made at Management Board meetings are recorded in a register available for public inspection.

The above requirements also apply to members of committees set up by the Management Board, including members who are not directors.

### Management Board business in the year

The Management Board held five meetings in 2019-20. The average attendance rate was 90%. In addition, 31 papers were circulated for decision or information.

Key matters considered include:

Governance	<ul style="list-style-type: none"> <li>• Appointment/ re-appointment of members to committees</li> <li>• Re-appointment of external auditor</li> </ul>
Planning and performance monitoring	<ul style="list-style-type: none"> <li>• Corporate plan and budget</li> <li>• Monthly progress reports</li> <li>• Financial statements</li> <li>• Investment performance of and investment strategy/ guidelines for Capital Grant to MPFA and MPF Schemes Compensation Fund</li> </ul>
Strategies and operations	<ul style="list-style-type: none"> <li>• The eMPF Platform project</li> <li>• Communication strategy and programmes</li> <li>• Proposal for renewal of the registration of Industry Schemes</li> <li>• Revisions to codes and guidelines for the MPF industry</li> </ul>
Human resources and general administration	<ul style="list-style-type: none"> <li>• Appointment and re-appointment of directorate staff</li> <li>• Annual salary review</li> <li>• Office accommodation</li> </ul>

The attendance rates of individual directors at meetings are provided on page 35.

## Statutory Advisory Committees

### MPF Schemes Advisory Committee (31.3.2020)



Chairman

**Hon Ip Kwok-him, GBM, GBS, JP**

*(from 1 Nov 2018; current term expires on 31 Oct 2020)*

Member, Executive Council



Deputy Chairman

**Ms Alice Law Shing-mui**

*(from 1 Jul 2018; current term expires on 30 Jun 2021)*

Deputy Chairman and Managing Director, MPFA

Member



**Mr Karson Choi Ka-tsan, BBS**

*(from 30 Mar 2017; current term expires on 29 Mar 2021)*

Vice Chairman, Early Light International (Holdings) Limited



**Ms Chow Yuen-yee**

*(from 30 Mar 2017; current term expires on 29 Mar 2021)*

Founder and Chairperson, CP Solutions Limited



**Hon Kenneth Leung Kai-cheong**

*(from 30 Mar 2017; current term expires on 29 Mar 2021)*

Member, Legislative Council



**Dr Pan Pey-chyou, BBS**

*(from 30 Mar 2017; current term expires on 29 Mar 2021)*

Former Vice President, The Hong Kong Federation of Trade Unions



**Mr Philip Tsai Wing-chung, BBS, JP**

*(from 30 Mar 2017; current term expires on 29 Mar 2021)*

Chairman, Deloitte China



**Ms Winnie Wong Chi-shun**

*(from 30 Mar 2017; current term expires on 29 Mar 2021)*

Chief Executive Officer, Asia Insurance Company Limited



**Mr Lee Wing-man, MH**

*(from 30 Mar 2019; current term expires on 29 Mar 2021)*

District Councillor, Sham Shui Po District (2012-19)



**Mr Emil Yu Chen-on, JP**

*(from 30 Mar 2019; current term expires on 29 Mar 2021)*

Member, Labour Advisory Board

### Role and composition

The MPF Schemes Advisory Committee is established under the MPFSO. It advises MPFA on the operation of the MPFSO and the effectiveness and efficiency of MPFA. It comprises an ED designated by MPFA and at least nine (but no more than 11) other members appointed by the Chief Executive of HKSAR.

### Committee business in 2019-20

During the year, the Committee held two meetings (average attendance rate: 80%). Members gave advice on the proposal for renewal of the registration of Industry Schemes, MPFA's communication strategy and programmes for 2019-20 and beyond as well as the proposed corporate plan of MPFA for 2020-21. The Committee also received progress reports on the eMPF Platform project and various aspects of MPFA's work.

MPF Industry Schemes Committee (31.3.2020)



Chairman

**Dr Roy Chung Chi-ping, GBS, JP**

*(from 25 Aug 2016; current term expires on 24 Aug 2020)*

Co-founder and Non-executive Director, Techtronic Industries Company Limited

Member



**Mr Kwok Wang-hing**

*(from 25 Aug 2014; current term expires on 24 Aug 2020)*

Chairman, Eating Establishment Employees General Union



**Mr Wong Ping**

*(from 25 Aug 2014; current term expires on 24 Aug 2020)*

Chairman, Hong Kong Construction Industry Employees General Union



**Mr Chan Pat-kan**

*(from 25 Aug 2016; current term expires on 24 Aug 2020)*

Chairperson, Construction Site Workers General Union



**Mr Lee Yuen-hong**

*(from 25 Aug 2016; current term expires on 24 Aug 2020)*

President, Hong Kong Federation of Restaurants and Related Trades Limited



**Mr Kenneth Cheung Tat-fai**

*(from 25 Aug 2018; current term expires on 24 Aug 2020)*

Vice Secretary, Hong Kong Construction Sub-Contractors Association



**Mr Rayman Chui Man-wai**

*(from 25 Aug 2018; current term expires on 24 Aug 2020)*

President, Institution of Dining Art



**Mr Yu Chak-ming**

*(from 25 Aug 2018; current term expires on 24 Aug 2020)*

Vice-chairman, Federation of Hong Kong Food & Beverage Industries Trade Unions



**Mr Eddie Lam Kin-wing**

*(from 17 Dec 2018; current term expires on 24 Aug 2020)*

First Vice-President, Hong Kong Construction Association



**Mr Adrian Li Man-kiu, JP**

*(from 25 Aug 2006; current term expires on 24 Aug 2020)*

Chairman of the Board, Bank of East Asia (Trustees) Limited



**Mr Johnson Wong Ho-shun**

*(from 25 Aug 2016; current term expires on 24 Aug 2020)*

Business Director, BCT Financial Limited



**Mr Cheng Yan-chee**

*(from 3 Apr 2013; current term expires on 24 Aug 2020)*

Chief Corporate Affairs Officer and Executive Director, MPFA

### Role and composition

The MPF Industry Schemes (IS) Committee is established under the MPFSO to monitor the effectiveness of IS and advise on ways to improve their administration and operation. It comprises a chairman, representatives of the trustees of IS, and at least six other persons, including persons representing employees and employers, all appointed by the Financial Secretary of HKSAR. An ED is designated by MPFA to sit on the Committee.

### Committee business in 2019-20

During the year, the Committee held three meetings (average attendance rate: 86%), at which members advised on the operation of IS. The Committee also received reports on IS-related enrolment, administration, enforcement, and public education and publicity matters.

## Committees established by the Board

A number of committees, chaired by NEDs, are set up by the Management Board to give advice and assistance to the Management Board. Their terms of reference and membership lists are set out in Appendix 1.

Committee/Working group	Composition	Summary of work in 2019-20
Audit Committee	3 NEDs	<ul style="list-style-type: none"> <li>• Held two meetings (average attendance rate: 67%)</li> <li>• Considered six papers by circulation</li> <li>• Matters considered include:               <ul style="list-style-type: none"> <li>– re-appointment of external auditor for financial years 2019-20 to 2021-22</li> <li>– the financial statements of MPFA and the MPF Schemes Compensation Fund for the financial year 2018-19</li> <li>– the half-yearly financial reports for the financial year 2019-20</li> <li>– reports and proposals in respect of the internal audit programme, including various internal audit reports on the following subjects:                   <ul style="list-style-type: none"> <li>– cash and liquidity management</li> <li>– receipt process on default contributions</li> <li>– identifying and handling of breaches committed by trustees</li> <li>– applications for approval of Pooled Investment Funds and Index-Tracking Collective Investment Schemes</li> <li>– procurement</li> <li>– receipt process on Occupational Retirement Schemes Ordinance schemes fees</li> <li>– maintenance of Personal Account Register and Unclaimed Benefits Register</li> <li>– staff recruitment process</li> </ul> </li> </ul> </li> </ul>



Committee/Working group	Composition	Summary of work in 2019-20
Administration Committee	3 NEDs and 2 EDs	<ul style="list-style-type: none"> <li>• Held one meeting (attendance rate: 100%)</li> <li>• Considered four papers by circulation</li> <li>• Considered various human resources matters including:               <ul style="list-style-type: none"> <li>– pay-related matters for non-directorate staff</li> <li>– proposed manpower plan for 2020-21</li> <li>– re-appointment of directorate staff</li> </ul> </li> </ul>
Finance Committee	3 NEDs and 2 EDs	<ul style="list-style-type: none"> <li>• Held two meetings (average attendance rate: 90%)</li> <li>• Considered seven papers and received nine papers for information by circulation</li> <li>• Matters considered include:               <ul style="list-style-type: none"> <li>– investment strategy reviews for the Capital Grant and the MPF Schemes Compensation Fund</li> <li>– performance of external fund managers, master custodian, the Capital Grant and the MPF Schemes Compensation Fund</li> <li>– review of investment guidelines</li> <li>– revised budget for 2019-20 and proposed budget for 2020-21</li> </ul> </li> </ul>
Guidelines Committee	1 NED, 1 ED and 6 co-opted members	<ul style="list-style-type: none"> <li>• No meeting was held during the year</li> <li>• Considered four papers by circulation</li> <li>• Four sets of revised Guidelines and one revised Code were issued, mainly to:               <ul style="list-style-type: none"> <li>– reflect the taking over by the Insurance Authority of the regulatory functions from the three industry bodies in the insurance sector and changes of definitions under the new licensing regime for insurance intermediaries following the implementation of the remaining provisions of the Insurance Companies (Amendment) Ordinance 2015 on 23 September 2019</li> <li>– simplify the notification process for a responsible officer ceasing to be attached to an MPF principal intermediary to enhance operational efficiency</li> <li>– improve the presentation of key information in an annual benefit statement for better readability in order to assist scheme members in their long-term retirement planning</li> <li>– update the list of approved trustees and MPF schemes in the election form for consolidation of MPF personal accounts by scheme members</li> </ul> </li> <li>• 77 sets of Guidelines and two Codes were in force as at 31 March 2020 to provide guidance on the legislative requirements and operational arrangements of the MPF System</li> </ul>

Committee/Working group	Composition	Summary of work in 2019-20
Remuneration Committee	4 NEDs	<ul style="list-style-type: none"> <li>• Held one meeting (attendance rate: 100%)</li> <li>• Considered two papers by circulation</li> <li>• Assessed the performance of directorate staff and considered their remuneration matters</li> </ul>
Steering Committee on the eMPF Platform Project	7 NEDs, 5 EDs and 1 other member	<ul style="list-style-type: none"> <li>• Held six meetings (average attendance rate: 88%)</li> <li>• Considered three papers by circulation</li> <li>• Matters considered include: <ul style="list-style-type: none"> <li>– Progress of the eMPF Platform project</li> <li>– Resources management of the project</li> <li>– Tender exercise for the project</li> <li>– Work plan of the project for 2020-21</li> </ul> </li> </ul>
Tender Board	2 NEDs and 1 ED	<ul style="list-style-type: none"> <li>• No meeting was held during the year</li> <li>• Considered two papers by circulation</li> <li>• Matters considered include: <ul style="list-style-type: none"> <li>– Professional services in relation to Request for Proposal for eMPF Platform</li> <li>– Development of MPFA corporate website</li> </ul> </li> </ul>
Working Group on MPF Reform Issues	6 NEDs	<ul style="list-style-type: none"> <li>• No meeting was held during the year</li> </ul>

The table below sets out the attendance of individual directors at Management Board, Committee and Working Group meetings in 2019-20:

	Management Board	Audit Committee	Administration Committee	Finance Committee	Remuneration Committee	Steering Committee on the eMPF Platform Project <sup>1</sup>
<b>Number of meetings held during the year</b>	5	2	1	2	1	6
<b>Non-executive directors</b>						
Dr David Wong Yau-kar	5/5		1/1	1/2	1/1	6/6
Hon Abraham Shek Lai-him	3/5					
Mr Kingsley Wong Kwok	4/5	1/2				5/6
Mr Chan Kam-lam	4/5		1/1	2/2	1/1	6/6
Dr Bankee Kwan Pak-hoo	4/5	1/2				5/6
Mrs Ayesha Macpherson Lau	5/5	2/2			1/1	
Prof Simon Wong Kit-lung	5/5			2/2	1/1	5/6
Ms Yvonne Cheng Wai-sum	3/5					
Mr Lam Chun-sing	5/5		1/1			
Secretary for Financial Services and the Treasury	5/5 <sup>2</sup>					6/6 <sup>3</sup>
Secretary for Labour and Welfare	4/5 <sup>4</sup>					5/6 <sup>5</sup>
<b>Executive directors</b>						
Ms Alice Law Shing-mui	5/5		1/1	2/2		6/6
Mr Cheng Yan-chee	5/5		1/1	2/2		6/6
Mr Leo Chu King-chi <sup>6</sup>	3/3					4/4
Ms Cynthia Hui Wai-yee	5/5					6/6
Ms Gabriella Yee Gar-bo	5/5					4/6

(The Guidelines Committee, Tender Board and Working Group on MPF Reform Issues did not hold any meeting in 2019-20)

Notes:

- 1 Members who are not directors are not included in this table
- 2 Four meetings attended by alternate director
- 3 Six meetings attended by alternate member
- 4 Four meetings attended by alternate director
- 5 Five meetings attended by alternate member
- 6 Appointed with effect from 19 Aug 2019

### Accountability and Transparency

#### Corporate planning

Before the end of each financial year, MPFA submits a corporate plan and budget for the following year to the Financial Secretary of HKSAR, specifying the objectives for the year, the nature and scope of the planned activities and the estimated expenditure for achieving the objectives.

The progress of implementation of the corporate plan is monitored and reviewed by the senior management and Management Board. The results of a full year review of the corporate plan are submitted to the Financial Secretary of HKSAR.

#### Reporting

We deliver an annual report, together with audited financial statements and auditor's report, to the Financial Secretary of HKSAR each year.

Our annual report for 2018-19 won a Silver Award under the Non-profit Making and Charitable Organizations category at the 2019 Best Annual Reports Awards of the Hong Kong Management Association. We were also awarded a Special Mention under the Public Sector/Not-for-profit (Large) category of the Hong Kong Institute of Certified Public Accountants (HKICPA)'s Best Corporate Governance Awards 2019.

### Financial reporting

Directors are responsible for the preparation of the financial statements that give a true and fair view of MPFA's affairs. The financial statements comply with the accounting standards, reporting standards and interpretations promulgated by the HKICPA.

The financial statements are audited by an external auditor. The appointment of MPFA's external auditor is subject to the approval of the Financial Secretary of HKSAR, on the recommendation of the Management Board. PricewaterhouseCoopers continued to be MPFA's external auditor for the financial year 2019-20.

During the financial year, the auditor's remuneration for audit services provided to MPFA and the MPF Schemes Compensation Fund amounted to HK\$0.27 million and HK\$0.11 million respectively.

### Investment

MPFA has appointed external fund managers to manage its investment portfolios in accordance with the Investment Guidelines approved by the Management Board. The performance of external fund managers is regularly reviewed by MPFA. The external fund managers have confirmed that they adopt the Principles of Responsible Ownership<sup>1</sup> in managing the Hong Kong equity portfolios.

In fact, over half of the investment portfolios managed by MPFA's external fund managers have adopted the environmental, social and governance (ESG) investment framework in making investment decision. Meanwhile, in support of the government's initiatives to promote green finance, MPFA has advised the external fund managers to incorporate green bonds, which are designated bonds intended to support climate-related or other types of special environmental projects, as an option for consideration in their investment decision process.

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<sup>1</sup> A set of Principles of Responsible Ownership was issued by the Securities and Futures Commission in March 2016 to provide guidance to assist investors in meeting their ownership responsibilities in relation to their investments in Hong Kong listed companies for strengthening the corporate governance culture in Hong Kong. Adoption of the Principles is voluntary.

### Procurement practices

The management, processing and control of procurement transactions of MPFA are governed by its Procurement Policies and Procedures Manual (PPPM). In view of the scale and complexity of the eMPF Platform project, a governance framework for the procurement process of the project was specially worked out to complement the PPPM to cater for the wider perspective of a global open tender and to ensure robustness of the procedures. International procurement practices, such as the Agreement on Government Procurement (GPA) of the World Trade Organization (WTO), have also been taken into account in drawing up the framework.

### Code of conduct for staff

MPFA attaches great importance to the integrity and conduct of its staff and expects them to behave in a way consistent with the expectations for public officers with high standard of integrity and conduct.

To ensure that staff understand and observe the relevant standards, requirements and expectations, MPFA has put in place a code of conduct, covering various issues such as acceptance of advantages, conflicts of interest, declaration of financial interests, post-service employment restriction, etc.

Staff are reminded of the requirements set out in the Code from time to time through various internal communication platforms such as emails, circulars, etc. In addition, new staff are required to attend briefing sessions on prevention of bribery and the Code conducted by the Independent Commission Against Corruption and the Human Resources Department.

### Communication with stakeholders

We maintain two-way communication with stakeholders to deliver information to and collect feedback from them in relation to the MPF System. This is done through effective means, including:

- Online platforms (websites, Facebook, Instagram, LinkedIn, Youtube channel and mobile applications)
- media events and press releases
- outreach programmes
- hotline and enquiry counters
- publicity and public education activities, briefings, seminars and talks
- publications such as the quarterly Statistical Digest

Apart from direct contact, we make good use of online channels in our communication efforts. Members of the public can make use of an electronic form to make enquiries and comments to MPFA through its website.

During the year, MPFA received and processed 10 requests made under its Code on Access to Information.

### Handling complaints

The roles and policies of MPFA on handling complaints against employers, MPF trustees, MPF intermediaries, ORSO employers or administrators, and MPFA or MPFA staff are made available on the website of MPFA.

During the COVID-19 pandemic, MPFA continued to accept complaints lodged through email or its hotline, and investigation and follow-up actions on complaints remained largely normal.

Statistics on complaints received in the year and the nature of these complaints are set out on pages 167 to 168.

### Performance pledges

We endeavour to deliver expeditious and client-oriented services in handling public enquiries and complaints. The achievement of performance standards in 2019-20 is set out in the table below.

Service	Service standard	Performance achieved	
		2019-20	2018-19
Call centre service (Hotline 2918 0102)			
Answering hotline enquiries and messages	• Answer hotline enquiries within 3 minutes under normal circumstances (i.e. not more than 600 incoming calls a day)	96.72% <sup>(Note)</sup>	98.93%
	• Reply hotline voice mail messages within the next working day	94.20% <sup>(Note)</sup>	100%
Answering written enquiries	• Acknowledge receipt within 3 working days	99.98%	100%
	• Answer enquiry or provide an interim reply within 10 working days	99.97%	100%
Acknowledging receipt of complaints	• Acknowledge receipt within 3 working days	100%	100%
Complaints investigation			
Making initial contact with complainant by Case Officer	• Contact complainant within 7 working days from the date of receiving a complaint	99.98%	100%

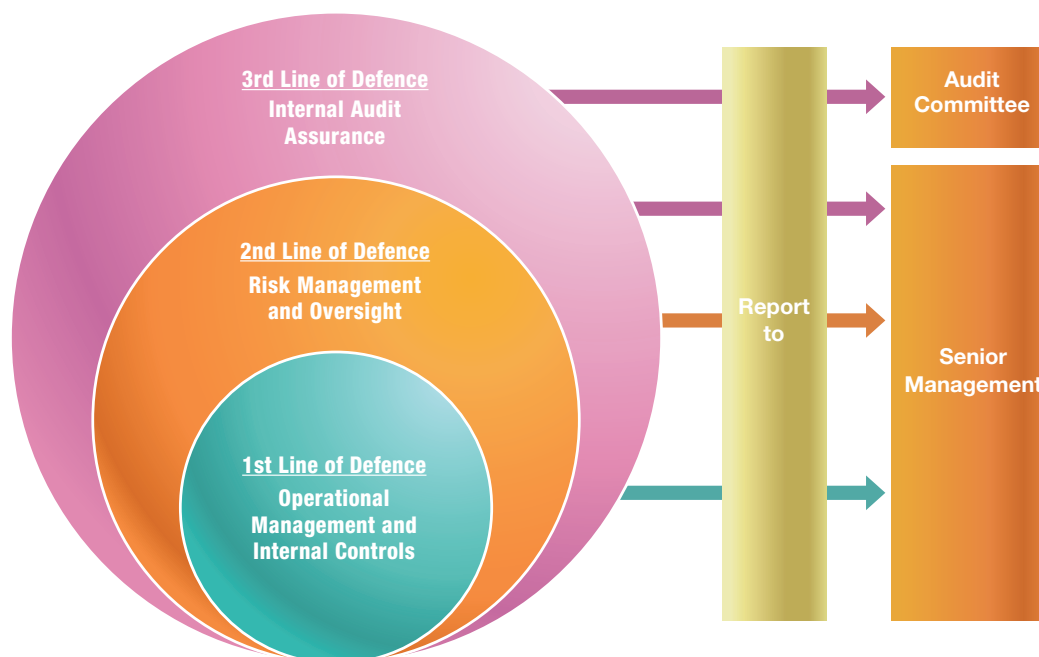
Note: In view of the COVID-19 pandemic, MPFA implemented special work arrangement by making reference to the Government's disease preventive measures to reduce social contact and limited public enquiry service was provided during the period from late January 2020 to end of March 2020.

## Risk Management and Internal Controls

MPFA's risk management and internal control systems are designed to manage and mitigate the risk of failure to achieve corporate goals and objectives. Risk management is integrated with MPFA's internal control system which is developed based on the principles of the Internal Control – Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework 2013), but with due consideration given to our organizational structure and operation nature.

### Three lines of defence

Our risk management and internal control structure meets with a best practice model known as the “Three Lines of Defence Model”. It reinforces MPFA's risk management capabilities and risk and control culture across all divisions and departments.



### *First line of defence: operational management and internal controls*

At the operational management level, internal controls are designed and integrated into systems and processes of day-to-day operations.

All divisions and departments conduct regular reviews on their operational manuals and ensure compliance with internal operational policies and procedures by their staff.

A team of experienced staff in possession of accounting expertise and relevant qualifications is responsible for the financial reporting and accounting functions.

### *Second line of defence: risk management and oversight*

MPFA has adopted a well-structured risk management framework to assist the risk owners in identifying and managing risks in a systematic manner.

Through an integrated top-down and bottom-up risk review process, risk items in MPFA can be effectively identified and prioritized for monitoring by different levels of management according to the risk levels. An open and effective communication channel is also maintained to ensure timely escalation of top risks and reporting of latest risk exposures and mitigation measures.

A corporate level risk register and a divisional/departmental level risk register for each division/department are maintained for ongoing monitoring of treatment plans of identified risks, and are reviewed and updated annually during the corporate planning process.

To maintain continuity of our critical business functions at times of contingency and disaster, we have put in place a set of policies and procedures to set out the roles and responsibilities of the management and divisions/departments concerned in the monitoring and handling of crises.

These guidelines, together with divisional/departmental business continuity plans, are made available in a business continuity plan database for access by staff.

In mid-2019, a task force was set up with six meetings held to ensure MPFA's readiness in response to public events that might impact MPFA's operations.

In view of the outbreak of COVID-19 in Hong Kong, MPFA activated its business continuity plan in January 2020 and adopted various measures to maintain its essential functions while practising social distancing to safeguard the health of the public and its staff. The details are reported in Our Organization section on page 76.

### *Third line of defence: internal audit assurance*

The Risk Management Unit, reporting directly to the Managing Director and the Audit Committee, provides independent assurance on the effectiveness of governance, risk management and internal controls of MPFA, including the manner in which the first and second lines of defence achieve the risk management and internal control objectives. The Unit is resourced with competent staff and has unhindered access to operational information for discharging its duties.

Through a risk-based audit approach, the Unit assesses the effectiveness of internal controls of the organization according to the guidelines and standards on internal audit promulgated by the HKICPA. The COSO Framework 2013 is also adopted to assess the five major components of internal controls, namely, control environment, risk assessment, control activities, information and communication, and monitoring activities.

Internal audit exercises are conducted according to a three-year internal audit programme endorsed by the Audit Committee. Findings are reviewed by the senior management and reported to and considered by the Audit Committee, which reports to the Management Board to ensure the highest level of independence and objectivity.



This year, eight audits covering several important processes as set out on page 32 were conducted and reported to the Audit Committee. The results of these audits showed that control systems in respect of the areas examined were generally adequate and effective, and relevant procedures were generally complied with. Further enhancement opportunities were identified during the exercises, and the divisions/departments audited were committed to implementing the relevant improvement recommendations.

In order to ensure internal control issues are addressed in a timely manner, the Unit has set up a register to monitor and report the implementation progress of the audit recommendations to the Audit Committee on a half-yearly basis.



### Review of internal audit and risk management capabilities

As MPFA continues to grow amidst the evolving operating landscape, not to mention the impending changes to its roles and functions arising from and associated with the eMPF Platform, the role of the Risk Management Unit and its capabilities to support the challenges ahead have become increasingly important. An exercise had commenced in the year to review the capabilities of the Unit, covering both

its internal audit and risk management functions, with an aim to ensure that the capabilities of the Unit are commensurate with and proportionate to its role going forward.

The review examines the breadth and depth of MPFA's internal audit and risk management functions vis-à-vis the evolving environment and recommendations will be made on the appropriate structure, level of resources and the required expertise for the Unit.

### Independent Checks and Balances

#### Appeal boards

The Mandatory Provident Fund Schemes Appeal Board established pursuant to the MPFSO hears appeals against any decision of MPFA specified in Schedule 6 of the MPFSO. The Occupational Retirement Schemes Appeal Board established pursuant to the ORSO hears appeals against the ORSO Registrar's decisions as specified in the ORSO. No appeal was lodged with the two appeal boards during the year.

#### Process Review Panel

The Process Review Panel in relation to the Regulation of Mandatory Provident Fund Intermediaries (PRP) is an independent panel established by the Chief Executive of HKSAR in November 2013 following the commencement of the statutory regulatory regime for MPF intermediaries in November 2012.

The PRP is tasked to review and advise MPFA on the adequacy and consistency of its internal procedures and operational guidelines governing the actions taken and operational decisions made by MPFA and its staff in the performance of its regulatory functions relating to the regulation of MPF intermediaries and associated matters.

In September 2019, the PRP's fourth annual report with its observations and recommendations to MPFA was published. The PRP reviewed 15 cases in relation to MPF intermediaries completed in the review cycle from November 2017 to April 2019. Six of these cases were selected for detailed review. With reference to the observations and recommendations, we have further enhanced internal processes for more effective case handling, enforcement action and communication with frontline regulators.