

## **Phase II Report**

### **Remuneration Packages for Principal Officials of HKSAR Government Appointed Under the New Accountability System**

---

## **Conclusions and Recommendations**

March 25, 2002

Submitted to:

Constitutional Affairs Bureau

Prepared by:

Hay Group Limited  
27/F, 3 Lockhart Road  
Wanchai, Hong Kong

**Table of Contents**

<i>Section</i>	<i>Page</i>
Part I. Introduction	2
Part II. Review of Practices of Selected Countries— Conclusions and Implications for HKSARG	4
Part III. Summary of Results of Remuneration Survey	6
Part IV. Principles of Remuneration of Principal Officials	7
Part V. Recommendations on Remuneration of Principal Officials	14

## **Part I. Introduction**

1. All principal officials holding Secretaries of Department and Directors of Bureau positions in the HKSARG are currently civil servants. They are remunerated according to the relevant civil service pay scale and enjoy fringe benefits that the civil service system provides. They are subject to the civil service management system and the civil service disciplinary mechanism.
2. There have been views expressed that as senior officials are involved in policy making and play a leading role in public affairs, they should be held accountable for the outcome of their policies. In his 2000 Policy Address, the Chief Executive of the HKSAR undertook to examine how, under the leadership of the Chief Executive, the accountability of principal officials for their respective policy portfolios could be enhanced. In his 2001 Policy Address, the Chief Executive outlined the initial thinking on enhancing accountability of principal officials. The idea is to introduce a new system of appointment applicable to the Chief Secretary, the Financial Secretary, the Secretary for Justice, and most Directors of Bureaux. They would be appointed on terms different to those in the civil service. Their term of office would not exceed that of the Chief Executive who nominated them for appointment.
3. An important component in this consideration is determining the remuneration of the principal officials. The HKSARG thus commissioned Hay Group to conduct a study for this purpose.
4. The study includes a review of the approaches taken in a number of economically advanced nations to determine reward practices for appointed, ministerial-level positions. These countries included Australia, Canada, Finland, Netherlands, New Zealand, Singapore, United Kingdom and United States. In addition to understanding current practices, the study offers an opportunity to discern the current thinking or likely trends in remunerating ministerial positions.
5. The study also encompasses a survey of pay practices for top executives in private, public and professional services sectors in Hong Kong. The survey was conducted to identify the levels and components of remuneration of holders of jobs broadly comparable to principal officials of HKSARG and to discern the alternative remuneration opportunities of prospective appointees assuming that they could otherwise be employed as top executives in the sectors surveyed.
6. The Phase I Report explains the methodologies employed and the results of the review of international practices and the Hong Kong top executive remuneration survey.

7. This Phase II Report summarizes conclusions from the Phase I surveys and provides recommendations on remuneration for appointed principal officials. The contents of this report include:
- conclusions drawn from the review of ministerial remuneration in the selected countries in light of the unique institutions and governance of Hong Kong;
  - fundamental principles that guide the formulation of the recommended remuneration package; and
  - taking reference to the above and the results of the pay practices for Hong Kong's top executives, detailed recommendations on the structure and level of remuneration for principal officials of the HKSARG.

## **Part II. Review of Practices of Selected Countries—Conclusions and Implications for HKSARG**

### *Summary of Findings*

8. Based on the review of the policies and practices for determining pay for ministerial level positions in the selected countries, several conclusions may be drawn:
- The determination of ministerial pay, including the process of recommending and approving the specific amounts, reflects the political system's characteristics and is strongly influenced by societal values.
  - Some countries, including Australia, Canada, New Zealand, and the United Kingdom have established independent commissions to recommend or determine pay for ministers, and the United States has from time to time sought to emulate that model. These commissions ensure appropriate relativity to civil service, public sector, and private sector remuneration practices. The commissions were formed in part to ensure that pay for top civil servants and ministers is reasonable, whilst enhancing objectivity and reducing political influences in decision making.
  - Others (Finland and Netherlands) have established more direct links to civil service pay levels, such that ministers would be paid at or near the top of the civil service pay scales.
  - Uniquely, Singapore has established a process to ensure that ministerial pay levels are competitive with those of top executives in the private sector, in recognition that ministers are highly capable executives who provide value to society that is at least comparable to the value of private sector executives. Furthermore, Singapore's use of merit-based salary adjustments and variable pay is intended to reinforce an orientation toward individual as well as government performance.
  - While it is generally recognized that ministerial jobs are highly complex in both scope and responsibility, the pay levels of these positions is much lower than that of comparable positions in the private sector, with the exception of Singapore. Though the independent commissions in United Kingdom and other countries periodically undertake private sector remuneration comparisons, the recommendations made by the commissions are not intended to match pay levels that prevail in the private sector.
  - The structure of ministers' remuneration packages in most countries (except United States and Singapore) reflects the fact that they are politicians and usually members of parliament who have to provide service to constituencies that are often located some distance from the seat of government. Besides salaries, the packages usually consist of a number of allowances to cover costs of providing constituent services and expenses incurred directly as a result of holding a ministerial

position or serving as a member of parliament. These allowances may include housing, if the minister must maintain a second home, travel, and other expense allowances. These allowances are often non-accountable, though they usually have limits.

- Ministers also are entitled to a range of benefits that are typical of and comparable to those provided to civil servants. These include retirement schemes, medical coverage, life insurance and similar. Most countries do not provide perquisites to ministers, except perhaps access to car and driver for spouses of ministers. As a matter of job requirements and perhaps security, ministers are typically provided with a car and driver, sometimes for personal use.

#### *Implications for Hong Kong*

9. As in other countries, principles for remuneration of principal officials should be aligned with sociopolitical and cultural values but balanced against economic reality and the institutional needs of the HKSAR.
10. Approaches taken in countries where ministers are professional politicians may not be appropriate in Hong Kong where principal officials may be drawn from different sectors and backgrounds. On the other hand, there are non-financial rewards associated with top level public offices. Financial rewards should not be the sole consideration of a candidate for a principal official position. Incentives such as honour and the opportunity to contribute to the improvement of society should also be considered when setting remuneration.
11. Taking reference to remuneration practices of private and other sectors in determining the remuneration packages for principal officials should have merit. Candidates for these positions may come from non-government sectors, and principal officials may move to or return to these sectors after service in government. As they take up public office, they may still have personal or family financial obligations that must be maintained. Accordingly, there should be minimal financial or economic barriers in attracting and retaining these individuals for their term of service. .
12. The independent process for recommending or determining ministerial pay adopted in other countries merits consideration for Hong Kong. To prevent conflict of interest, principal officials should not be involved in reviewing, recommending or determining their own remuneration packages. Furthermore, independent commissions can also protect the process from excessive political influences and consideration should be given to establishing a commission to review remuneration of principal officials in the future.

**Part III. Summary of Results of Remuneration Survey**

13. A total of 77 private sector corporations, 13 public sector organizations, and 50 professional services firms were invited to participate in the survey. Among those who responded within the given timeframe, 27 private sector corporations, 9 public sector organizations, and 20 professional services firms met the criteria of business size for inclusion in the analysis. Besides size and complexity the participating organizations had to provide accurate and timely information on cash compensation and long-term incentives that reflects the earnings opportunities enjoyed by their chief executives or managing partners.
14. Table 1 summarizes the key market statistics for total remuneration of private, professional services and public sector CEOs as found in the survey.

**Table 1: Market Reference: Fixed Compensation, Total Direct Compensation and Total Remuneration for All Organizations**

*(as of August 2001; Thousands of HK\$)*

	<b>Fixed Compensation</b>	<b>Total Direct Compensation</b>	<b>Total Remuneration</b>
Q3	4,436	9,028	\$9,404
Median	3,500	6,045	\$6,658
Q1	2,084	4,397	\$4,738
Average	3,486	6,889	\$7,207

Note: Fixed Compensation = Base Salary + Cash Allowances and Rental Reimbursements  
 Total Direct Compensation = Fixed Compensation + Variable Bonus + Annualized Value of Long Term Incentive  
 Total Remuneration = Total Direct Compensation + Retirement

15. As shown in Table 1, the median total remuneration of chief executives in the organizations analyzed is \$6.658 million. Statistically, half of the surveyed organizations have higher remuneration than the median, and half have lower remuneration. The median is a fair indication of the market value of remuneration for CEOs in major private and public sector organizations in Hong Kong.
16. The Phase I report includes more detailed breakdown of the remuneration packages in the private sector. This Phase II report emphasizes the value of total remuneration, which encompasses all forms of cash and near-cash compensation regardless of structure of individual packages. For example, the composition of executive remuneration packages may or may not include housing allowances, which are often structured for individual tax advantage. Many companies do not pay any cash allowance, others directly provide housing. Therefore, amounts designated as housing, or cash allowance, may bear little relationship to actual housing costs and market statistics derived for value of housing are representative of neither those who receive an allowance nor the case of those that do not receive any form of provision for housing.

## **Part IV. Principles of Remuneration of Principal Officials**

### *The Context*

17. Principal officials will be appointed to responsible positions that formulate policies that influence the livelihood and living conditions of all people in Hong Kong as well as the economic environment in which Hong Kong businesses operate. They may also be responsible for multiple bureaus and departments with substantial and diverse operations involving the effective expenditure of billions of Hong Kong dollars. Therefore, the scope and complexity of their jobs are comparable to those of chief executive officers of Hong Kong's major private and public sector organizations.

18. In determining the remuneration of the principal officials, it should also be recognized that:

- compensation is an important tool for communicating and reinforcing values and behaviors, supporting accountability for results, and rewarding the achievement of performance goals;
- the positions of the principal officials are full time and professional in nature;
- the prospective appointees could be leaders or top executives of leading corporations or organizations and the HKSARG;
- the appointees have no other income from employment during the tenure of service;
- the appointees may have personal or family financial commitments and obligations to maintain; and
- appointment to public office is associate with rewards — such as personal satisfaction, honor and respect — that have social and cultural values that cannot be measured financially.

### *Principles and Recommendations*

19. Having regard to the foregoing, we recommend that the following principles be adopted as bases to develop the remuneration packages for the principal officials:



**Principle 1:** Remuneration for principal officials should be determined with reference to remuneration for CEOs of major private and public sector organizations in Hong Kong.

20. Principal official positions are highly responsible positions. These positions are responsible for the formulation and execution of Government policies that have far-reaching and long-term implications for a prosperous, secure, and harmonious society in Hong Kong. They also have substantial executive responsibilities similar to those in large and complex private organizations.
21. The roles of principal officials are by nature different than those of CEOs of public and private sector organizations, and direct comparisons of complexity of these positions in terms of executive management, decision-making authority, or financial accountability are difficult. Nevertheless, it is reasonable to construe that the levels of responsibility or complexity are broadly comparable between principal officials and CEOs.
22. Taking reference to non-government practices in determining the remuneration packages for principal officials should have merit. Apart from communicating the values and behaviors that will be desired, it also recognizes that candidates for principal official positions may come from non-government sectors, and they may move to or return to these sectors after service in government. Therefore, comparability of remuneration of principal officials to remuneration practices for CEOs in the public and private sectors of Hong Kong is an important consideration when assessing the reasonableness of principal officials' remuneration.
23. On the recognition and basis of that principal officials will hold positions that are comparable to those of CEOs in major private and public organizations, we recommend that:

<ul style="list-style-type: none"><li>▪ Pay for principal officials should be set in <i>reference</i> to remuneration practices for comparable private and public sector positions;</li></ul>
---

<ul style="list-style-type: none"><li>▪ The <i>median</i> should be established as a reasonable market reference as it reflects the middle of the range of compensation values for the comparison group of CEOs.</li></ul>
--

**Principle 2:** The remuneration package should be simple in structure and easy to administer.

24. The remuneration structure should encompass the elements of remuneration that are likely to be considered by a potential candidate in evaluating his or her acceptance of a position as a principal official. These include cash or near cash elements such as base salary, variable bonuses, cash housing allowances or provision of rented or company-owned accommodation, contributions to retirement schemes or contractual gratuities, and value of long-term incentives such as stock options. Benefits such as medical insurance and life insurance could be considered as well but are very small in comparison to total remuneration levels of chief executives.
25. Housing allowances are often established in the private sector as a means of limiting amounts designated as base salary that may be subject to pension, variable pay formulas, or annual salary reviews. Housing allowances are established to secure a tax advantage for the employee at little or no cost to the employer. The amounts designated as housing allowance in the private sector may therefore bear little relationship to actual expenditure on housing. As the aforementioned purposes are not within the interest or concern of the HKSAR Government and expenditure on housing is a personal choice of the appointed principal official (except as noted in the next paragraph), it is unnecessary or inappropriate to designate a certain amount as a “housing allowance”.
26. The appointed Secretary for Justice, Financial Secretary and Chief Secretary are required to live in designated government quarters that provide an appropriate environment for conducting meetings and entertaining important guests. As the Government, not the appointed Secretary, requires and chooses the housing, it would be inappropriate to require the appointed Secretary to accept a substantial reduction in cash remuneration in consideration of the housing that is provided.
27. It is common in private and public sectors to provide a gratuity for executives who are employed on a contract basis. These gratuities are offered in lieu of a retirement scheme, and may or may not be subject to completion of the contract period. Appointed principal officials are not included in Government retirement scheme because that scheme is intended for career civil servants and is inappropriate for individuals serving on an appointed basis. Nevertheless, it is neither necessary nor appropriate to provide a contract gratuity for appointed principal officials, because any amount set aside as gratuity could be encashed into monthly pay anyway.

28. The nominal contractual period of service for principal officials extends to the end of the term of the Chief Executive who appointed them. Given the nature of service as an appointed principal official and the purpose of the accountability system in which the principal official serves, it is unreasonable to withhold a portion of remuneration subject to satisfactory completion of the term of service. Any gratuity provided for appointed principal officials would therefore be paid in proportion to time of service. If paid proportionately to length of service, the gratuity is effectively equivalent to part of the base salary, and no purpose is served by designating a portion of remuneration as a gratuity and deferring its payment.

29. Hence, we recommend that:

▪ Principal officials should be remunerated in the form of an all-embracing encashed salary without itemization of components such as housing allowances, or gratuity.

▪ The Secretary for Justice, the Financial Secretary and the Chief Secretary will be provided suitable housing at the discretion of the Government, but there should not be any adjustment or reduction of compensation for this purpose.

**Principle 3:** The remuneration package should consist of a fixed, encashed salary, with no element of variable performance-based pay or merit-based salary adjustment.

30. Under the new accountability system principal officials are accountable for results. The Chief Executive retains the discretion to dismiss or request the resignation of any principal official who does not meet the expectations for performance in the position. Thus, there is a presumption that a principal official is meeting the expected standard of performance so long as he or she remains in the position and further judgements on variable payments or merit increases are inappropriate. Conversely, if the Chief Executive reduces the variable pay of a principal official, it would be difficult for that official to retain the credibility to perform effectively in the future. Thus, variation of pay between individual principal officials is impractical, if subject to public disclosure.
31. In the private sector, variable compensation schemes for top executives are closely tied to financial results of the organisation. Well-designed variable compensation schemes align the executive's incentives with shareholders' interests. These schemes reflect strong commercial, profit-oriented values that are incompatible with the nature of principal official positions. Further, appropriate financial or non-financial measures that can be used to assess the end results of their efforts are simply non-existent. Motivation of principal officials should be based on a sense of accomplishment and the continuing development of Hong Kong, not on financial incentives.
32. An alternative approach such as a "GDP" bonus (under consideration in Singapore) would not necessarily measure the performance of the principal officials but rather economic performance of Hong Kong during the tenure of the principal officials. This approach has the merit of tying the remuneration of principal officials to the overall wealth of the Hong Kong people, but would at the same time violate other principles outline here – that remuneration should reference practices for remuneration of top executives in other sectors.
33. Private sector compensation for chief executives is either directly or indirectly based on incentives. Because the compensation package should be fixed, compensation levels for the principal official are inherently less risky. Therefore, it is not necessary for the targeted compensation of principal officials to fully match the level of total compensation for chief executives.
34. Therefore we recommend:

<ul style="list-style-type: none"><li>▪ Remuneration for principal officials should not include an element of variable compensation whether on individual or collective basis, nor will adjustments be made to fixed compensation on the basis of individual performance.</li></ul>
---

<ul style="list-style-type: none"><li>▪ Variable compensation prevailing in market practices should not be fully converted to fixed pay in determining the principal official remuneration package.</li></ul>
---

**Principle 4:** The differences in ranking among the principal officials should be acknowledged and reflected in their remuneration.

35. Principal officials comprise two groups: (1) directors of bureaux and (2) the secretaries of departments, including the Chief Secretary, Financial Secretary and Secretary for Justice. Traditionally, the pay of directors of bureaux has not been differentiated by portfolio. This practice should be extended to the appointed Directors of Bureaux.
36. Traditionally, remuneration for Secretaries of Departments has been set higher than remuneration for Directors of Bureaux, with Secretary for Justice, Financial Secretary and Chief Secretary receiving successively higher levels of pay according to their ranks. This practice should also be extended to appointed Secretaries of Departments.
37. These nominal increments align with the acknowledged ranking of the positions and are not intended to reflect differences in the breadth of responsibilities. Hence, we recommend that:

- |  |
|--|
| <ul style="list-style-type: none"><li>▪ Nominal increases of up to 5 percent should be applied between Directors of Bureaux and Secretary for Justice, between Secretary for Justice and Financial Secretary, and between Financial Secretary and Chief Secretary.</li></ul> |
|--|

**Principle 5:** The remuneration of principal officials should take into account non-financial rewards or intangible benefits that are derived from service as a top public official whilst ensuring that remuneration is commensurate with the responsibilities of their positions.

38. Service as a principal official is expected to be motivated primarily by a desire to serve the Hong Kong society and the honour conferred on the official through this service. Monetary remuneration or perquisites should not be a primary motive for serving as a principal official. As they move into public office, appointed principal officials still have personal or family financial obligations that must be maintained. Compensation should be set at a level that does not impose a barrier for qualified candidates to serve as principal officials.
39. The appropriate level of remuneration, in absolute terms and relative to competitive market pay levels for chief executives, is finally a political decision that must be acceptable to the people of Hong Kong, in consideration of the circumstances, culture and social values of Hong Kong.
40. The non-financial reward of service as an appointed principal official should be reflected through a differential between the competitive market pay levels for a CEO. It should be recognised that this differential is a value judgement and is not based on a specific methodology or process. There should be a differential between principal official remuneration and competitive market pay levels but such differential should not create financial barriers to service as a principal official.
41. As the differential is a matter of value judgement, Hay Group's recommendation takes the form of a range. We recommend that:

- |  |
|--|
| <ul style="list-style-type: none"><li>▪ The differential between market remuneration levels for chief executives and remuneration for principal officials should be chosen within a range of 40 percent to 45 percent.</li></ul> |
|--|

## Part V. Recommendations on Remuneration of Principal Officials

42. On the basis of the principles and recommendations above, we recommend the following policies be adopted in formulating the remuneration packages of the principal officials:

### Market Reference

- The market reference for principal officials shall be based on the pay levels of all surveyed CEO positions.
- Remuneration for principal officials shall be compared to the *median* value of CEO total remuneration, which includes base salary, housing, variable bonus, long-term incentives and retirement.

### Intangible Rewards

- As service of a principal official is not motivated solely by remuneration, remuneration for principal officials shall be set with a differential relative to the market reference.
- The suggested differential is between 40% and 45%.

### Remuneration Structure

- Directors of Bureaux shall be paid an all-embracing encashed salary as well as in-kind benefits such as medical coverage. No separate allowances should be paid for housing or other purposes.
- The Secretary for Justice, Financial Secretary and Chief Secretary are required to live in government-owned housing as a job requirement. No other adjustment or reduction of compensation shall be made.

### Levels of Compensation

- The pay differential between the Directors of Bureaux and the Secretary for Justice and the successive differentials between Secretary for Justice, Financial Secretary and Chief Secretary shall be observed to acknowledge rankings of their positions.
- Successive increments in base salary shall be applied between Directors of Bureaux and the Secretary for Justice, between Secretary for Justice and Financial Secretary, and between Financial Secretary and Chief Secretary. The maximum increment shall be 5%.

Calculation of Total Remuneration for Principal Officials

43. Table 2 shows the calculation of total cash remuneration for principal officials, applying the proposed differential of 40 percent to 45 percent from market total remuneration.

**Table 2: Calculation of Total Remuneration for Directors of Bureaux**

		Lower Bound	Upper Bound
1.	Market Reference (Median)	\$6,658,000	\$6,658,000
2.	Differential percentage	45%	40%
3.	Differential (Line 1 x Line 2)	\$2,996,000	\$2,663,000
4.	Total Encashed Compensation (Line 1 - Line 3)	<b>\$3,662,000</b>	<b>3,995,000</b>

Note: Amounts rounded to nearest thousand dollars.

44. Applying the proposed range of differentials to the market median total remuneration of \$6.658 million results in a lower bound \$3.662 million and an upper bound of \$3.995 million. Remuneration within this range should represent a balanced approach to providing reasonable financial compensation whilst recognising that the motivation for public service is not primarily financial in nature. This range is near the 15<sup>th</sup> percentile of the market practice. In our considered view, this level of remuneration will not deter a motivated candidate from accepting appointment as a principal official even in cases where the candidate would be accepting a substantial reduction in remuneration.

45. In consideration of the level of responsibility of the principal officials, the significantly higher alternative compensation that may be available to candidates for these positions, and the reasonable expectation of the candidates that they should not face substantially reduced standards of living, this proposed compensation level should gain public support.



*Remuneration for Directors of Bureaux and Secretaries of Departments*

46. Table 3 shows the remuneration package for Secretaries of Departments and Directors of Bureaux according to the approach described above.

**Table 3: Remuneration for Principal Officials**

<b>Level</b>	<b>Encashed Salary (Lower Bound)</b>	<b>Encashed Salary (Upper Bound)</b>
Directors of Bureaux	\$3,662,000	\$3,995,000
Secretary for Justice	\$3,845,000	\$4,195,000
Financial Secretary	\$4,037,000	\$4,404,000
Chief Secretary	\$4,239,000	\$4,625,000

Note: Assuming maximum differential of 5% between each successive rank.  
Amounts rounded to nearest thousand dollars.

*Other Terms and Conditions*

47. These amounts above shall be divided and paid on a monthly basis 12 times per year.
48. In administering the remuneration package for principals officials, we recommend that the following, taking references to private sector practices, be also considered:

Retirement Scheme

As the principal officials are not participants in any other approved retirement scheme, the HKSAR Government will contribute the minimum statutory amounts to an MPF scheme in addition to the remuneration outlined above. The principal official will also be required to contribute out of the encashed remuneration such amounts as are required by statute. There is no other retirement scheme or gratuity.

Medical and Insurance Benefits

As appointed principal officials are not civil servants, the Government would need to make special arrangements to provide medical and other insurance benefits for appointed principal officials. The terms of coverage can be the same as for senior civil servants.

Annual Leave

Each principal official will be entitled to 22 working days of leave annually, with leave for working Saturdays being charged at ½ day. Leave should be used within the calendar year in which it is earned.

### Sick Leave

Statutory provisions for sick leave shall apply. The Chief Executive may at his discretion grant additional leave of absence considering the nature of illness and the length of leave required.

### Use of Car and Driver

Each principal official should be provided with a car and driver.

### Duration of Contract

Subject to the discretion of the Chief Executive, principal officials may be appointed or re-appointed to terms that shall not exceed the length of the term of the Chief Executive who appointed them.

### Termination of Contract Without Cause

To effect a smooth transition for a principal official in case of termination, and considering that principal officials may have left well-established positions to take up these roles, some provision for a notice period, or payment in lieu, is appropriate. Whilst private sector practices of anywhere between 3 months and 12 months for top executives are typical, these long periods are not appropriate for principal officials. Therefore, the Chief Executive may at his or her discretion terminate without cause the contract with the principal official upon one month of advance notice. In lieu of notice, the Chief Executive may terminate the contract upon payment of one month of salary. All accrued benefits are forfeited.

### Termination of Contract With Cause

In cases of non-performance of duties, malfeasance, insubordination, or other cause, the Chief Executive may terminate a principal official's contract without notice or payment in lieu of notice, and all accrued benefits are forfeited.

### Voluntary Termination

A principal official may voluntarily terminate his or her contract at any time upon one month prior written notice to the Chief Executive whereupon his or her employment will terminate at the end of the notice period or payment of one month of salary. At his discretion, the Chief Executive may waive the notice period or payment in-lieu. All accrued benefits are forfeited.

### Confidentiality

It is typical for private sector chief executives to be bound by confidentiality clauses that prevent them from revealing their company's confidential information during or after their service with the company. A principal official would be privy to considerable confidential information about the Government or parties. The release or use of that information, whether or not intended for personal gain of the principal official, may cause damage to the Government or affected parties.

During the term of the contract or following termination of contract, the principal official is not allowed to directly or indirectly disclose to any individual, corporation, or other entity or use for the official's own or another's benefit any information, whether or not reduced to written or other tangible form, which has been treated by the HKSAR Government as confidential or proprietary or in the confidentiality of which the HKSAR Government has a legal prosecutable interest. Similarly, information that is confidential to any individual, corporation or other entity and was provided to Government in confidence cannot be used or disclosed.

### Conflict of Interest: Employment and Lobbying

In some other countries, there are ethics rules that restrict the ability of government officials from working for organizations that they had regulated for a specified period of time. These rules may also forbid the official from lobbying the department in which he or she worked for a specified period of time.

Rather than creating a contractual restriction on the employment opportunities of principal officials after they leave service, we recommend that the HKSAR Government consider establishing an independent committee to advise principal officials and the HKSAR Government about the propriety of post-service employment opportunities. That advice would be made public.

To prevent actual or apparent conflicts of interest, a former principal official shall not engage in the direct lobbying of any Government department or bureau to influence formulation of Government policies, regulations, rules or legislation on behalf of any individual, corporation or other entity for a period of 24 months following termination of service as a principal official.

*Periodic Reviews of Remuneration*

49. The level and structure of remuneration of appointed officials should be reviewed thoroughly at least one in every five years. At the Chief Executive's discretion, more frequent reviews can be conducted.
50. Remuneration of principal officials is a sensitive political issue. There is need to treat this issue rationally, fairly and equitably. Hence, the level and structure of remuneration should be reviewed periodically to ensure that they reflect market conditions. Countries such as United Kingdom, Australia, New Zealand and Canada have established independent commissions to review salaries of ministers, members of parliament and senior civil servants. We recommend that the HKSAR Government consider establishing a similar commission to conduct the periodic reviews of remuneration of principal officials.