



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會



The Hong Kong Institute of CPAs

# Best Corporate Governance Disclosure Awards 2013

**Judges' Report**



# 2013最佳企業管治資料披露大獎

## Best Corporate Governance Disclosure Awards

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### Award Winners

#### Hang Seng Index Category

Diamond	CLP Holdings Limited
Platinum	MTR Corporation Limited
Gold	Hong Kong Exchanges and Clearing Limited

#### Non-Hang Seng Index (Large Market Capitalisation) Category

Diamond	Prudential plc
Platinum	The Hongkong and Shanghai Hotels, Limited
Gold	Hysan Development Company Limited
Special Mention	Transport International Holdings Limited

#### Non-Hang Seng Index (Mid-to-small Market Capitalisation) Category

Gold	SOCAM Development Limited
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#### H-share Companies and Other Mainland Enterprises Category

Platinum	Lenovo Group Limited
Gold	China Minsheng Banking Corp., Ltd.

#### Public Sector/Not-for-profit Category

Gold	Securities and Futures Commission
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#### Sustainability and Social Responsibility Reporting Award

Overall Winner	CLP Holdings Limited
Special Mention	The Hongkong and Shanghai Hotels, Limited
Special Mention	China Shenhua Energy Company Limited

# Introduction

## Background, Aims and Scope

The annual Best Corporate Governance Disclosure Awards (“BCGDA” or “Awards”), organised by the Hong Kong Institute of Certified Public Accountants (“the Institute”), is celebrating its 14<sup>th</sup> successive year. Since its inception in 2000, the Awards has become a well-established part of the corporate governance (“CG”) landscape and a highly-respected benchmark of CG excellence in Hong Kong.

The Awards continue to play an important role in encouraging improvements in standards of CG and raising awareness of changing expectations and demands for enhanced transparency and accountability to shareholders, investors and other stakeholders.

Just as CG standards and best practice do not stand still, the Awards must move with the times and the community's expectations if it is to stay relevant and achieve its objectives. This year, the marking scheme for listed companies\* was updated, taking account of the revised CG Code (“Code”) issued by Hong Kong Exchanges and Clearing Limited (“HKEx”), previously called the “Code on Corporate Governance Practices”. A brief review was also conducted of the marking criteria for the public sector/not-for-profit category having regard to changes in the Code that were also relevant to public sector CG.

With increasing attention being given to non-financial reporting, in particular environmental, social and governance (“ESG”) reporting and how such considerations are integrated into strategy, operations and business and financial reporting, the award for sustainability and social responsibility (“SSR”) reporting, which was introduced in 2011, remained an important focus of the 2013 Awards. Changes were also made to the marking scheme for SSR reporting to improve and clarify certain elements of the scheme.

The Institute wishes to express its gratitude for the long-standing and continuing support given to the Awards by the Hong Kong SAR Government, financial services regulators, investor groups, and the business and professional communities, through their participation on the judges’ and reviewers’ panels, or, also importantly, as contestants in the BCGDA.

The BCGDA aims to:

- establish current benchmarks of CG best practice against which companies can measure their own performance; and
- encourage more companies to refer to those benchmarks and improve their own CG standard

In individual categories, diamond, platinum and gold awards are available to be given out, as well as significant improvement awards (“SIA”) for companies demonstrating substantial improvements in their CG practices and disclosures. “Special mentions (“SMs”)” are used to acknowledge other entries that reflect commendable efforts in the relevant category. Companies’ annual reports remain the principal basis of the reviews and assessments carried out for the BCGDA, as they still represent the

\* *In this report, the term “company” is used to refer to both listed companies and public sector bodies, unless the context suggests otherwise. In the detailed commentaries on the annual reports of the award winners, references to “company” also include references to the listed group.*

main channel of communication with shareholders and stakeholders, although nowadays a good deal of information is also being published on company websites.

For SSR reporting, one main award is available to be won. SMs may also be given out. The sources of relevant information include annual reports, corporate social responsibility (“CSR”)/ sustainability reports and, to some extent also, related website information.

Reviewers and judges seek to identify, through disclosures in annual reports and CSR/ sustainability reports, those companies that have embedded good governance and CSR within their corporate culture.

## Categories and Judging Criteria

For category awards, there are five basic categories:

- Listed companies:

Main Board

- Hang Seng Index (“HSI”)-constituent companies

*Main Board or Growth Enterprise Market (“GEM”)*

- Non-HSI-constituent companies (large market capitalisation)
- Non-HSI-constituent companies (mid-to-small market capitalisation)
- H-share companies and other Mainland enterprises

- Public sector/Not-for-profit organisations

The judging criteria cover:

- Overall presentation

- Promptness of reporting

- Quality of disclosure in relation to the following information:

- CG statement and practices
- Capital structure
- Board structure, including composition and diversity, and functioning
- Management discussion and analysis (“MD&A”), including operating and financial affairs and strategic outlook
- Remuneration policy and details of directors’ and senior management’s remuneration packages
- Nomination committee’s work and policies and nomination processes
- Internal controls and risk management

- CSR and environmental reporting
  - Related party transactions and relationships
  - Other voluntary disclosures relating to, e.g., audit committees, internal audit and investor relations
- Compliance with the CG-related disclosure requirements of the Companies Ordinance (“CO”) and the rules governing the listing of securities on the stock exchange main board or GEM (“listing rules”), as appropriate.
  - Ease of identifying compliance information.

## Review and Judging Procedures

Following an initial vetting procedure to exclude reports that do not meet even the basic requirements for being short-listed, two levels of review are conducted:

- (i) **Quality Review:** This involves an assessment of the quality and standard of presentation and disclosure of CG information in annual reports, with the emphasis on voluntary disclosures.
- (ii) **Compliance Review:** Reports that are short-listed in the quality review undergo a further review to verify their compliance with the mandatory CG-related disclosure requirements under the CO and the listing rules. Reviewers are also asked to score the clarity and quality of presentation of mandatory compliance information.

Other relevant publicly-known information that reflects companies’ CG “in action” may also be taken into account, where appropriate.

Reviewers examine annual reports that pass the initial vetting stage and produce a shortlist of the best in each category for final judging by the judges. The judges then determine the winners of awards in each category.

For the SIA, the reviewers identify annual reports that attain a good overall standard of CG, while demonstrating a substantial increase in overall marks in the current year compared with the same companies’ reports in previous years (particularly the immediately preceding year). A further review of the relevant companies’ current and previous annual reports is then conducted to identify specific areas of improvement and assess whether these are sufficient for those companies to be referred to the judges as potential candidates for SIA awards.

To determine the winner of the SSR reporting award, companies that obtain high marks in the CSR part of the CG assessment and other companies which are known to be leaders in CSR and sustainability reporting, undergo a more detailed review against specifically-designed assessment criteria, with a view to drawing up a shortlist for the judges’ consideration. In addition to relevant disclosures in annual reports, standalone CSR reports and other readily-available information (e.g., website information) are also considered.

The assessment criteria for the SSR reporting award make reference to objective benchmarks, such as the Global Reporting Initiative (“GRI”; see: [www.globalreporting.org](http://www.globalreporting.org)) and cover various aspects of SSR reporting, including strategy and governance; background and objective of reporting; oversight

of and accountability for reporting; the content, quality and scope/ boundary of SSR reporting; performance indicators and whether independent assurance has been obtained. Marks were also awarded to companies that took reference from the ESG reporting guide published recently by HKEx as recommended practice for listed companies.

## Judging Considerations

The emphasis of the BCGDA is very much on voluntary disclosure of relevant information in annual reports that exceeds the statutory and regulatory requirements. The updated Code was fully implemented for the reporting period covered by 2012/13 annual reports. Areas of CG examined by the judges and reviewers included the revised requirements of the Code and associated listing rules, such as the proportion of independent non-executive directors (“INEDs”) on the board; the compositions and roles of remuneration and nomination committees; the company’s explanation of the basis on which it generates or preserves value over the longer term and the strategy for delivering its objectives; whether the board is being given sufficient timely information by the management to discharge its duties; the expanded role of the audit committee in ensuring channels are available for employees and others to report on corporate irregularities and in respect of “whistle-blowing” generally.

In addition, other critical components of good governance continue to be a focus of attention, such as disclosures relating to risk management and internal control, as well as the informativeness of the MD&A section of annual reports in terms of, for example, the explanations that they provide of the prospects of companies’ business and the challenges that they may face.

CSR and sustainability reporting is becoming increasingly important to the investment community and is an acknowledgment of the impact that businesses have on a range of other stakeholders. The SSR reporting award looks not only at basic environmental awareness, community participation and charitable activities, etc., but also to how a company is addressing the longer-term issues of a sustainable business model and how ESG issues are integrated into strategy and operations. While there may be no universal standard for such reporting, the benchmark established by GRI is quite widely adopted. The quality of SSR reporting is a good barometer of well-run companies, which are attuned to the environment in which they operate and to their wider social and ethical responsibilities, in addition to their responsibility to their shareholders to create and maintain value. The SSR award seeks to identify good role models amongst Hong Kong listed companies and public sector organisations in this aspect of reporting.

The public sector and not-for-profit organisations category remains a key category in the Awards. We look to find examples of good CG disclosures and practices amongst organisations of all shapes and sizes. However, developing a sound CG framework amongst smaller non-governmental organisations (“NGOs”) with limited resources continues to be a challenge. The Institute has plans to work with the Hong Kong Council of Social Services to advise very small NGOs on financial management and CG. We hope that, in the long run, this will help raise the general level of awareness and understanding of CG in this sector. In the meanwhile, we will continue to look to larger public sector organisations to set high standards of CG and to live up to the community’s expectations of them, not only in terms of the quality of the services that they provide, but also their transparency, accountability and social responsibility.

As always, the quality review was a core part of the BCGDA. To ensure consistency and reduce the impact of individual marking differences, annual reports of companies that were being considered for the shortlist underwent two separate reviews conducted by two different reviewers.

The reviewers and judges assessed the scope of CG-related disclosures, the quality of the information provided, both in form and substance, and the standard of the underlying governance practices, as evidenced in annual reports. They endeavoured to take an overall view of companies' CG structures, practices and disclosures, to form an impression of the extent to which a good CG culture has been entrenched within companies. They also considered whether efforts have been made towards the further improvement of standards. Where applicable, the reviewers and judges considered the transparency and clarity of any disclosures in annual reports relating to recent issues of corporate conduct that may have received the attention of the media.

## Recent Corporate Governance Developments

Looking from the international perspective, in the light of the lingering aftermath of the financial crisis and the ongoing sovereign debt crisis in Europe, the call must be for more effective implementation of good CG practices in both the private and public sectors.

### *In Hong Kong*

Following the implementation of the new CG Code and associated listing rules last year, a new Code provision on board diversity took effect in September this year, with the objectives of improving board decision-making and promoting higher standards of CG. The Code requires that a company's nomination committee or board should have a policy on board diversity and should disclose the policy or a summary of it in its CG report. A note to the provision indicates that diversity can be achieved through consideration of a number of factors, including gender, age, cultural and educational background, or professional experience. It also indicates that listed companies should disclose the rationale for the factors they use for this purpose. The Institute and other stakeholders contributed to guidance on board diversity published in 2013 by Community Business. (See: [http://www.communitybusiness.org/images/cb/publications/2013/DOB\\_Guide\\_Eng.pdf](http://www.communitybusiness.org/images/cb/publications/2013/DOB_Guide_Eng.pdf))

As mentioned above, HKEx published an ESG reporting guide as Appendix 27 to the main board listing rules (see: [http://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/documents/appendix\\_27.pdf](http://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/documents/appendix_27.pdf)) and Appendix 20 to the GEM listing rules, in late 2012, which became effective, as recommend practice, for listed companies with financial years ending after 31 December 2012. HKEx has stated that, subject to further consultation, it plans to raise the obligation level of some recommended disclosures in the guide to "comply or explain" by 2015.

Statutory obligations on listed corporations to disclose price sensitive information (referred to as "inside information" in the the Securities and Futures (Amendment) Ordinance 2012), became effective at the beginning of this year. While the statutory regime does not criminalise non-disclosure, it introduces potentially severe civil sanctions on companies, directors and officers. In anticipation of the implementation, the SFC published guidelines on the disclosure of inside information in June 2012. (See: [http://en-rules.sfc.hk/net\\_file\\_store/new\\_rulebooks/h/k/HKSFC3527\\_4262\\_VER10.pdf](http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_4262_VER10.pdf))

In relation to the very substantial the Companies Bill, passed by the legislature in July 2012, a two-phase public consultation on the subsidiary legislation for implementation of the new ordinance

was conducted during September to December 2012. The new CO seeks to modernise corporate law in Hong Kong, which hitherto has been based primarily on UK Companies Acts from several decades ago, to enhance CG, facilitate business, ensure better regulation and strengthen Hong Kong's status as an international commercial and financial centre. The new CO, subject to minor exceptions, will commence operation on 4 March 2014. (See: [http://www.cr.gov.hk/en/publications/docs/LN20131021\\_163-e.pdf](http://www.cr.gov.hk/en/publications/docs/LN20131021_163-e.pdf))

### *International*

The International Integrated Reporting Council ("IIRC") released a consultation draft of its reporting framework in April 2013 (See: <http://www.theiirc.org/consultationdraft2013/>). The framework aims to create the foundations for a new reporting model, which will enable businesses to provide a concise integrated communication of how they create and maintain value over time. The IIRC plans to issue the initial version of the framework in December this year and update it periodically as integrated reporting evolves. This project is of great importance because, if it is successful, it will help investors and other stakeholders understand all the key drivers and components of a company's financial and non-financial performance and its impact on the wider community. It is seen as providing impetus for the development of more sustainable and ethical business practices. The IIRC is now chaired by Prof. Mervyn King, who led the ground-breaking work on CG in South Africa and it has high level support from a range of national and international bodies including the International Federation of Accountants ("IFAC").

IFAC's Professional Accountants in Business Committee ("IFAC PAIBC"), on which the Institute is represented, has continued to develop guidance and other materials on CG-related areas. The IFAC PAIBC and the Chartered Institute of Public Finance and Accountancy jointly issued a consultation paper, *Good Governance in the Public Sector – Consultation Draft for an International Framework*, in June this year. The paper aims to encourage better service delivery and improved accountability by establishing an international benchmark for good governance in the public sector. Other relevant documents issued this year, include an international good practice guidance, *Principles for Effective Business Reporting Processes* (see: <http://www.ifac.org/news-events/2013-03/new-publication-ifac-helps-professional-accountants-implement-effective-business>) and a discussion paper on the roles and expectations of a CFO, produced by a task force chaired by the Institute's representative on the IFAC PAIBC, who is also the current president. (See: <https://www.ifac.org/publications-resources/role-and-expectations-cfo-global-debate-preparing-accountants-finance-leaders>)

The model framework for internal control issued by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") in 1992, while not the only such model, has been widely adopted internationally. Therefore, it was a matter of general interest when COSO embarked on a revision and updating of the framework. The updated framework, *Internal Control – Integrated Framework 2013* (see: <http://coso.org/IC.htm>), is expected to help organisations design and implement internal control in light of changes in the business and operating environments since the original framework was issued. It also broadens the application of internal control in addressing operational and reporting objectives and clarifies the requirements for determining what constitutes effective internal control.

# Commentaries

## Observations in 2013

With reference to recent past practice, the judges considered that the approach should continue to be to benchmark the CG practices of the short-listed companies against the highest standards in Hong Kong, not simply their performance relative to others in the same category. At the same time, the judges accepted that there are differences in the level of resources available to companies in different categories and, while remaining cognisant of the need to maintain high standards in the Awards, they sought to encourage companies that are clearly making positive efforts to step up the quality of their CG practices and disclosures. The judges were also very much aware that how CG is actually implemented day to day is just as important as the CG structures and practices disclosed in annual reports. In the final analysis, the judges concluded that the highest level of award, the diamond award, should be given out only in the HSI and non-HSI (large cap) categories.

Overall, the HSI category is once again the category of companies that has demonstrated the highest standards of CG in terms of the governance structures that the companies have in place and the extensive nature of their disclosures. HSI companies are the most likely to integrate good governance into all aspects of their business. They are also building on their efforts to engage a wider range of stakeholders through their SSR reporting. Many use electronic online media platforms to make their latest annual reports, sustainability reports, and an extensive amount of other relevant information, more easily accessible on their websites. This helps to improve transparency and strengthen channels of communication.

The CG standard of the companies in the non-HSI (large cap) category is also becoming more competitive, which is a good sign. There is now a wide range of companies from different backgrounds, including widely-held companies, large family-controlled businesses, dual listed companies and some with only a secondary listing in Hong Kong. They are from diverse industries – financial services, hotels, transport, industrial, mining, property development and others. This adds colour and different perspectives to the Awards competition. The short-listed companies exhibited different strengths and different approaches to the presentation of their CG.

The H-share companies and other Mainland enterprises category is again very competitive, with new contenders challenging some of the established winners. It is particularly pleasing to see a mix of state-owned enterprises and private companies coming through in this category, which is a positive indicator for the development of CG in the Mainland. These include financial institutions, where the community expects high standards of CG, and also non-bank businesses, where improvements are more likely to be self-driven. Generally, the judges noted greater awareness of sustainability issues and improvements in reporting on environmental and social considerations in this category, which makes sound business sense as these companies evolve to become global players. CG reporting in this category generally is still not as comprehensive as that of the best of the larger listed companies in the HSI and non-HSI (large cap) categories but steady and welcome progress is being made.

The non-HSI (mid-small cap) category provided some concise and thoughtfully-presented reports, reflecting a good overall standard of CG. While, generally, in this category there are still areas in need of improvement and some gaps in information, the best companies serve as role models of how sound



CG can be achieved, even with a lower level of resources. The judges were also pleased to see more companies which are not subsidiaries or associates of larger companies in contention for awards and they hoped to see some of them become future award winners.

In the public sector/ not-for-profit category, efforts continue to be made to identify new candidates, especially among mid-size NGOs, that clearly appreciate how greater transparency and good GC can help them improve the running of their services and gain stakeholder support. The reviewers and judges were encouraged to see some new contenders in the frame, but they considered that these still need to make greater efforts to reach the standard necessary to win an award, even allowing for the constraints on their resources. Public sector organisations provide a range of essential services to the community and the judges hoped to see more of them striving to fulfil the expectations that the community has of their governance.

The judges found the increasingly high standard of practices and reporting among companies contending for the SSR reporting award to be one of the most encouraging outcomes of this year's BCGDA competition. A range of companies, in different categories and from different sectors, are making highly commendable efforts to integrate ESG concerns into their business strategy and operations. This is good from the point of view of the development of integrated reporting and for the achievement of a vital goal, which is for businesses to adopt a responsible and sustainable approach towards the exploitation and conservation of the finite resources of this planet.

## Observations of Judges and Reviewers on Specific Areas of Strength and Weakness

The judges and reviewers in the 2013 Awards highlighted a few specific CG practices and disclosures to be commended and encouraged, as well as areas for further improvement. The observations below include some that have been made previously and which remain relevant.

1. Generally, companies seem to have adopted the requirements of the revised CG Code fairly seamlessly. Some companies highlighted where they achieved or exceeded the Code provisions (“CPs”) and the recommended best practices (“RBPs”), and provided explanations for any deviations. This has the advantage of establishing clear targets. A number of companies showed an awareness of the importance of considering board diversity and some have adopted ahead of time the Code requirements on diversity. A number of companies made reference to the stock exchange’s new guide on ESG reporting, which, at this stage, is only a recommended practice. This reflects a greater awareness of the importance of meaningful SSR reporting.
2. There are disclosures indicating that more companies are undertaking formal evaluations of the board’s and board committees’ performance. However, this is still not a very widespread practice in Hong Kong companies, particularly not for mid-small cap companies, even though having a highly engaged and effective board can help drive their business. Where information on board evaluations is disclosed, it tends to be short on detail. With the new RBP recommending that boards of listed companies conduct a regular evaluation of their performance now in effect, this practice is likely to become more prevalent in the coming years.
3. The judges commented that, generally, the transparency of the nomination and appointment process for directors needs to be improved, including in the public sector/not-for-profit category. More information should be disclosed about the process and criteria for appointment, as well as the expertise and experience sought in new board members. Diversity in board compositions will also need to be addressed in future. More attention is likely to be given to the role and work of nomination committees and related disclosures now that relevant RBPs have been upgraded to CPs in the revised Code.
4. Some companies are providing detailed disclosure of the remuneration packages of individual members of the senior management. As this is an area where there is increasing investor and public demand for greater openness, more listed companies and major public sector bodies should make disclosures in this area. This is so, particularly, given that it is not uncommon for senior management to be amongst the highest paid persons in the organisation. Generally, it would also be helpful for more information to be provided about emolument policies, incentive schemes and how they are linked to long-term, sustainable performance, as well as the structure and basis for determining the remuneration of directors and senior management.
5. Disclosures relating to the risk management framework and processes for evaluating and managing risks have become much more extensive and elaborate over the years. The judges welcomed the fact that some companies are providing details of the principal risks they face and how they mitigate these. The best companies are not just focusing on the upside, but providing details of risk management activities that give readers a more balanced view.

6. While information on internal control reviews (which should cover, amongst other things, the adequacy of resources, qualifications and experience of staff responsible for the accounting and financial reporting functions) is more prevalent, there are still too many rather standard and boilerplate disclosures being made.
7. The standard of CSR reporting is improving among listed companies, although there is room for improvement among both the large and mid-small categories of companies. Whilst the latter may have relatively fewer resources to develop this area, with increasing investor attention on non-financial aspects of performance, including how companies address sustainability issues in their supply chain, even smaller companies cannot afford to ignore this trend. CSR information appears in dedicated sections of annual reports, in separate booklets or information on companies' websites. The best performers look to integrate CSR-related considerations into their overall business strategy, and to obtain independent or third-party assurance for their CSR or sustainability reports. However, this area remains patchy and it is hoped that the SSR reporting award, as well as international developments, such as progress with integrated reporting, will further motivate companies to improve their standard of disclosures and practices.
8. The MD&A section of annual reports is generally quite extensive, although gaps often remain in terms of explanations of long-term strategy and the coverage and scope of key performance indicators ("KPIs") and the basis of their calculation. The requirements of the revised Code on the contents of MD&As should help to encourage better disclosure in relation to, e.g., investor-orientated explanations on the drivers of businesses; the landscape of the relevant industries; what defines the competitive edge that has enabled companies to succeed and how this is sustainable.
9. A point worth repeating is that companies should aim to provide additional information on related-party or connected transactions, particularly mid-small cap and family-controlled companies, including the approval basis and procedures undertaken in respect of such transactions, and the effect of such transactions on the company. It is not enough just to disclose very limited information in the notes to the financial statements.
10. The judges appreciated companies' efforts to upgrade the presentation and readability of their annual reports by using colourful and effective graphics, charts and diagrams. In some cases, it would be worthwhile to consider replacing or supplementing text with graphic presentations of information. At the same time, if the design and colourful presentation are just marketing, this may detract from the message and devalue the content. This is also the case with CSR reporting. There is balance to be struck. In the case of CSR reporting, for example, the onus should be on meaningful, concise and readable information that tells the story of companies' sustainability vision, strategy and policies and how these are implemented and integrated into the decision making and operations of the company.
11. In the public sector, generally, the judges would still like to see enhancements in various areas, such as clearer explanations of CG structures, more information on risk management and internal control and additional information on the work performed during the year by board committees.

The following pages contain the detailed findings of the judges and reviewers on the award winners.

# Hang Seng Index Category

## DIAMOND AWARD

### CLP Holdings Limited

#### Board of Directors:

##### EXECUTIVE

Andrew Brandler (Chief Executive Officer)  
Peter W Greenwood

##### NON-EXECUTIVE

The Hon Sir Michael Kadoorie, *GBS* (Chairman)  
William Mocatta (Vice Chairman)  
R J McAulay  
J A H Leigh  
I D Boyce  
Y B Lee  
Paul A Theys  
Peter P W Tse

##### INDEPENDENT NON-EXECUTIVE

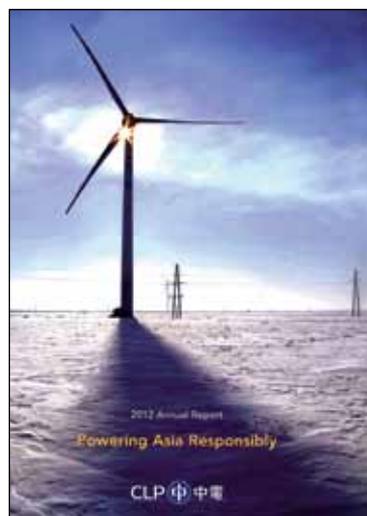
V F Moore, *BBS*  
Judy Tsui  
Sir Rod Eddington  
Nicholas C Allen  
Vincent Cheng, *GBS, OBE, JP*  
Fanny Law, *GBS, JP*  
Irene Lee

#### Audit Committee:

V F Moore, *BBS* (Chairman)  
Judy Tsui  
Nicholas C Allen  
Fanny Law, *GBS, JP*  
Irene Lee

#### Auditors:

PricewaterhouseCoopers



## Findings

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1. CLP's annual report was considered by the judges to be the most readable amongst its peers, while, at the same time, being detailed and comprehensive. The company has, again, produced a top-quality, well-structured, informative and clearly-presented document, through which CLP continues to demonstrate its strong commitment to good CG practices and disclosures. The judges also commended the company on its clear efforts to engage stakeholders, both in terms of soliciting feedback from them and through its sustainability and environmental commitments.
2. The content of the report is enhanced by an interesting and colourful presentation of information, an innovative design and intelligent use of professionally produced visuals, including a good use of tables and charts. The dialogues with the top management add a more personal touch.
3. The CG report is comprehensive, containing a specific section clearly informing readers about the company's application of the CPs and RBPs. A tabular breakdown indicates the major respects in which CLP's code meets or exceeds the standards of the Code under the listing rules. Under the section headed, "Evolution of CLP's Corporate Governance in 2012", the company outlines key developments and activities undertaken by the company during the year to enhance its CG.
4. Plain language is used to explain technical accounting principles and terms in the "Accounting Mini-series" section, which facilitates readers' understanding of the financial statements - in this case, specifically, the concept of "deferred tax". Examples of its application are also provided.
5. The risk management report clearly and systematically explains different kinds of inherent risk in each business activity. Group level risk areas are identified and assessed, and risk mitigation has been put in place. One of the company's major initiatives for the coming year is to continue enhancing its risk management framework and assist business units in the roll-out and implementation of their own framework. This highlights the forward-looking approach of the company's management in handling potential risks and problems. In addition, a table shows how CLP has enhanced its risk management functions in 2012.
6. The remuneration report sets out clearly and comprehensively the components making up the remuneration package of directors and senior management, on a named basis.
7. Other creditable features of CLP's reporting include adopting the general approach to integrated reporting envisaged by the IIRC and directing readers to where more extensive information is available on company website.
8. CLP's SSR reporting is another commendable feature of the company's overall governance and stakeholder relations. The judges' comments on this area of reporting are set out in more detail on pages 34 - 35.

# Hang Seng Index Category

## PLATINUM AWARD

### MTR Corporation Limited

#### Board of Directors:

##### *EXECUTIVE*

Jay Herbert Walder (Chief Executive Officer)

##### *NON-EXECUTIVE*

Raymond Ch'ien Kuo-fung (Chairman)

Commissioner for Transport

- Ingrid Yeung Ho Poi-yan

Secretary for Transport and Housing

- Anthony Cheung Bing-leung

Chan Ka-keung Ceajer

##### *INDEPENDENT NON-EXECUTIVE*

Vincent Cheng Hoi-chuen

Christine Fang Meng-sang

Edward Ho Sing-tin

Alasdair George Morrison

Ng Leung-sing

Abraham Shek Lai-him

T. Brian Stevenson

#### Audit Committee:

T. Brian Stevenson (Chairman)

Ng Leung-sing

Alasdair George Morrison

Commissioner for Transport

- Ingrid Yeung Ho Poi-yan

#### Auditors:

KPMG



## Findings

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1. The annual report of MTR Corporation Limited (“MTR”) is well organised, informative and reader friendly. It includes an eye-catching presentation of information with a mix of pictures, tables and charts.
2. The company’s board has a high ratio of INEDs. The board held seven regular meetings in 2012, considerably more than the minimum requirement of the Code, of at least four meetings a year.
3. MTR demonstrates good practice by updating its code of conduct and corporate guidebook for all staff every two years, to ensure employees’ awareness of and compliance with relevant legislation. This is coupled with a requirement that all employees acknowledge their understanding and acceptance of the documents.
4. The report emphasises the company’s enterprise risk management (“ERM”). An enterprise risk committee has been established, which has accountability for the ERM framework. In addition, the company performs board oversight on high level areas and has established a risk awareness culture. The company reviews the top 30 and emerging risks every quarter, reports the key risks to its executive committee every six months, and maintains oversight of the top ten risks and other risk “hot spots”. The company also benchmarks itself against other leading metro operators and has shared its experience with its global peers.
5. Other highlights include the company’s ten-year statistics on financial information and Hong Kong transport operations and the innovative focus on customer convenience and community engagement. The company seeks to engage the community in a tangible, caring and responsible way by, for example, encouraging children’s interest in art and culture. It aims to continue to improve customers’ experience through, for example, introducing public washrooms in stations. The company demonstrates a good balance in terms of emphasising essential core values, such as safety, development, and engineering excellence, while also reaching out to customers and being part of community.
6. MTR’s report includes detailed disclosures of directors’ remuneration and interests in shares.

# Hang Seng Index Category

## GOLD AWARD

### Hong Kong Exchanges and Clearing Limited

#### Board of Directors:

##### EXECUTIVE

Li Xiaojia, Charles (Chief Executive)

##### INDEPENDENT NON-EXECUTIVE

Chow Chung Kong\* (Chairman)

Arculli Ronald Joseph\*, *GBM, GBS, JP*

Chan Tze Ching Ignatius, *BBS, JP*

Freshwater Timothy George\*

Harrison John Barrie\*

Hui Chiu Chung Stephen\*, *JP*

Kwok Chi Piu Bill, *JP*

Lee Kwan Ho Vincent Marshall

Lee Tze Hau Michael\*, *JP*

Strickland John Estmond, *GBS, JP*

Williamson John Mackay McCulloch

Wong Sai Hung Oscar

\* *Government Appointed Directors*

#### Audit Committee:

Harrison John Barrie (Chairman)

Lee Kwan Ho Vincent Marshall (Deputy Chairman)

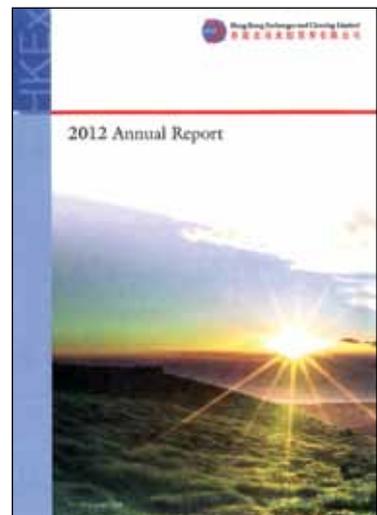
Chan Tze Ching Ignatius, *BBS, JP*

Kwok Chi Piu Bill, *JP*

Williamson John Mackay McCulloch

#### Auditors:

PricewaterhouseCoopers



## Findings

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1. HKEx has produced a comprehensive, clearly-indexed and accessible annual report. The company's commitment to upholding the standard of its CG policies and practices is clearly demonstrated in its CG report. This provides readers with a systematic overview of the functions and accountability of each component within the company's CG structure.
2. HKEx presents key information through colourful charts, graphics, diagrams and tables to assist readers to understand the company's organisational structure, financial status and CG framework.
3. The company's disclosures relating to the nomination, appointment, election and removal of directors are noteworthy. The early adoption by HKEx of a board diversity policy is highlighted and an explanation of the policy, with measurable objectives, is disclosed on the company's website. With a view to achieving sustainable and balanced development, the company sees increasing diversity at the board level as an essential element in supporting the attainment of its strategic objectives.
4. HKEx has put considerable effort into broadening corporate transparency in the annual report in an industry that inherently tends to focus on financial transparency and governance. The report includes informative sections covering a shareholding analysis and information for stakeholders.
5. The remuneration committee report is comprehensive. It clearly elaborates the components of the remuneration package of directors and employees, with charts that illustrate the mix of fixed and variable pay components for employees at different grades, in a year when the company achieved its performance targets. In addition, HKEx has gone further than many companies in its disclosure of the remuneration of senior management on an individual named basis.
6. CSR reporting is another area in which HKEx stands out. The company's CSR report describes the company's CSR performance, progress and commitments in 2012, under the four cornerstones of marketplace, workplace, community and environment. The report has been independently verified to the extent that the information presented in the report provides a structured, balanced and consistent representation of the company's CSR performance, and the data contained in the report is accurate and reliable.

# Non-Hang Seng Index (Large Market Capitalisation) Category

## DIAMOND AWARD

### Prudential plc

#### Board of Directors:

##### *CHAIRMAN*

Paul Manduca

##### *EXECUTIVE*

Tidjane Thiam (Group Chief Executive)

Nicolaos Nicandrou

Robert Devey

John Foley

Michael McLintock

Barry Stowe

Michael Wells

##### *INDEPENDENT NON-EXECUTIVE*

Keki Dadiseth

Sir Howard Davies

Michael Garrett

Ann Godbehere

Alistair Johnston

Kaikhushru Nargolwala

Philip Remnant

Lord Turnbull

#### Audit Committee:

Ann Godbehere (Chairman)

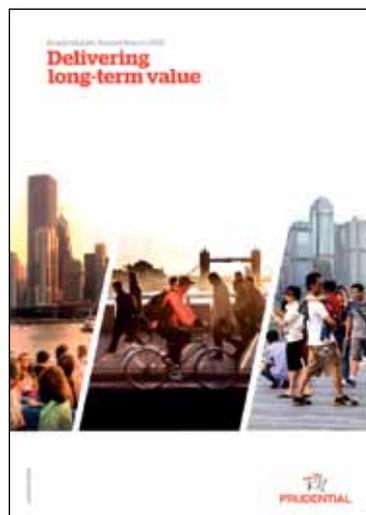
Sir Howard Davies

Alistair Johnston

Philip Remnant

#### Auditors:

KPMG Audit Plc



## Findings

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1. The 2012 annual report of Prudential plc (“Prudential”) shows the company’s serious commitment to achieving high-quality CG. Although lengthy, the report is well-structured in a way that assists readers’ understanding.
2. The CG report is comprehensive and readable. The company has a high ratio of INEDs on the board. The section on succession planning demonstrates Prudential’s commitment to ensuring that the board composition is regularly refreshed and that the board retains its effectiveness at all times. The process encompasses succession planning for senior management, which is also important. An external party is engaged to review the board’s effectiveness, with areas of improvement identified. Other points worthy of note are that the chairman held four separate meetings with NEDs during the year and the company has a comprehensive induction programme for directors.
3. The company’s report contains strong financial highlights and performance analyses. The highly informative management discussion on cash and growth and the business review provide good insights for shareholders into the company’s scope of activities and performance achievements.
4. Prudential’s risk committee report is outstanding and shows the company’s continuing endeavour to provide an in-depth understanding of the risks facing the business. The three lines of defence risk oversight framework establishes a good example for other Hong Kong-listed companies. The judges commended the disclosures on risk and capital management, including in relation to stress testing and exposure to various markets.
5. The remuneration report is also impressive. It first provides a concise summary of key changes and main elements of remuneration and then discloses details about directors’ remuneration packages. Prudential also discloses the benchmarks or performance measures that the committee uses to assess directors’ performance-related remuneration, increasing the transparency of the remuneration policy. This is a very good practice which other companies should consider adopting.
6. Another interesting inclusion is the company’s explanation that “Accounting under IFRS (international financial reporting standards) alone does not fully reflect the value of future profit streams”. Therefore, a substantial amount of supplementary European Embedded Value (“EEV”) information is provided, which has also been independently reviewed by the company’s auditor. Three sets of information are presented: Statutory IFRS, Supplementary IFRS, based on long term investment returns, and EEV information.
7. Other notable disclosures include agreements for compensation for loss of office and the coverage of relations with shareholders, which reinforce the company’s firm commitment to high-quality information disclosure.
8. There are further extensive disclosures in relation to corporate responsibility. An annual CSR report is produced and is available on the company’s website.

# Non-Hang Seng Index (Large Market Capitalisation) Category

## PLATINUM AWARD

### The Hongkong and Shanghai Hotels, Limited

#### Board of Directors:

##### EXECUTIVE

Clement King Man Kwok (Chief Executive Officer)  
Neil John Galloway  
Peter Camille Borer

##### NON-EXECUTIVE

The Hon Sir Michael Kadoorie, *GBS* (Chairman)  
Ian Duncan Boyce (Deputy Chairman)  
Ronald James McAulay  
William Elkin Mocatta  
John Andrew Harry Leigh  
Nicholas Timothy James Colfer

##### INDEPENDENT NON-EXECUTIVE

The Hon Sir David Kwok Po Li, *GBM, GBS, OBE, JP*  
Robert Warren Miller  
Patrick Blackwell Paul, *CBE*  
Pierre Roger Boppe  
William Kwok Lun Fung, *SBS, OBE, JP*  
Rosanna Yick Ming Wong, *DBE, JP*

#### Audit Committee:

Patrick Blackwell Paul, *CBE* (Chairman)  
Ian Duncan Boyce  
William Kwok Lun Fung, *SBS, OBE, JP*

#### Auditors:

KPMG



## Findings

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1. The annual report of The Hongkong and Shanghai Hotels, Limited (“HSH”) is well written and balanced. The report contains a full disclosure of useful and relevant information needed to understand the company. HSH’s effective use of photographs, charts, graphics and headlines largely add to the explanatory power of the CG disclosures.
2. The quality of HSH’s disclosure of its board structure and functioning is impressive. A review list of annual developments in CG practices and separate committee reports set examples of good practice for other companies. To help readers, each committee report provides a summary of work done, outlining the main activities performed in 2012.
3. The board composition, comprising 80% NEDs or INEDs, demonstrates HSH’s commitment to receiving opinions and views from a diverse range of board members. HSH also gives clear descriptions of the board’s role and responsibilities, composition and board process, including board committee compositions, role and responsibilities and work done. In addition, the company appears to have a very good induction programme and provides a detailed discussion of continuing professional development for directors.
4. HSH has developed a specific “Risk Management Approach” to identify, assess and manage the risks set out in a group risk register from both strategic and operational points of view. The approach is broad in scope with a well-structured framework, identification of principal risks and a description regarding mitigation of the related risks.
5. The disclosure in the financial review is informative and well organised. Key financial figures are highlighted with attractive charts and tables. This is not limited just to a performance comparison between the current and previous year, but extends the key financial indicator comparison to the past five years (2008-2012), which is very useful for understanding the company’s business operations.
6. HSH’s annual report contains a commendable sustainability review, which has been independently assured. The extensive consideration of sustainability, with a materiality matrix and sustainability scorecard, illustrates progress and targets. The judges’ comments on this area of reporting are set out in more detail on pages 36 - 37.
7. Other notable sections include disclosure of related party transactions and a lengthy summary of significant accounting policies as the final note to the financial statements.

# Non-Hang Seng Index (Large Market Capitalisation) Category

## GOLD AWARD

### Hysan Development Company Limited

#### Board of Directors:

##### *EXECUTIVE*

Irene Yun Lien Lee (Chairman)  
Siu Chuen Lau  
(Deputy Chairman and Chief Executive Officer)  
Wendy Wen Yee Yung

##### *NON-EXECUTIVE*

Hans Michael Jebsen, *BBS*  
Anthony Hsien Pin Lee  
Chien Lee  
Michael Tze Hau Lee

##### *INDEPENDENT NON-EXECUTIVE*

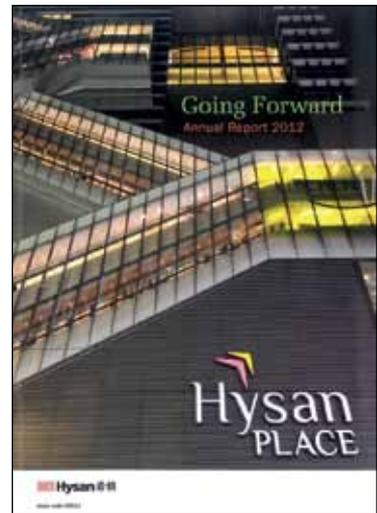
Nicholas Charles Allen  
Frederick Peter Churchouse  
Philip Yan Hok Fan  
Joseph Chung Yin Poon

#### Audit Committee:

Nicholas Charles Allen (Chairman)  
Anthony Hsien Pin Lee  
Philip Yan Hok Fan

#### Auditors:

Deloitte Touche Tohmatsu



## Findings

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1. The 2012 annual report of Hysan Development Company Limited (“Hysan”) is well organised, informative and reader friendly. It contains detailed, high-quality CG disclosures. Hysan’s vision, mission and values are clearly stated at the beginning of the report.
2. The CG report is very extensive and highlights the company’s overall governance structure. A concise summary table is prepared showing that Hysan’s CG practices exceed the revised Code in a number of key areas. This provides positive information to readers and evidence of a well-embedded governance culture in the company.
3. The board has a diverse membership and timely and relevant information is supplied to NEDs to enable them to discharge their duties effectively. Furthermore, a “directors’ induction package” has been developed for newly-appointed directors.
4. The company’s report indicates continuous efforts and improvement in internal controls and risk management. The 2012 review of internal controls effectiveness, presented in a summary table, illustrates where there has been a further strengthening of the company’s underlying risk management system. Hysan discloses its risk profile to help readers understand the company’s current risk exposures and to indicate how its risks are changing over time.
5. The well-presented MD&A section includes detailed market and operation overviews and useful KPIs, with explanations as to how they are measured and why they are regarded as significant. There is a good summary of the application within the company of the key COSO principles for internal control.
6. The directors’ report is informative, especially for its disclosure of related party transactions. This is a good practice, which shows the company’s compliance and commitment to detailed and transparent CG disclosures.
7. Other areas of Hysan’s CG commented on positively by the judges include the reports of the audit committee and directors’ remuneration and interests and the written code of ethics applicable to all staff and directors.
8. A separate booklet on CSR is provided to demonstrate on how the company implements its corporate responsibility policy. The report has been prepared with reference to HKEx’s ESG reporting guide.

# Non-Hang Seng Index (Large Market Capitalisation) Category

## SPECIAL MENTION

### Transport International Holdings Limited

#### Board of Directors:

##### EXECUTIVE

Edmond Ho Tat Man (Managing Director)  
Charles Lui Chung Yuen, *MH*  
Evan Au Yang Chi Chun

##### NON-EXECUTIVE

Kwok Ping-luen Raymond, *JP*  
Kwok Ping-sheung Walter, *JP*  
Ng Siu Chan  
William Louey Lai Kuen  
Winnie Ng  
John Anthony Miller, *SBS, OBE*

##### INDEPENDENT NON-EXECUTIVE

Norman Leung Nai Pang, *GBS, JP* (Chairman)  
John Chan Cho Chak, *GBS, JP* (Deputy Chairman)  
Eric Li Ka Cheung, *GBS, OBE, JP*  
Siu Kwing-chue Gordon, *GBS, CBE, JP*  
Liu Pak-wai, *SBS, JP*

#### Audit Committee:

Eric Li Ka Cheung, *GBS, OBE, JP* (Chairman)  
Siu Kwing-chue Gordon, *GBS, CBE, JP*  
John Anthony Miller, *SBS, OBE*

#### Auditors:

KPMG



## Findings

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1. The 2012 annual report of Transport International Holdings Limited is informative and well presented. It contains a good summary of milestones achieved in 2012. The company highlights its corporate profile prominently, with a statement of its mission, vision and corporate values, alongside an eye-catching summary of its business in the section, "Business at a Glance".
2. The CG report covers all the major aspects of governance of interest to readers. It includes a thorough discussion on internal controls and well-structured risk management processes. The implementation of an effective and efficient "Quality Management System" based on International Organisation for Standardisation benchmarks, and the establishment of an active internal audit function, are key initiatives in monitoring the internal governance of the company.
3. The MD&A section of the report provides a clear analysis of the company's performance and financial position. This is further enhanced with graphics, financial highlights and ratios. The section, "Conversation with the Managing Director", in Q&A format, covers the main challenges and factors influencing the performance of the company, and future business development. The report provides an informative discussion of the financials and other aspects of the business. The latter includes public service performance considerations, covering issues such as the "priority seats" scheme, which highlights the company's efforts to address the needs of elderly, disabled and pregnant passengers.
4. The remuneration report provides extensive information on the company's remuneration policies and principles, the relevant committee's terms of reference and work done, as well as the criteria for determining the remuneration of directors, senior management and staff.
5. The "Sustainability Report" section provides a good deal of information about the company's focus on customers, employees, environment, operating practices, communication with stakeholders and community outreach. The company's separately-published CSR Charter provides a further commendable demonstration of its commitment to being a good corporate citizen.

# Non-Hang Seng Index (Mid-to-small Market Capitalisation) Category

## GOLD AWARD

### SOCAM Development Limited

#### Board of Directors:

##### EXECUTIVE

Lo Hong Sui Vincent, *GBS, JP* (Chairman)  
Choi Yuk Keung Lawrence  
Wong Kun To Philip  
(Managing Director and Chief Executive Officer)  
Wong Fook Lam Raymond

##### NON-EXECUTIVE

Wong Yuet Leung Frankie

##### INDEPENDENT NON-EXECUTIVE

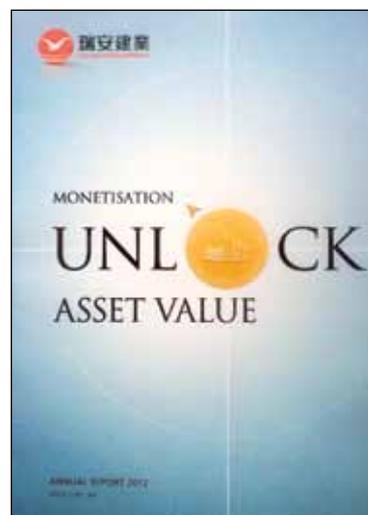
Gerrit Jan de Nys  
Li Hoi Lun Helen  
Chan Kay Cheung  
Tsang Kwok Tai Moses

#### Audit Committee:

Chan Kay Cheung (Chairman)  
Gerrit Jan de Nys  
Li Hoi Lun Helen  
Wong Yuet Leung Frankie

#### Auditors:

Deloitte Touche Tohmatsu



## Findings

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1. The judges considered that the annual report of SOCAM Development Limited (“SOCAM”) contains good disclosure of all the relevant information needed to understand the company. The logical progression, the continuity of design and the plain language enable readers to pick up specific pieces of information quickly and easily. A strong tone from the top is evident throughout the report. This includes acknowledging that enhancing CG is not simply a matter of applying and complying with the Code but also entails promoting an ethical and healthy corporate culture.
2. SOCAM’s CG report and separate committee reports are well presented with good coverage of roles and duties and summaries of work done. The informative disclosures on the company’s CG system shows its commitment to maintaining a high standard of CG within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and independence.
3. Evaluations of the performance of the board as a whole and of individual directors were conducted previously by an external consultant and by self-evaluation in 2011. Follow-up actions, such as arranging more strategy sessions each year for the board, are disclosed in the company’s CG report.
4. The MD&A section provides insightful analyses on the financial and business levels. Different segments of business are discussed with key figures highlighted, providing readers with a more specific perspective on the business operations of each segment.
5. The judges commended the remuneration report which discloses directors’ remuneration packages in detail, including each remuneration component and share option and grants schemes. This sets a good example of transparency for other mid-small cap listed companies. As indicated in the report, the remuneration committee demonstrates best practice in not involving the NEDs in setting their own remuneration.
6. The CSR report outlines the company’s caring policy and explains how this has been implemented, through programmes and activities covering the areas of community, environment and employees.

# H-share Companies and Other Mainland Enterprises Category

## PLATINUM AWARD

### Lenovo Group Limited

#### Board of Directors:

##### EXECUTIVE

Yang Yuanqing (Chairman and Chief Executive Officer)

##### NON-EXECUTIVE

Zhu Linan

Ma Xuezheng (Vice Chairman)

Wu Yibing

Zhao John Huan

##### INDEPENDENT NON-EXECUTIVE

Ting Lee Sen

Tian Suning

Nicholas C Allen

Nobuyuki Idei

William O Grabe

William Tudor Brown

#### Audit Committee:

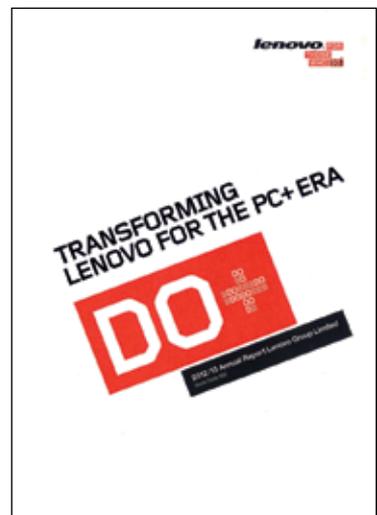
Nicholas C Allen (Chairman)

Ting Lee Sen

Ma Xuezheng

#### Auditors:

PricewaterhouseCoopers



## Findings

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1. Lenovo Group Limited (“Lenovo”)’s annual report is concise yet thorough. Lenovo’s reporting distinguishes itself from that of many other H-share companies and other Mainland enterprises with an eye-catching layout of key information, attributable to the intelligent use of graphs and tables. This significantly enhances the readability of the report. Lenovo published its annual report within two months of the year end, which is good practice. Operating in a dynamic and fast-changing technology business sector, Lenovo is also establishing itself as a leading company in the quality of its CG disclosure and practices.
2. There is strong INED representation on the board and the selection criteria for directors are clearly disclosed. Board diversity is displayed graphically, showing factors such as designation, gender, age, board tenure, directorships with other public companies and areas of experience. The company appointed a lead independent director with specific roles to perform, such as chairing the nomination and governance committee and/or board meetings when the combined roles of chairman and CEO and the performance of the chairman/CEO are being considered.
3. Board members receive extensive training through a continuous professional development programme, an induction programme for new board members, “Lenovo university” online training and site visits. A formal process for evaluation of the performance of the board and committees has been established under the nomination and governance committee. The company publishes a code of conduct for all employees worldwide in seven different languages. A confidential reporting system, which allows employees to report concerns about business practices, anonymously, has been implemented to strengthen CG practices.
4. A comprehensive and easy-to-follow overview of Lenovo’s operations, broken down geographically and by product groups, is included in the MD&A section. Various performance indicators, such as market share and revenue growth, are covered.
5. Lenovo explains its compensation policy in detail. Compensation for directors and senior management is set out by fixed remuneration, performance bonuses and long-term incentive programmes, which comprise share appreciation rights, restricted share units and performance based share units.
6. The company’s risk management framework, key risks and internal controls are clearly described in the report. An ERM framework is applied across all major functions. The audit committee conducts a continuous review of the effectiveness of the internal control system and meets with the external auditors in the absence of management to discuss matters relating to audit.
7. Lenovo has developed a cross-cultural approach in its extensive and multi-faceted CSR and sustainability strategy. An environmental management system has been established to manage all environmental aspects and drive continuous improvement in the company’s environmental performance. Lenovo’s efforts in promoting CSR extend beyond its own operations to its supply chain, which is laudable.

# H-share Companies and Other Mainland Enterprises Category

## GOLD AWARD

### China Minsheng Banking Corp., Ltd.

#### Board of Directors:

##### EXECUTIVE

Dong Wenbiao (Chairman)  
Hong Qi (Vice Chairman and President)  
Liang Yutang (Vice Chairman)

##### NON-EXECUTIVE

Zhang Hongwei (Vice Chairman)  
Lu Zhiqiang (Vice Chairman)  
Liu Yonghao (Vice Chairman)  
Wang Yugui  
Shi Yuzhu  
Wang Hang  
Wang Junhui  
Wu Di  
Guo Guangchang

##### INDEPENDENT NON-EXECUTIVE

Qin Rongsheng  
Wang Lihua  
Han Jianmin  
Cheng Hoi-chuen  
Ba Shusong  
You Lantian

#### Audit Committee:

Qin Rongsheng (Chairman)  
Shi Yuzhu  
Wu Di  
Han Jianmin  
Cheng Hoi-chuen  
You Lantian

#### Auditors:

KPMG



## Findings

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1. China Minsheng Banking Corp., Ltd. (“Minsheng Bank”) has produced a well-structured annual report written in plain language. The mission, strategic positioning and targets of the bank are set out upfront, followed by a summary of the work done to build a transparent and efficient CG system. This includes the formulation and amendment of rules in response to regulatory changes and the strengthening of the implementation of policies concerning related party transactions.
2. The company’s CG report affirms full compliance with the CPs and most of the RBPs of the Code and with the banking industry’s regulatory requirements. The CG structure is clearly presented in an organisation chart and the work done by the bank during the year to improve its CG is summarised in the CG report in a structured and easy-to-read manner.
3. There is a high proportion of NEDs on the board. The composition, functions and powers of the board are clearly described. A highly innovative “on-duty policy” has been adopted since 2007, which requires INEDs to work in the bank for one to two days per month to enhance their understanding of the bank’s business. The latest information regarding the performance, financial position and prospects of the bank is sent to the board of directors on a monthly basis. The company sets a good example by providing a set of detailed criteria for the selection of candidates for directorships.
4. Directors’ performance is evaluated on an annual basis, under the guidance of the compensation and remuneration committee, with a view to promoting due diligence and self-discipline amongst the directors. The remuneration policy is transparent and information is set out on the remuneration packages of directors, supervisors and senior management, with disclosure on an individual and named basis, which is commendable.
5. The bank’s development strategies in the context of economic reform are explained in the MD& A section. Minsheng Bank provides innovative services to micro and small-sized enterprises, non-state-owned enterprises and high-end retail customers. The bank transparently acknowledges specific risks associated with its target client group, such as risks of loans to industries with excessive production capacity. The bank outlines its risk management policy for credit risk, liquidity risk, market risk and operational risk. The approval processes and the risk measures used are also disclosed.
6. To ensure the independence and effectiveness of the internal audit process, Minsheng Bank has adopted the good practice of ensuring that material audit findings and internal control defects are reported directly to senior management and the audit committee. In 2012, the internal audit department optimised and adjusted the internal control evaluation system, based on internal control evaluations in past years, to enhance its overall effectiveness. The bank indicates that numerous audit reports and investigation and research reports were issued, covering various lines of business. Problems identified were tracked and rectified and relevant persons were held accountable.
7. The judges commended the considerable effort and commitment of the bank in defining and implementing a broad scope of CSR, covering staff, customers, the community and culture and arts initiatives. The bank has promoted a series of “green credit” appraisal mechanisms and supports energy-saving and low-carbon industries. It carries out poverty alleviation work in target counties in various Mainland provinces and supports cultural and public welfare sectors by, for example, sponsoring art exhibitions and academic seminars.

## Public Sector/Not-for-profit Category

### GOLD AWARD

## Securities and Futures Commission

### The Board:

#### EXECUTIVE

Ashley Alder (Chief Executive Officer)  
 Brian Ho Yin Tung  
 Alexa Lam, JP (Deputy Chief Executive Officer)  
 Keith Lui Kei Kwong  
 Mark Steward

#### NON-EXECUTIVE

Carlson Tong, JP (Chairman)  
 The Hon Chan Kam Lam, SBS, JP  
 Leonard K Cheng, JP  
 Anderson Chow Ka Ming  
 Teresa Ko Yuk Yin, JP  
 Lawrence Lee Kam Hung, JP  
 Wong Kai Man, BBS, JP  
 Kelvin Wong Tin Yau

### Audit Committee:

Teresa Ko Yuk Yin, JP (Chairman)  
 Lawrence Lee Kam Hung, JP  
 Wong Kai Man, BBS, JP

### Auditors:

KPMG



## Findings

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1. As one of the principal financial regulators in Hong Kong, the SFC has produced a clear, well-presented report, reflecting a good standard of CG. The joint chairman and CEO report, the first single, combined statement this year, is easy to digest and enables users to understand better how the SFC incorporates its mission into its business operations. The report summarises effectively the work done during the year and lays out a plan of future work.
2. SFC's board structure and functioning is clearly explained in the CG section. Its CG framework, illustrated with a clear diagram, has been constructed with the aim of promoting transparency, accountability and good communication. The responsibilities and role of the board and its committees, all of which are chaired by NEDs, are clearly described. The board receives monthly reports and holds quarterly policy meetings. A new international and China team has been established to handle international and Mainland matters and to maintain close relationships with regulators in other jurisdictions. This indicates the SFC's flexibility to adapt to changes in the business environment.
3. The MD&A of the SFC's report sets a good benchmark for other regulatory bodies. The list of key achievements demonstrates the SFC's successful work across the full spectrum of its regulatory duties. Other aspects of work undertaken, covering areas such as intermediaries, market infrastructure and trading, listing matters, investment products, enforcement, regulatory collaboration, communicating with stakeholders and investor education, all illustrate the SFC's commitment to strengthening and protecting the integrity and soundness of Hong Kong's financial markets.
4. Other notable features of the SFC's reporting include the disclosure of the remuneration packages, broken down into different components, of executive and non-executive directors, by name, which is detailed in the notes to the accounts. There is a separate section on CSR which covers various activities relating to workplace, the environment and the community.

# Sustainability and Social Responsibility Reporting Award

## OVERALL WINNER

### CLP Holdings Limited

#### Findings

1. CLP has produced a very thorough, pictorial and well-presented sustainability/ CSR report, providing structured and detailed information. This shows a deep-rooted commitment to good CSR practices and disclosures (see: [https://www.clpgroup.com/sr2012/ebook/SR\\_Full\\_2012\\_en.pdf](https://www.clpgroup.com/sr2012/ebook/SR_Full_2012_en.pdf)). Substantive information is disclosed with colourful and attractive pictures, charts and diagrams to assist in presentation and delivery of messages to readers. Furthermore, CLP has improved the features of the on-line report, including a 5-minute sustainability report, reader-defined content and dynamic and interactive charts. This innovation facilitates understanding of the company's sustainability efforts at a glance, while allowing readers to track the historic data of CLP's sustainability performance more easily. The sustainability performance data at various levels in the report are assured and verified by independent third parties.

2. The CLP sustainability framework, which was developed in early 2011 and implemented in 2012, provides the structure for the sustainability committee's work, which among other things, includes ensuring internal and external reporting are aligned with the framework. The committee is a board-level committee charged with overseeing CLP's positions and practices in relation to social, environmental and ethical matters that affect shareholders and other key stakeholders.



3. The company recognises that ESG issues are no longer separate parts of the business, but are now seen as fundamental drivers of the company's decision making. This is not only evidenced by its sustainability report, but also by CLP's move toward full integrated reporting in its annual report.

4. CLP communicates to shareholders and, more importantly, works within the company to help employees understand and appreciate that good CSR translates into good business sense. In addition, the company communicates openly with stakeholders and actively collects their feedback to facilitate future improvements. For each feedback response on its on-line sustainability report and each shareholder that chooses to receive corporate communications electronically, the company indicates that it will give a donation to certain named Hong Kong charities, up to a ceiling amount.

5. It is noted that CLP has made reference to the ESG reporting guide under the listing rules. The overall scope of CLP's sustainability framework is explained. In particular, its framework has been constructed around those areas, objectives and goals that are relevant to CLP's business (to supply energy reliably, zero injuries, zero emissions, etc.). To provide stakeholders with details of the manner in which CLP has implemented the guide, including those areas, general disclosures and KPIs where the company's framework reporting exceeds, or does not extend as far as, the guide, the management has explained the differences and the reasons for them in the report. In addition, the five-year summary of statistics on CLP's environment and social performance includes cross-references to the guide's KPIs to facilitate stakeholders' understanding of the company's performance.
6. The report has achieved the GRI application level A+, fulfilling the requirements of the G3.1 Sustainability Reporting Guidelines and the Electric Utility Sector Supplement ("EUSS"). The location of disclosures against the GRI G3.1 and EUSS requirements are listed out in the appendix of the report for readers' ease of reference.
7. Other notable highlights of CLP's sustainability reporting include disclosing data on the reduction of CO<sub>2</sub>, SO<sub>2</sub>, NO<sub>x</sub> and total suspended particulates and the increasing trend towards non-carbon-emitting generation capacity. In addition, the Q&A is an insightful way to give anecdotal evidence of efforts towards transparency, accountability and sustainability.

# Sustainability and Social Responsibility Reporting Award

## SPECIAL MENTION

### The Hongkong and Shanghai Hotels, Limited

#### Findings

1. The HSH CSR report is concise, to the point and is well-structured and presented (see: [http://www.hshgroup.com/en/~media/Files/HSHGroup/Corporate\\_Social\\_Responsibility/Sustainability\\_Reports/Sustainability\\_Report\\_2012.ashx](http://www.hshgroup.com/en/~media/Files/HSHGroup/Corporate_Social_Responsibility/Sustainability_Reports/Sustainability_Report_2012.ashx)). It conveys information in a clear and easily-understandable format. It provides very useful statistics and data sheets showing key performance indicators, together with three years' comparatives. Furthermore, information provided has been independently reviewed and reported. The judges considered this to be a good example of SSR reporting for non-HSI large cap companies to follow.
2. HSH's disclosure and practices clearly go beyond conformance and the company has established a corporate responsibility committee to take charge of its CSR. Its reporting is benchmarked according to GRI G3.1 and it has achieved application level B+, which includes external assurance. The judges commended not only HSH's achievements, but also the company's clear focus on improving its CSR, its honest assessment of the gaps and its commitments for the coming year, which include developing a longer-term sustainable business vision and defining associated goals, and continuing the roll-out of a revamped sustainability management system. The "Sustainability Scorecard" provides an easy-to-read summary of achievements and targets.



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3. HSH demonstrates a high-level commitment to sustainability and integration of sustainability into corporate strategy and business processes and shows clear progress in reaching sustainability goals, despite the challenges. Benchmarking against the GRI index is very useful for shareholders, who are interested to understand the relevance of sustainability to the company's success. The company invites readers' feedback on its report.
  4. Other notable highlights include conducting stakeholder and employee surveys, stopping the serving of sharks' fin in its restaurants and giving support to the campaign against breast cancer.

# Sustainability and Social Responsibility Reporting Award

## SPECIAL MENTION

### China Shenhua Energy Company Limited

#### Board of Directors:

##### EXECUTIVE

Zhang Xiwu (Chairman)  
Zhang Yuzhuo (Vice Chairman)  
Ling Wen (President)  
Han Jianguo

##### NON-EXECUTIVE

Kong Dong  
Chen Hongsheng

##### INDEPENDENT NON-EXECUTIVE

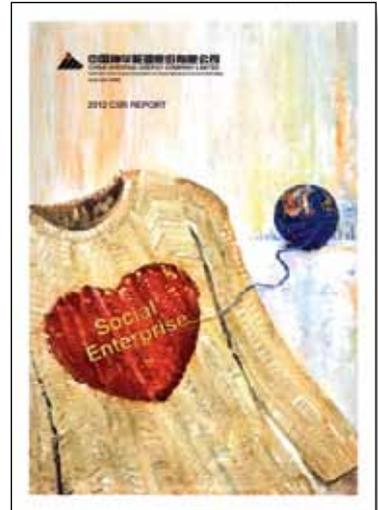
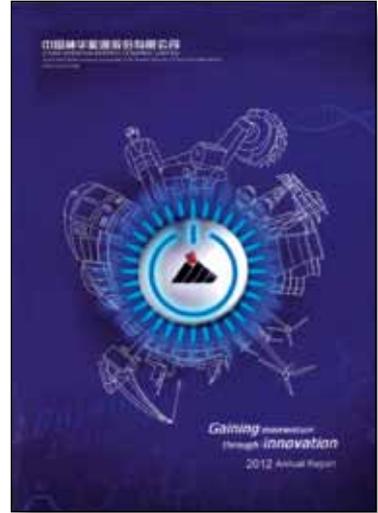
Fan Hsu Lai Tai  
Gong Huazhang  
Guo Peizhang

#### Audit Committee:

Gong Huazhang (Chairman)  
Chen Hongsheng  
Guo Peizhang

#### Auditors:

KPMG



## Findings

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1. China Shenhua Energy Company Limited (“Shenhua”) has produced an extensive CSR report, giving a clear description of the mechanisms that it has adopted for sustainable development (see: <http://www.csec.com/resources/upload/2013-03-24/20130324202015.80915.pdf>). The report provides a well-structured and detailed description of how the company operates with concern for its investors, customers and suppliers. The judges considered the company’s SSR reporting to set a very good example for H-share companies to consider.
2. Shenhua makes good use of illustrations and charts to explain the integration of CSR into its strategy and business planning, management and performance assessment systems. It sets out a list of significant CSR issues in 2012, which it then goes on to discuss in the report. These include communications with investors; stabilising power supply; conducting procurement in a fair and transparent manner; measures for safety production; occupational health; employee training and career path; counter-measures for climate change; utilisation of water resource; treatment of emissions; ecological construction of mines; investment in communities and public welfare activities.
3. Shenhua’s CSR reporting applies the GRI standard and has achieved the application level B+, which requires it to undergo external assurance. Despite the challenges and despite operating in a polluting industry, Shenhua demonstrates a strong, high-level commitment to developing and improving its sustainability performance. This is clear from the figures indicating its increasing investment in, e.g., occupational safety, and the statistics showing its performance in a number of areas (including information such as the fatality rate per million tonnes of raw coal production, which is far below the industry average in China). These provide clear evidence that the company is, and is committed to remaining, an industry leader in sustainability in China.
4. Other commendable aspects of the report include a positive statement of responsibility for the truthfulness and accuracy of the report by the board and directors, in the introductory pages. It is noted that the company’s efforts have been recognised through a number of awards that it has received from various external organisations.

# Judges and Reviewers

The Institute would like to express its appreciation to the judges and reviewers for their invaluable contributions in reviewing, analysing and judging the entries in the 2013 BCGDA.

## Judging Panel

Chairman: Susanna Chiu, president, HKICPA

Members: April Chan, The Hong Kong Institute of Chartered Secretaries

Chris WH Chan, Ivey Business School

Edith Chan, Hong Kong Securities and Investment Institute

Eva Chan, Hong Kong Investor Relations Association

Colin Chau

K O Chia, Hong Kong Venture Capital and Private Equity Association

Ada Chung, Companies Registry

Mark Dickens, Financial Reporting Council

Karen Kemp, Hong Kong Monetary Authority

Eric Lee, MPF Schemes Authority

Robert Lee, Hong Kong Securities Association

Haitian Lu, The Hong Kong Polytechnic University

Steve Ong, Hong Kong Exchanges and Clearing Ltd.

Kelvin Wong, The Hong Kong Institute of Directors

Kim Man Wong, council member and chairman of Professional Accountants in Business Leadership Panel, HKICPA

Secretary: Peter Tisman, director, specialist practices, HKICPA

## Review Panel

Chairman: Derek Broadley, Deloitte Touche Tohmatsu

Members: **Quality Review**

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Raymond Cheng, HLB Hodgson Impey Cheng Ltd.

Stella Choy, KLC Kennic Lui & Co.

Gayle Donohue, PricewaterhouseCoopers

Sammy Fung, The University of Hong Kong

Fanny Hsiang, BDO Ltd.

Ernest Lee, Ernst & Young

Stephen Lee

Daniel Lin, Grant Thornton Hong Kong Ltd.

Charles Lo, Charles Lo & Co.

Horace Ma, PAIB Leadership Panel member

Patrick Rozario, BDO Ltd.

Loren Tang, KPMG

Thomas Wong, Nexia Charles Mar Fan Ltd.

James Ye, Mazars CPA Ltd.

**Compliance Review**

Joel Chan, RSM Nelson Wheeler

Mimosa Chan, Ernst & Young

Brian Chu, HLB Hodgson Impey Cheng Ltd.

Ruby Leung, KLC Kennic Lui & Co.

Roy Lo, SHINEWING (HK) CPA Ltd.

Johnny Yuen, Wong Brothers & Co., CPA

Secretary: Sharon Yeung, associate director, specialist practices, HKICPA

# Supporting Organisations

The Institute would like to thank the following supporting organisations of the BCGDA (in alphabetical order):

BDO Ltd.	Companies Registry
Charles Lo & Co.	Financial Reporting Council
Deloitte Touche Tohmatsu	Financial Services and the Treasury Bureau
Ernst & Young	Hong Kong Exchanges and Clearing Ltd.
Grant Thornton Hong Kong Ltd.	Hong Kong Investment Funds Association
HLB Hodgson Impey Cheng Ltd.	Hong Kong Investor Relations Association
KLC Kennic Lui & Co.	Hong Kong Monetary Authority
KPMG	Hong Kong Securities Association
Mazars CPA Ltd.	Hong Kong Securities and Investment Institute
Nexia Charles Mar Fan Ltd.	Hong Kong Venture Capital and Private Equity Association
PricewaterhouseCoopers	Mandatory Provident Fund Schemes Authority
RSM Nelson Wheeler	Securities and Futures Commission
SHINEWING (HK) CPA Ltd.	The Hong Kong Institute of Chartered Secretaries
Wong Brothers & Co., CPA	The Hong Kong Institute of Directors
	The Treasury

The Institute would also like to thank the Professional Accountants in Business Leadership Panel and its BCGDA Organising Committee for their contribution and support in the development and organisation of the Awards programme.

## Organising Committee for the Awards

Patrick Rozario, chairman  
Derek Broadley  
Stephen Chan  
Ronald Fan  
Eddie Kam  
Vivian Lau  
Horace Ma  
Simon Wong  
Kim Man Wong

Sharon Yeung, secretary, HKICPA

## Professional Accountants in Business Leadership Panel

Kim Man Wong, chairman  
Stephen Law, deputy chairman  
Derek Broadley  
Stephen Chan  
Jennifer Cheung  
Cavan Cheung  
Clara Chin  
Susanna Chiu  
Ronald Fan  
Eric Fok  
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