

2012最佳企業管治資料披露大獎

Best Corporate Governance Disclosure Awards

Award Winners

Hang Seng Index Category

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

Non-Hang Seng Index (Large Market Capitalisation) Category

Diamond	Prudential plc
Platinum	The Link Real Estate Investment Trust
Gold	Hysan Development Company Limited
Special Mention	Pacific Basin Shipping Limited
Significant Improvement	The Link Real Estate Investment Trust

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

Platinum	COSCO International Holdings Limited
Platinum	SOCAM Development Limited <i>(formerly known as Shui On Construction and Materials Limited)</i>

H-share Companies and Other Mainland Enterprises Category

Platinum	Industrial and Commercial Bank of China Limited
Gold	Ping An Insurance (Group) Company of China, Ltd.
Special Mention	Jiangsu Expressway Company Limited

Public Sector/Not-for-profit Category

Platinum	Airport Authority Hong Kong
Gold	Securities and Futures Commission

Sustainability and Social Responsibility Reporting Award

Winner	CLP Holdings Limited
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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 13th 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 if they are to continue to stay relevant and achieve their objectives. With increasing attention being given to non-financial business reporting, in particular environmental, social and governance (“ESG”) reporting and how this is integrated with strategy and financial reporting, the award for sustainability and social responsibility (“SSR”) reporting, introduced last year, was again a focus of the 2012 Awards.

This year, the Awards organising committee also saw the need to review the H-share Category because Mainland enterprises listing in Hong Kong nowadays adopt a variety of structures and legal forms and, whilst they do not all adopt the H-share structure, culturally they have many similarities. As a result the H-share category was expanded to include other Mainland enterprises.

A brief review was conducted of the marking criteria for the Public sector/Not-for-profit Category. The objective was to better reflect the drivers of performance of public sector organisations and recognise that they must be accountable for public funds, and need to explain themselves and give account to a broad range of stakeholders.

Some adjustments were also made to the marking scheme for listed companies*, to take account of the revised CG Code (“revised Code”) issued by Hong Kong Exchanges and Clearing (“HKEx”), which was previously called the “Code on Corporate Governance Practices”. (See the “Judging Considerations” section below.)

The Institute wishes to express its gratitude for the 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, equally importantly, as contestants in the BCGDA.

The BCGDA aims to:

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

* *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.*

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. “Special mentions (“SMs”)” are available 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 represent the main channel of communication with shareholders and stakeholders. Reviewers and judges seek to identify, through annual reports and accompanying corporate social responsibility (“CSR”) and sustainability reports, and the disclosures contained in them, those companies that have entrenched good governance within their corporate culture.

Categories and Judging Criteria

There are five basic categories, namely,

- 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 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 composition, terms of reference and duties
 - Internal controls and risk management

- CSR and environmental reporting
- Related party transactions and relationships
- Other voluntary disclosures, such as shareholders' rights 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. Other relevant publicly-known information that reflects companies' CG "in action" may also be taken into account, where appropriate.
- (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 quality of presentation of mandatory compliance information.

Reviewers examine annual reports that pass the initial vetting stage and produce a short list 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, as a minimum, 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 sufficiently substantial 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 assessment and in overall CG disclosures during the quality review process, and other companies which are known to be leaders in CSR and sustainability reporting, undergo a more detailed review against specifically-designed assessment criteria, before a short list is drawn up for the judges. In addition to relevant disclosures in annual reports, any separate publications for CSR reporting purposes and other readily-available information (e.g., website information and other publicly-available, independent assessments) are also considered. The specifically-designed assessment criteria make reference to objective benchmarks, such as the framework developed by the Global Reporting Initiative ("GRI"; see: www.globalreporting.org) and cover various aspects of SSR reporting, including the background and objective of reporting; oversight of and accountability for reporting; the content, quality and scope/boundary of reporting; performance indicators and whether independent assurance has been obtained.

Judging Considerations

The emphasis is very much on voluntary disclosures of relevant information in annual reports that exceed the statutory and regulatory requirements. The revised Code, which is being implemented in phases, starting from 1 January this year, has had some impact on the judging criteria, even though the new regime was not in force for the reporting period covered by the 2011/12 annual reports under review. Companies with high standards of CG would have been preparing for the changes or would on their own initiative already be adopting some of the practices and disclosures reflected in the revised Code. Areas of CG examined by the judges and reviewers include areas within the scope of the revised 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; whether board performance is assessed; whether details of the remuneration of chief executive and senior management are disclosed; 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 relation to reporting by employees of financial reporting irregularities and in respect of “whistle-blowing” generally; and whether the company has established a policy on communication with shareholders.

In addition, other critical components of good governance continue to be a focus of attention, such as disclosures related to risk management and internal control and related party transactions, as well as how the company reports on the prospects of its business.

The SSR reporting award focuses on an element of corporate culture that is of increasing importance to investors internationally, particularly institutional investors, and to other stakeholders. The SSR reporting covers CSR and sustainability reporting, which relates not only to, e.g., community participation and charitable activities, but also to how a company is addressing the longer-term issues of whether it has a sustainable business model and strategy and is sensitive to its own impact on the environment and the limited resources of the world in which we live. ESG reporting is another term that is sometimes used, although this may imply a level of integration of reporting to which companies should aspire, but which is not yet commonplace. Currently, there is no universal standard for SSR reporting. However, the benchmarks established by the GRI are quite widely adopted.

We consider that the quality of SSR reporting is a good barometer of a well-run company, which is attuned to the environment in which it operates and to its social and ethical responsibilities to a wider range of stakeholders. The SSR award aims to establish a benchmark amongst local companies in this aspect of reporting.

The reports of public sector and not-for-profit organisations were also given close attention. Efforts were made to identify new role models, especially amongst smaller public sector organisations, which are taking concrete steps in the right direction in terms of their CG disclosures and practices, bearing in mind that this category covers organisations that differ substantially in size, resources and complexity.

As always, the quality review was a core part of the BCGDA. To ensure consistency and reduce the impact of individual marking differences, most reports that were being considered for the short list underwent 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 had been entrenched within companies. They also considered whether efforts had been made by companies towards further improvement of standards. Where applicable, the reviewers and judges considered the transparency and clarity of any disclosures in annual reports relating to current issues of corporate conduct that have been in the public eye.

Recent Corporate Governance Developments

Following the release of the consultation conclusions on HKEx's review of the CG Code and associated listing rules in October 2011, most of the listing rule amendments became effective on 1 January 2012 and the Code and other rule changes, on 1 April 2012. The new rule requiring at least one third of the board to be INEDs must be complied with by 31 December 2012. The revised Code and rules encourage better accountability by listed companies and directors, with the aim of improving transparency, enhancing the quality and effectiveness of both directors and company secretaries, and reinforcing the functions of various board committees. This was the first significant review of the existing CG requirements and guidance since the implementation of the CG Code in 2006.

With the objectives of improving board decision-making and promoting higher level CG, in September HKEx released a consultation paper on proposed changes to the Code in relation to board diversity. Under the proposal, the Code Principle on "board composition" will be revised to include "diversity of perspectives". The proposed changes are in line with developments taking place internationally, which see benefits to board and corporate performance arising from less uniformity and greater diversity in the membership of boards.

Following a consultation and series of training seminars for listed companies, in August 2012, HKEx released an ESG Reporting Guide to encourage ESG disclosure by listed companies. Starting as a recommended best practice ("RBP"), it will be effective for listed companies with financial years ending after 31 December 2012. HKEx is planning to upgrade ESG disclosures to a "comply or explain" basis by 2015.

After a lengthy gestation period, legislation to introduce statutory obligations on listed corporations to disclose price sensitive information (referred to under the Securities and Futures (Amendment) Ordinance 2012 as "inside information"), will become effective at the beginning of 2013. This is an important piece of legislation and, whilst it does not criminalise non-disclosure, it introduces potentially severe civil sanctions on companies, directors and officers. In conjunction with the legislation, in June 2012, the Securities and Futures Commission ("SFC") published "Guidelines on Disclosure of Inside Information". The SFC guidelines give important indicators as to how various elements of the legislative framework will be interpreted from a practical point of view by the SFC. The Institute was proactive in highlighting concerns about the original bill to legislators and emphasising the importance of considering the guidelines at the same time as the bill, as well as expanding the scope of, and the details contained in, the guidelines. Subsequently, HKEx consulted on changes to the listing rules to minimise duplications and overlaps with the new law. The interface between the listing rules and the statutory regime, and clear dividing lines in the respective roles of HKEx and the SFC, will be critical to the smooth implementation and operation of the law and in encouraging timely and effective

disclosure and good governance in this area. In a submission on the HKEx consultation, the Institute stressed the need to ensure the maximum level of clarity in the disclosure obligations affecting listed companies.

The Companies Bill, introduced into the Legislative Council in January 2011, was finally passed in July this year. This very large piece of legislation was the product of a major CO Rewrite project, including a phased public consultation on various different parts of a draft bill. With the gazettal of the new CO, a new company law framework for Hong Kong has moved closer to implementation. The new CO seeks to rationalise and modernise corporate law in Hong Kong, which hitherto has been based primarily on UK Companies Acts from several decades ago, to enhance CG and strengthen Hong Kong's status as an international commercial and financial centre. The first phase of a two-phase public consultation on the subsidiary legislation for implementation of the new CO ended in November 2012 and the second phase was launched on 2 November 2012.

On the international front, the International Integrated Reporting Council ("IIRC"), which was set up in August 2010, issued a discussion paper in September 2011 putting forward initial proposals for the development of an integrated business reporting framework, which will bring together material information about an organisation's strategy, governance, financial and non-financial performance and prospects. In July 2012, the IIRC released a draft outline of the integrated reporting framework, which established for the first time the basic structure of the framework. In a keynote speech at the Institute's 2012 conference, in October, the IIRC's chief executive officer referred to the momentum behind this project, which he described as "an idea whose time has come". He explained that an integrated report will aim to be a holistic, but concise communication of the value and outlook for company over the short- medium- and long-term. Over 80 companies are currently taking part in a pilot programme on integrated reporting, including CLP from Hong Kong. A consultation draft of a reporting framework is expected to be issued before mid-2013 and version 1 of the framework by the end of 2013.

The International Federation of Accountants' ("IFAC") Professional Accountants in Business Committee, on which the Institute is represented, published a proposed international good practice guidance on eleven principles for effective business reporting. The paper is designed to establish a benchmark for good practice in implementing effective business reporting processes in organisations and aims to help PAIBs and their organisations create a cycle of continuous improvement for their business reporting processes. The committee also released a report on the trends in investor demand for and use of ESG information, which recommends how professional accountants can better support their organisations in responding to these demands.

During the year, the International Ethics Board for Accountants started to explore the feasibility of strengthening Part C of the Code of Ethics for Professional Accountants, to promote high standards of ethical behaviour by PAIBs. To this end, the board formed a working group in early 2012, which carried out a preliminary survey of some IFAC member bodies that have a large number of PAIBs in their membership. The Institute's PAIB Leadership Panel provided feedback to the working group on the survey questions. The working group is recommending guidance on two additional issues, including the responsibility of PAIBs to produce financial reports that are faithful representations of the economics of transactions and to avoid association with misleading information and reports; and situations in which PAIBs are pressured by superiors to violate laws or ethical standards.

Commentaries

General Observations in 2012

Adopting recent past practice, the judges this year, in determining whether to give out diamond and platinum awards, benchmarked the CG practices of the short-listed companies against the highest standards, not merely their performance relative to others in the same category, while also acknowledging the differences in the level of resources available to companies in different categories. On this basis, diamond awards were given out in only two of the five categories – the HSI and non-HSI (large cap) categories – whilst platinum awards were given out in all categories.

The judges and reviewers noted that the overall quality of short-listed reports was high, particularly in the HSI and non-HSI (large cap) categories. Some judges commented that the organisation and presentation of annual reports in the non-HSI (large cap) category had significantly improved this year. They considered that the general advancement and convergence in the CG standard of a number of companies in this category reflected a growing trend towards better reporting for which the past 12 years of the Awards could take some credit.


The H-share companies category (expanded and renamed as the “H-share companies and other Mainland enterprises” category) was again highly competitive, with new contenders challenging some of the established winners, which is certainly an encouraging sign. Board and management teams have put a good deal of effort into producing readable and informative reports. The judges also noted that there was good coverage of how companies fulfilled their regulatory obligations and stronger MD&A sections in many reports in this category.

The judges considered that the best reports in the non-HSI (mid-small cap) category showed their managements’ commitment to good CG whilst striving to grow their businesses. There were general improvements in corporate reporting in this category.

Some views were expressed that many annual reports in the market, including some of the better reports, contained too much information that did not necessarily add value. From an investors’ perspective, it would be more useful if reports could provide a more balanced picture, including not only the strengths, but also more details about the opportunities and challenges, and a clearer context for the companies’ performance analyses.

There are some interesting new contenders in the public sector category but, notwithstanding the review of the marking scheme referred to above, they are still falling short of the CG standard necessary to win an award. They need to make further efforts to improve their governance, by explaining in more detail their governance structures and processes in their reports.

Some guidance is available for the public sector. The Institute published CG guidance for public sector bodies back in 2004, which is still relevant and can be tailored for smaller organisations. More recently, in 2010, the Hong Kong SAR Government’s Efficiency Unit published a guide to CG for subvented organisations, a project in which the Institute participated. Public sector and non-government



organisations (“NGOs”) are encouraged to draw on this material when they review their CG practices and disclosures. The Awards organising committee will continue to explore ways to accommodate the constraints faced by smaller public sector bodies and NGOs in developing their CG, without compromising the essential requirements of good governance.

Comments of Judges and Reviewers on Some Specific Areas of Strength and Weakness

Drawing conclusions from their assessments of 2011/12 annual reports, the judges and reviewers wished to highlight 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, but remain relevant.

1. Generally, the description of CG structures and practices has become more extensive and more informative, indicating a clear awareness by boards of investor demand for such information and the value of good CG to the company. Some companies highlighted where they achieved or exceeded the Code Provisions (“CPs”) and the RBPs, and provided explanations for any deviations. This has the advantage of establishing clear targets. Some companies moved ahead with early adoption of key elements of the revised Code and benchmarked their practices against changes in the CPs and RBPs, which showed the management’s commitment to a continuing high standard of CG practices and disclosure.
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 support their business development. 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, which took effect on 1 April 2012, it is expected that there will be advances in practices and disclosures in this area of CG 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. Attention to the role and work of nomination committees and related disclosures should be given added impetus, now that relevant RBPs have been upgraded to CPs with effect from 1 April 2012.
4. The judges observed that some high performers, in terms of CG, provided extensive disclosure of the remuneration packages of individual members of the senior management. This is an area where there is increasing investor and public demand for more openness and closer scrutiny, and both listed companies and major public sector organisations should extend their disclosures in this regard. Overall, it would also be helpful if more information were 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. Recent changes to the listing rules and CPs, which address the composition, roles and responsibilities of the remuneration committees of listed companies, should help to strengthen practices and disclosures in this area.
5. Disclosures relating to risk management frameworks and processes for evaluating and managing risks have become more extensive and elaborate over the years. The judges welcomed the fact that some companies did not just focus on the upside, but also provided details of risk management activities that gave readers a more balanced view. Areas for improvement in disclosure include how risk assessment is carried out in practice, the

methodology adopted to identify and prioritise risks, and how significant risks have been addressed.

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 further improvement among both the large and mid-small cap 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 appeared in dedicated sections of annual reports, in separate booklets or on-line reports. The best performers looked to integrate CSR-related considerations into their overall business strategies and obtain independent or third-party assurance for their CSR or sustainability reports. However, this area remains patchy and it is hoped that the establishment of 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 in this area.
8. The MD&A section of annual reports was generally quite extensive, although there is still commonly a gap in terms of explanations of long-term strategy and the coverage and scope of key performance indicators (“KPI”), as well as the basis of their calculation.
9. The judges suggested that more information on how companies manage the process of business development and expansion of overseas markets would be useful. They also encourage companies to provide more investor-orientated explanations on the drivers of the business; the landscape of the relevant industry; what defines the competitive edge that has enabled them to succeed and how this is sustainable; and how they can translate specific developments (e.g., increasing trade in renminbi) into meaningful opportunities.
10. A point that needs to be reiterated is that companies need 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 sufficient just to disclose limited information in the notes to the financial statements.
11. The judges also commended those companies that made efforts to upgrade the presentation of their annual reports by using colourful and effective graphics, charts and diagrams, which can make reports more accessible and the information more digestible for readers. In some cases, more graphic presentations of information could be used to replace the rather heavy text. At the same time, where the design and colourful presentation are primarily for marketing purposes, it may detract from the message and devalue the overall content. There is a balance to be struck and, in this case, the onus should be on meaningful, concise and readable information that tells the true story of the business, including how it has achieved, and continues to achieve, its success, the challenges it faces and its prospects in the short-, medium- and long-term.

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 P W Tse

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

INDEPENDENT NON-EXECUTIVE

V F Moore, *BBS*

Hansen C H Loh

Judy Tsui

Sir Rod Eddington

Nicholas C Allen

Vincent Cheng, *GBS, OBE, JP*

Fanny Law, *GBS, JP*

Audit Committee:

V F Moore, *BBS* (Chairman)

Judy Tsui

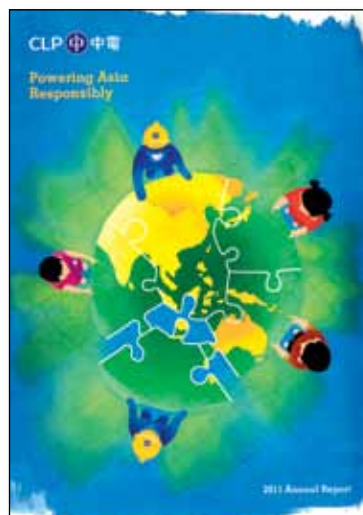
Nicholas C Allen

Hansen C H Loh

Fanny Law, *GBS, JP*

Auditors:

PricewaterhouseCoopers



Findings

1. CLP's annual report is concise and informative. It demonstrates the company's genuine commitment to good governance. CLP considers the maintenance of a good, solid and sensible CG framework as one of its top priorities. The company continues to achieve a very high standard of disclosure and remains a benchmark for other companies in Hong Kong. Commendable also is the way in which it seeks to integrate its reporting to give investors a coherent and complete picture of CLP and demonstrate its ability to create and sustain value.
2. CLP has produced a well-structured and clearly-presented annual report, particularly in terms of the quality of its CG and sustainability reporting. The innovative layout and extensive use of charts, graphics and diagrams, together with an excellent summary of the company's performance and efforts towards achieving good governance makes CLP's annual report stand out as one of the most readable amongst its peers.
3. The inclusion of the section entitled, "Evolution of CLP's Corporate Governance in 2011" is evidence of the company's commitment. CLP has updated its own CG code to take into account the revised Code under the listing rules and it has adopted in advance the new CPs. It has also incorporated some emerging international CG developments. The company uses a tabular format to clearly present the major aspects in which CLP's code meets or exceeds the requirements of the revised Code. The only deviation from the RBPs of the revised Code is explained.
4. Plain language is used to explain sophisticated accounting principles and terms to ensure readers have a clear understanding of the financial statements, as shown in the "Accounting Mini-series" section, which helps to bridge the gap between professional investors and retail investors with limited technical knowledge. The use of the example of the New South Wales acquisition as a case study is a good way to explain and reinforce the importance of the acquisition. The "Q&A" section involves the use of external parties to demonstrate that the scope of stakeholders extends beyond investors, employees and customers.
5. The risk management report is also impressive. Various inherent risks in each business activity are clearly and systematically explained, while measures to mitigate the identified risk areas have been put in place. The financial reports give a breakdown of various derivative financial instruments used for risk management and hedging. The group-level risk-management framework has also been enhanced and CLP is committed to improving the framework going forward, including assisting business units to roll out and implement their own frameworks. This is forward looking. The internal audit and internal control activities are also well documented.
6. The remuneration report comprehensively and clearly discloses the components making up the remuneration package of directors and senior management, on a named basis. The incentives are long-term and designed to align the interests of the senior management with those of the shareholders.
7. Other valuable insights include the coverage of the issue of electricity tariff increases, which has sparked some strong feelings in the community and is an area of risk management of which the company is clearly aware.
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 42 and 43.

Hang Seng Index Category

PLATINUM AWARD

Hong Kong Exchanges and Clearing Limited

Board of Directors:

EXECUTIVE

Li Xiaojia, Charles (Chief Executive)

INDEPENDENT NON-EXECUTIVE

Arculli Ronald Joseph*, *GBM, GBS, JP* (Chairman)

Cha May-Lung Laura*, *GBS, JP*

Chan Tze Ching Ignatius, *BBS, JP*

Cheng Mo Chi Moses*, *GBS, JP*

Harrison John Barrie*

Hui Chiu Chung Stephen*, *JP*

Kwok Chi Piu Bill, *JP*

Lee Kwan Ho Vincent Marshall

Lee Tze Hau Michael*

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)

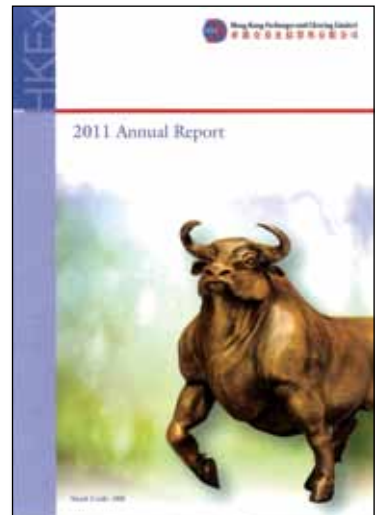
Chan Tze Ching Ignatius, *BBS, JP*

Kwok Chi Piu Bill, *JP*

Williamson John Mackay McCulloch

Auditors:

PricewaterhouseCoopers



Findings

1. The 2011 annual report of HKEx contains comprehensive information and well-presented diagrams and charts. HKEx has adopted in advance the revised Code including, where appropriate, the new RBPs. As a front-line market regulator and listed company, HKEx continues to set a good benchmark for other listed companies as to how a sound CG standard can be attained.
2. HKEx clearly sets out its mission and presents a good overview of its performance at the beginning of the annual report. The company's effective use of photographs, charts, graphics and headlines enhances the explanatory power of its CG disclosures. The innovative and attractive design to disclose information on the board of directors and senior management is an example to other companies of good practice.
3. An external independent consultant was engaged to review the performance of the board in 2011 and to follow up on the recommendations made to the board in the previous evaluation. The review concluded positively that the board continued to operate efficiently, with improvements noted on oversight of strategy and performance, oversight of people, and relationships with external stakeholders. The review also revealed that all the committees performed well, with their strong compositions, and that the board as a whole was reasonably ambitious in the goals that it set for itself.
4. HKEx's report contains a well documented CG structure. There is extensive information in the MD&A section. HKEx provides an insightful discussion of the management's perspectives in both the business and financial reviews. There are helpful section summaries on major achievements and key initiatives and key financial results. The effective use of plain language, clear charts and meaningful ratios in the MD&A, particularly, enhances the readability of the comprehensive information.
5. The remuneration committee report is one of the most thorough of all companies, with complete disclosure of senior management's salaries. The compensation of directors and the salaries and benefits of all the senior staff are shown separately.
6. There is detailed disclosure of risk management activities and the company's internal control procedure and methodology are clearly spelled out.
7. SSR reporting is another area in which HKEx excels. The separate CSR report shows HKEx's strong commitment to operate in a socially- and environmentally-sustainable manner, with effective CG and CSR practices. The quality of the company's practices and disclosures in this area of reporting is reflected in the fact that HKEx was also again among the contenders for the SSR reporting award this year, as well as being one of the joint winners of the first SSR award in 2011.

Hang Seng Index Category

GOLD AWARD

MTR Corporation Limited

Board of Directors:

EXECUTIVE

Chow Chung-kong (Chief Executive Officer)

NON-EXECUTIVE

Raymond Ch'ien Kuo-fung (Chairman)

Commissioner for Transport

- Joseph Lai Yee-tak

Secretary for Transport and Housing

- Eva Cheng

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

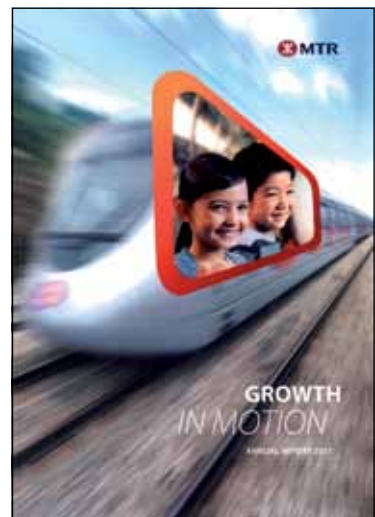
Alasdair George Morrison

Commissioner for Transport

- Joseph Lai Yee-tak

Auditors:

KPMG



Findings

1. The 2011 annual report of MTR Corporation Limited (“MTR”) is well organised, informative and reader-friendly. The report describes how the company has applied the principles of the CG Code and indicates its early adoption of the revised Code. The comprehensive CG report sets out the responsibilities of, and the work done by, each board committee in detail. There is a strong representation of INEDs on the board.
2. The company’s vision is clearly set out in the chairman’s letter, linking the MTR to long-term value, sustainability and corporate responsibility. The “At a Glance” section gives readers a sound initial overview of the business, which is a good practice. The executive management’s report and financial review sections provide an informative, in-depth analysis of the different divisions and financial results of the company, broken down by major business lines and geographical locations. The comparison between the performance requirement/customer service pledge targets and actual performance is helpful for evaluating the operational performance of the company.
3. The frequent review and update (every two years) of the company’s code of conduct and corporate guidebook, and the requirement for all employees to acknowledge their understanding of, and agreement to abide by, the code of conduct and corporate guideline, demonstrate the company’s commitment to upholding a high standard of business ethics and integrity.
4. The report includes a thorough discussion on internal controls. This includes control activities and processes and how the audit committee evaluated the effectiveness of the company’s system of internal controls, as well as the process for assessing internal controls undertaken by the audit committee.
5. The remuneration report is comprehensive. It provides detailed information on the company’s remuneration policy, remuneration structure, long-term incentive schemes, retirement scheme and an analysis of non-executive and executive directors’ remuneration. Related party disclosures are also good.
6. Other highlights include the company’s detailed policy and practice on communication with shareholders, including the plain, effective and not overly-elaborate communication in the annual report itself. In addition, the MTR demonstrates good sustainability and corporate responsibility reporting in dedicated sections, as shown in the six focus areas of stewardship. The company was again one of the contenders for the SSR reporting award. A detailed sustainability report is available on the company’s website.

Non-Hang Seng Index (Large Market Capitalisation) Category

DIAMOND AWARD

Prudential plc

Board of Directors:

CHAIRMAN

Harvey McGrath

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

Paul Manduca

Kaikhushru Nargolwala

Kathleen O'Donovan

Lord Turnbull

Group Audit Committee:

Ann Godbehere (Chairman)

Sir Howard Davies

Alistair Johnston

Paul Manduca

Kathleen O'Donovan

Auditors:

KPMG Audit Plc



Findings

1. The 2011 annual report of Prudential plc (“Prudential”), whilst large, is well structured and very informative, containing extensive, high quality, voluntary disclosures. The company’s CG practices and disclosures are regarded as being the strongest in the category.
2. The CG report is concise and well written. There is a high ratio of INEDs on the board (9 out of a total of 17 directors). There is useful information on the roles of the board, the chairman, the chief executive officer (“CEO”) and the senior INED, and a detailed description of the formal evaluation of board performance by an external evaluator. To help ensure the effectiveness of the board over the long-term, the issues of succession planning and gender diversity are addressed. Noteworthy also are the explanations of deviations from certain areas of the Hong Kong CG Code, because of their inconsistency with the UK CG code.
3. The reports of the chairman, the group CEO, and also the chief financial officer (in addition to the financial review), and the financial highlights are very informative. The business review – Asia accelerating, US strengthening, UK focusing, and asset management activities optimising – is strikingly strategic.
4. The report gives details of the company’s risk and capital management, including details of its exposure to various markets. The risk committee report is well set out. It describes how the committee operated and what it did during the year. The sections covering internal control and risk management, and the explanation of the structure and operation of the company’s risk governance framework, are informative.
5. The remuneration report provides an excellent showcase on how to structure incentive schemes for board members. The report is also highly detailed with diagrams demonstrating links with performance.
6. Another notable inclusion is the directors’ confirmation that the financial statements give a true and fair view. Interesting also is the directors’ explanation that, in the company’s opinion – “Accounting under IFRS [international financial reporting standards] alone does not fully reflect the value of future profit streams”. Consequently, the report has added supplementary European embedded value results and provided additional information.
7. The corporate responsibility review is highly informative and emphasises that CSR and sustainability are integral to the way Prudential does business, and not optional extra activities. An annual corporate responsibility report was produced and is available on the company’s website.

Non-Hang Seng Index (Large Market Capitalisation) Category

PLATINUM AWARD

The Link Real Estate Investment Trust

Board of Directors:

EXECUTIVE

George Kwok Lung Hongchoy (Chief Executive Officer)
Andy Cheung Lee Ming

NON-EXECUTIVE

Ian Keith Griffiths

INDEPENDENT NON-EXECUTIVE

Nicholas Robert Sallnow-Smith (Chairman)
Michael Ian Arnold
William Chan Chak Cheung
Anthony Chow Wing Kin, *SBS, JP*
Patrick Fung Yuk Bun, *JP*
Stanley Ko Kam Chuen, *BBS, JP*
David Charles Watt
Richard Wong Yue Chim, *SBS, JP*

Audit Committee:

William Chan Chak Cheung (Chairman)
Anthony Chow Wing Kin, *SBS, JP*
Stanley Ko Kam Chuen, *BBS, JP*
Richard Wong Yue Chim, *SBS, JP*

Auditors:

PricewaterhouseCoopers



Findings

1. The annual report of the Link Real Estate Investment Trust (“the Link”) is comprehensive, high-quality and informative. The report’s design is innovative with many eye-catching graphics, charts and diagrams. The company has also made good efforts to personalise its annual report in order to make it more readable and accessible.
2. The Link’s report provides a good overview of its mission and core values. It contains a comprehensive and detailed CG report, which clearly sets out how the requirements of the revised Code under the listing rules have been largely adopted and even exceeded in some areas. In addition, the Link explains the enhancements that have brought the existing practices into line with the revised Code.
3. The discussion on board diversity and comparison of directors’ skills and expertise provides a fresh approach and adds to the quality of information for shareholders. A “three-line defence” system, including internal control and operational management, risk management and compliance and internal audit, with oversight by the audit committee and, ultimately, the board, has been developed to facilitate the board’s oversight of control issues.
4. The MD&A section is straightforward and easily understood. KPIs are used in the operation and financial reviews to evaluate the company’s performance. There is a good section in the report entitled, “Conversation with Chief Executive Officer”, which covers a wide range of subjects, including financial performance, asset enhancement initiatives, major challenges and opportunities. Usefully, the report contains views not only from internal management but also from stakeholders on how they see the company.
5. The Link’s report has a good CSR section. In addition, a separate sustainability booklet with case studies, assurance statement and feedback form, is available on the company’s website. This outlines the work and activities undertaken on environmental performance, engagement with stakeholders and the community.
6. The Link also obtained an SIA this year. The judges’ comments on the areas of improvement in the company’s reporting are set out on page 27.

Non-Hang Seng Index (Large Market Capitalisation) Category

GOLD AWARD

Hysan Development Company Limited

Board of Directors:

EXECUTIVE

Irene Yun Lien Lee (Chairman)
Gerry Lui Fai Yim (Chief Executive Officer)
Wendy Wen Yee Yung

NON-EXECUTIVE

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

INDEPENDENT NON-EXECUTIVE

Nicholas Charles Allen
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

1. The 2011 annual report of Hysan Development Company Limited (“Hysan”) is well-organised and covers the key points relating to business performance. It highlights concisely the major issues and trends and the company’s response to changes in the business environment.
2. The report maintains a clear focus on Hysan’s mission and values. The sections, “Who We Are” and “Our Values”, emphasise the need to be a responsible business and foster high standards of ethics and accountability and partnership with stakeholders.
3. The CG report is comprehensive and indicates that the company is clearly serious about its CG performance. Particular strengths of this report are the diagrams of the company’s perception of the roles and focus of the board’s work and the CG framework. The schedule of corporate matters reserved for the board provides shareholders with a clear picture regarding important agenda issues for the board in 2011. Furthermore, there is a good discussion of board diversity, which exceeds the standard requirements of the listing rules.
4. The MD&A section includes useful KPIs with explanations as to how they were measured and why they are regarded as significant. There is a detailed “Corporate Disclosure Policy” on the company’s website, which demonstrates the company’s good control over information disclosure.
5. There is good disclosure of directors’ remuneration. The company engaged an external consultant to advise on best practices on risk management and states that it will further develop its risk register in future.
6. A separate and interesting corporate responsibility report is produced, which lays out the company’s policies in relation to the community, environment, health and safety, and how such policies are implemented.

Non-Hang Seng Index (Large Market Capitalisation) Category

SPECIAL MENTION

Pacific Basin Shipping Limited

Board of Directors:

EXECUTIVE

David M Turnbull (Chairman)
Klaus Nyborg (Chief Executive Officer)
Jan Rindbo
Andrew T Broomhead
Wang Chunlin

NON-EXECUTIVE

Richard M Hext

INDEPENDENT NON-EXECUTIVE

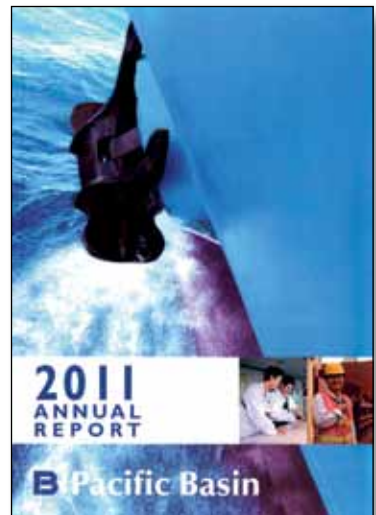
Robert C Nicholson
Patrick B Paul
Alasdair G Morrison
Daniel R Bradshaw

Audit Committee:

Patrick B Paul (Chairman)
Robert C Nicholson
Alasdair G Morrison
Daniel R Bradshaw

Auditors:

PricewaterhouseCoopers



Findings

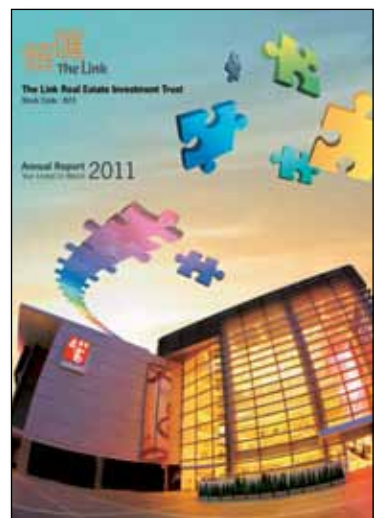
1. The 2011 annual report of Pacific Basin Shipping Limited (“PBS”) is highly informative and has an innovative way of communicating to shareholders by means of an easy-to-read, research-writing style. The report contains a clear presentation of the business model and how it operates. The overview section also provides a concise summary of the business performance for the year. PBS has adopted “Quick Response Code” to facilitate easy access to the report. The chairman emphasises the company’s commitment to good governance, the environment and CSR.
2. PBS includes useful information in its CG Report on the responsibilities of the board and committees, work done by the various committees in 2011, as well as on internal controls. This helps shareholders to understand the management process of each committee.
3. The business review is comprehensive, indicating the company’s aims, performance, target and outlook, with relevant KPIs. The inclusion of an investor relations KPI is innovative.
4. There is a good discussion of the identification, assessment, and management of risk in relation to financial performance, relationships and customer satisfaction, people and skills, and safety, environment and reliability. Interestingly, CG risk and investor relations are other areas of risk recognised by PBS.
5. There is a separate section containing the company’s sustainability report, which shows a commitment to the environment, the community and the workplace. Key CSR performance indicators are also disclosed.

Non-Hang Seng Index (Large Market Capitalisation) Category

SIGNIFICANT IMPROVEMENT AWARD

The Link Real Estate Investment Trust

The Link is also the winner of the Platinum Award in the Non-HSI (Large Cap) Category. (Refer to page 20 for details of the composition of its board of directors and audit committee and the name of the auditors.)



Findings

The Link has achieved improvements in its CG disclosures and underlying practices in a number of areas, including:

1. The disclosures in the CG section have been improved significantly. Additional features of the CG framework are disclosed, while the “Effective Board” section provides a good analysis of the board’s diversity.
2. The MD&A section shows enhancements. The explanation of how KPIs are measured and why they are considered to be important to the business indicates that the Link has a clear-sighted view of business strategy and the company’s future outlook. A new section on the snapshot of properties is informative and well presented.
3. The Link has extended its disclosure of risk management by adding information and explanations on the “three-line defence” system, which establishes a hierarchy of monitoring and reporting to ensure that the audit committee and the board are able to effectively oversee control issues. There is some additional disclosure on directors’ remuneration. This is an area where more detailed explanations would be useful.
4. The disclosure of CSR and environmental reporting has been expanded. For example, the report is based on the GRI G3.1 Sustainability Reporting Framework and more information on the group’s consumption of energy resources and the management is provided.
5. Presentationally, the report has improved. The sections prior to the financial statements are well organised and sequenced. For example, the CG framework chart is followed immediately afterwards by a chart on CG structure. The use of larger typeface makes the report more readable, while the diagrams and charts are well presented and there is a good choice of colours to enhance the messages.

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

PLATINUM AWARD

COSCO International Holdings Limited

Board of Directors:

EXECUTIVE

Ye Weilong (Chairman)
Zhang Liang
Liang Yanfeng
Wang Xiaodong (Managing Director)
Lin Wenjin

NON-EXECUTIVE

Jia Lianjun
Meng Qinghui
Chen Xuewen

INDEPENDENT NON-EXECUTIVE

Tsui Yiu Wa Alec
Jiang Simon X
Alexander Reid Hamilton

Audit Committee:

Alexander Reid Hamilton (Chairman)
Tsui Yiu Wa Alec
Jiang Simon X

Auditors:

PricewaterhouseCoopers



Findings

1. The annual report of COSCO International Holdings Limited (“COSCO”) is well organised and easy to read. The company provides sound reporting with good disclosure, which shows the management’s commitment to strong CG.
2. The CG report is concise and well written and it discloses the timing of releasing information to directors and the keeping of minutes of board and committee meetings. The report also discusses in some detail the duties of the board and board committees and the way they work. The profile of directors indicating their qualifications and experience is informative. The company’s governance policy is also published on its website. All together a useful primer is provided on how the company is governed.
3. The MD&A is comprehensive, covering various core businesses and operations with charts and a detailed analysis of different components of financial statements. There is also a good analysis of the impact of the unfavourable global economy and how the company has addressed the issue and adjusted its business and operations.
4. There is an extensive section on investor relations, which introduces an open dialogue with investors and lists activities to develop investor relations. The “Frequently Asked Questions” are informative, addressing investors’ concerns and including answers on queries arising from the numbers in the company’s financial statements. There is also disclosure of data on the usage of the website.
5. Good CG and CSR are emphasised in both the chairman’s and vice chairman’s reports. This shows a good corporate culture where the key messages from the top permeate to all levels of management and staff.
6. The separate CSR section focuses on safety, environmental protection, employees and community activities. It provides specific and detailed disclosure of what the company has done in relation to the environmental circumstances.

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

PLATINUM AWARD

SOCAM Development Limited

(formerly known as Shui On Construction and Materials 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

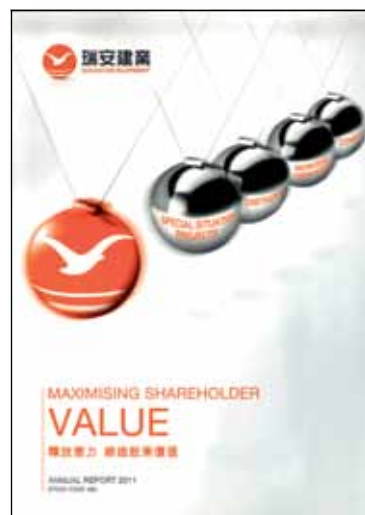
Gerrit Jan de Nys
 Li Hoi Lun Helen
 David Gordon Eldon, *GBS, CBE, JP*
 Chan Kay Cheung
 Tsang Kwok Tai Moses

Audit Committee:

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

Auditors:

Deloitte Touche Tohmatsu



Findings

1. SOCAM Development Limited (“SOCAM”)’s annual report contains a high-quality and comprehensive CG report, which shows the commitment of the board to a sound CG framework. The report serves as a good role model for mid-small cap listed companies in terms of its CG practices and disclosures.
2. Evaluations of the performance of the board as a whole and of individual directors have been conducted previously by an external consultant, and by self-evaluation in 2011, with the purpose of assessing the board’s overall performance and effectiveness and to identify areas for improvement.
3. The distinct roles of chairman and CEO and key functions of the board and board committees are clearly described. The composition and major roles and functions are concisely set out in tabular format. The board of the company contains a comparatively high ratio of INEDs (5 out of 10 directors), who possess different specialist experience. Details of the appointment, re-election and removal of directors, as well as training and development for directors, are clearly presented.
4. The MD&A paints an informative picture of the company’s activities, including the main positive and negative factors affecting the business. Different business segments are discussed, with key figures highlighted. The chairman’s statement also helps readers to understand the company’s business performance, strategy and operation, and the future outlook at a glance.
5. A separate audit committee report provides useful information on the committee’s role in overseeing the financial reporting function. It covers the committee’s work performed during the year, including in relation to the company’s whistle-blowing policy and the review of the company’s internal control and risk management systems.
6. Another separate report on the remuneration committee describes its composition, role and duties and the work performed by the committee, in addition to the company’s remuneration policy and structure. Directors’ remuneration and share options, annual grants and long-term incentive grants are disclosed in detail in the annual report, reflecting SOCAM’s efforts in upholding transparency in this key area.
7. The CSR report outlines the company’s policy in this area and explains how this was achieved, through programmes and activities covering caring for the community, the environment and employees.

H-share Companies and Other Mainland Enterprises Category

PLATINUM AWARD

Industrial and Commercial Bank of China Limited

Board of Directors:

EXECUTIVE

Jiang Jianqing (Chairman)
Yang Kaisheng (Vice Chairman and President)
Wang Lili
Li Xiaopeng

NON-EXECUTIVE

Huan Huiwu
Wang Xiaoya
Ge Rongrong
Li Jun
Wang Xiaolan
Yao Zhongli

INDEPENDENT NON-EXECUTIVE

Leung Kam Chung Antony
Qian Yingyi
Xu Shanda
Wong Kwong Shing Frank
Malcolm Christopher McCarthy
Kenneth Patrick Chung

Audit Committee:

Xu Shanda (Chairman)
Leung Kam Chung Antony
Qian Yingyi
Wong Kwong Shing Frank
Kenneth Patrick Chung
Li Jun

Auditors:

Ernst & Young



Findings

1. The Industrial and Commercial Bank of China Limited (“ICBC”)’s annual report demonstrates strong efforts to uphold a high level of transparency and accountability. The logical progression, the continuity of design and the plain language enables readers to comprehend the key information easily. The company’s mission, vision and values, which are spelled out at the beginning of the report, can be clearly evaluated by the subsequent contents of the report. ICBC continues to make efforts to build and maintain a CG framework that provides checks and balances and excels in areas such as risk management, internal audit and control, information disclosure and investor relations.
2. The CG report provides a comprehensive overview of the systems in place. The report covers in detail the CG framework, policies and procedures, including a framework chart which shows the bank’s focused thinking in this area. The report indicates that, in addition to complying with the Principles and CPs of CG Code under the listing rules, the company has essentially also adopted the RBPs. The work of the board and committees is clearly laid out, including, uncommonly, the topics of discussion at directors’ meetings held during the year and during meetings of the board of supervisors and special committee (ICBC having a two-tier board). The opinions of the supervisory board on certain relevant issues are reported. The section entitled, “Development of Corporate Governance Regulations”, provides a detailed account of measures taken to upgrade risk management and internal control, as well as to improve the assessment of the performance of directors, senior management and the board of supervisors.
3. The MD&A section outlines the business strategy and includes a comprehensive discussion on the economic, financial and regulatory environments. The analyses are well supported by market indicators and quantitative information, illustrated clearly with graphs and ratios. Global economic indicators are provided, which help readers to see the overall picture. The yearly activities of separate business divisions are well covered and illustrated in the business overview. The outlook section contains insightful information on the opportunities and challenges faced by the company in the coming year.
4. The discussion on risk is in depth, including a description of the continuous improvements being made to the comprehensive risk management system, policies and strategies to prepare for the implementation of the New Capital Accord and the three pillars of the Basel II (minimum capital requirements, supervisory review process and information disclosure) requirement. The bank’s risk management organisational structure is presented effectively by a diagram, illustrating a clear flow of responsibilities. There is extensive disclosure on the management of a diverse range of risks, such as credit, market, liquidity, operational, reputational and country risks, with useful quantitative information.
5. The “Social Responsibility” section is presented in a well-ordered fashion and covers economic, environmental and social performance. The section captures each service in a way that echoes the company’s values and shows the promises on which it delivers. A separate CSR report is also published.

H-share Companies and Other Mainland Enterprises Category

GOLD AWARD

Ping An Insurance (Group) Company of China, Ltd.

Board of Directors:

EXECUTIVE

Ma Mingzhe (Chairman and Chief Executive Officer)
Sun Jianyi
Wang Liping
Yao Jason Bo

NON-EXECUTIVE

Lin Lijun
Fan Mingchun
Wong Tung Shun Peter
Ng Sing Yip
Li Zhe
Guo Limin
Cheung Chi Yan Louis

INDEPENDENT NON-EXECUTIVE

Zhang Hongyi
Chen Su
Xia Liping
Tang Yunwei
Lee Carmelo Ka Sze
Chung Yu-wo Danny
Woo Ka Biu Jackson

Audit and Risk Management Committee:

Tang Yunwei (Chairman)
Zhang Hongyi
Chen Su
Chung Yu-wo Danny
Woo Ka Biu Jackson
Ng Sing Yip

Auditors:

Ernst & Young



Findings

1. The 2011 annual report of Ping An Insurance (Group) Company of China, Ltd. (“Ping An”) presents clear outline of its performance, CG, financial statements and other corporate information, in a well-structured document. The opening section describes effectively the company’s corporate mission and profile.
2. The ongoing efforts of Ping An to improve its governance standard are demonstrated in the CG section, with its informative narrative and clear structure. The reasons for deviating from the CG Code regarding the non-separation of the roles of chairman and CEO are clearly stated in the report. There is a good section on changes in the share capital and shareholders’ profile. The company also publishes a code of conduct for securities transactions by directors and supervisors.
3. The MD&A is comprehensive, well organised and enhanced by effective use of graphs and charts. The section begins with an overview, which is followed by an in-depth analysis of different business segments and finally a supporting quantitative analysis. The company’s liquidity and capital management are informatively addressed in a separate section on liquidity and financial resources. The disclosure of embedded value was reviewed by an independent actuary, which strengthens the reliability of the information.
4. The risk management section discloses, in detail, the risk management framework and objectives of the company. The respective responsibilities of the committees and departments involved in risk management are clearly presented in a chart. Business risks and relevant control measures to manage such risks are also discussed.
5. The CSR section reflects Ping An’s integrity and genuine commitment to shareholders, customers, staff and business partners. Further explanation of the company’s corporate objectives in relation to social responsibility would help strengthen this aspect of its reporting.

H-share Companies and Other Mainland Enterprises Category

SPECIAL MENTION

Jiangsu Expressway Company Limited

Board of Directors:

EXECUTIVE

Qian Yong Xiang (General Manager)

NON-EXECUTIVE

Yang Gen Lin (Chairman)

Zhang Yang

Chen Xiang Hui

Du Wen Yi

Cheng Chang Yung Tsung Alice

Fang Hung Kenneth

INDEPENDENT NON-EXECUTIVE

Fan Cong Lai

Chen Donghua

Xu Chang Xin

Gao Bo

Audit Committee:

Chen Donghua (Chairman)

Fan Cong Lai

Du Wen Yi

Auditors:

Deloitte Touche Tohmatsu CPA Ltd.



Findings

1. The 2011 annual report of Jiangsu Expressway Company Limited (“Jiangsu Expressway”) is concise, well-structured and attractively presented. The report provides an easy-to-read, extensive comparison of the company’s CG practices against the CPs of the CG Code under the listing rules, presented in a tabular format.
2. Improvements and achievements during the year are summarised at the beginning of the CG report, which helps readers better understand the full picture of the company’s governance. The report records the company’s good efforts towards early adoption and compliance with the revised Code. The “Confirmation Opinion”, affirming the directors’ and senior management’s responsibility for the truthfulness, accuracy and completeness of the financial statements continues to be a highly commendable example of accountability in the company’s annual report.
3. The MD&A section shows the excellent integration of core business analysis, key performance enhancement and forward-looking prospects. There is a detailed review of operations management, effective analyses and informative commentary in relation to the business and financial performance. The company discloses the plans and measures to reach its profit target in the coming year, which reflects its confidence and ability to create strong and sustainable value.
4. Jiangsu Expressway continues its good quality disclosure of remuneration policies and details of the remuneration of directors, supervisors and senior management on an individual and named basis.
5. A detailed self-evaluation report on internal controls, which includes procedures and methods for evaluation, as well as the results, is presented together with the audit opinion. Further disclosures in relation to risk management and how the company addresses major risk factors would be beneficial.
6. The CSR report indicates the company’s commitment to integrate social responsibility into its corporate economic activities. With a clear statement of its mission, Jiangsu Expressway is making positive efforts in the CSR sphere, in areas such as improving CG and company management, providing effective public services and customer services, growing with staff, working with investors and undertaking environmental protection and community services.

Public Sector/Not-for-profit Category

PLATINUM AWARD

Airport Authority Hong Kong

The Board:

EXECUTIVE

Stanley Hui Hon-chung, *JP* (Chief Executive Officer)

NON-EXECUTIVE

Secretary for Financial Services and the Treasury

– The Hon K C Chan, *SBS, JP*

Secretary for Transport and Housing

– The Hon Eva Cheng, *JP*

Director-General of Civil Aviation

– Norman Lo Shung-man, *JP*

INDEPENDENT NON-EXECUTIVE

The Hon Marvin Cheung Kin-tung, *GBS, OBE, JP*
(Chairman)

The Hon Chan Kam-lam, *SBS, JP*

Edward Cheng Wai-sun, *SBS, JP*

Anita Fung Yuen-mei

The Hon Albert Ho Chun-yan

The Hon Raymond Ho Chung-tai, *SBS, MBE, JP*

Benjamin Hung Pi-cheng, *JP*

The Hon Jeffrey Lam Kin-fung, *GBS, JP*

The Hon Miriam Lau Kin-yee, *GBS, JP*

Lee Shing-see, *GBS, OBE, JP*

Caroline Mak Sui-king

Allan Wong Chi-yun, *GBS, MBE, JP*

Huen Wong, *JP*



Audit Committee and Finance Committee:

Benjamin Hung Pi-cheng (Chairman)

Edward Cheng Wai-sun, *SBS, JP*

Anita Fung Yuen-mei

The Hon Albert Ho Chun-yan

The Hon Raymond Ho Chung-tai, *SBS, MBE, JP*

Secretary for Financial Services and the Treasury

Auditors:

KPMG

Findings

1. The Airport Authority Hong Kong (“AAHK”)’s annual report is well produced, informative and a good role model for the public sector. Diagrams and coloured bar charts are used throughout to enhance the text. The report contains a good overview of the company’s core values and the principles that are expected to govern management and staff, which are clear, understandable and can be acted upon. Helpful performance highlights are provided at the beginning of the report.
2. There is a separate, well-written CG report and a good diagram showing the governance structure with approval and reporting protocols. AAHK continues to voluntarily apply the principles and guidelines set out in the CG Code applicable to listed companies, demonstrating an ongoing commitment to having a sound CG system in place. The reasons for any deviations from the Code are explained. Concise information is provided on the profile and expertise of the board members, the main duties of the board committees and the specific key matters dealt with by them. There is a high ratio of independent directors on the board and their fees are disclosed. The bar charts comparing gender, category, age, experience, profile and attendance are an innovative and informative feature. The audit and finance committee is presented with quarterly management information to enable it to effectively monitor the changes to the environment affecting AAHK.
3. The CG disclosures are further extended with a comprehensive risk management report, which includes a clear diagram to elaborate the processes adopted in identifying and dealing with risks. Risk profiles and controls sections set out the assessment and management from the perspective of different types of risk. The chart of the AAHK’s internal control framework is illuminating and is tailored specifically to the company’s circumstances, showing appointment/supervision and reporting lines. The discussion of the ethical culture is also to be commended.
4. The MD&A contains a good description of the business and comparisons with other airports, including various KPIs. More of this kind of analysis in terms of the potential competition would be useful. The chairman’s and CEO’s statements include forward-looking disclosures, which show the company’s commitment in respect of short-, medium- and long-term developments. A separate section on “Meeting Future Demand” further explains the future developments, including key facilities to be developed for the three-runway system at the airport.
5. The report refers to the company’s whistle-blowing policy, which is an important and frequently-overlooked feature of good corporate governance for public sector entities.
6. Environmental protection and CSR considerations are important for a major airport and are a focus of the chairman’s and CEO’s statements. Given its importance, coverage of this area could usefully be expanded.

Public Sector/Not-for-profit Category

GOLD AWARD

Securities and Futures Commission

The Board:

EXECUTIVE

Ashley Alder (Chief Executive Officer)
Brian Ho
Alexa Lam (Deputy Chief Executive Officer)
Keith Lui
Mark Steward

NON-EXECUTIVE

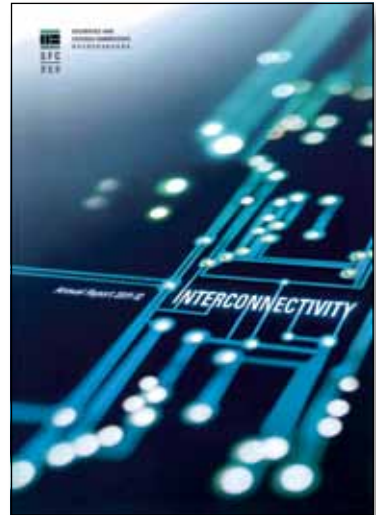
Eddy C Fong, *GBS, JP* (Chairman)
The Hon Chan Kam-lam, *SBS, JP*
Leonard K Cheng, *JP*
Anderson Chow Ka-ming
Angelina P L Lee, *SBS, JP*
Lawrence Lee, *JP*
Carlson Tong, *JP*
Wong Kai-man, *BBS, JP*

Audit Committee:

Angelina P L Lee, *SBS, JP* (Chairman)
Wong Kai-man, *BBS, JP*
Lawrence Lee, *JP*

Auditors:

KPMG



Findings

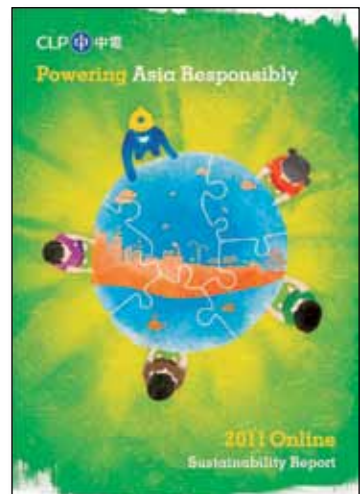
1. The SFC has made good efforts to set a high standard of CG reporting and practices for a regulator, which has different drivers from a profit-generating supplier of goods or services. The report conveys the essential information regarding the SFC's mission, governance, organisational outlook, operational review and CSR, in addition to the financial statements.
2. The annual report contains a separate CG report. The organisational structure is illustrated by a succinct, clear diagram and the work of the board and its committees is explained. Performance pledges in this section help readers to benchmark the service performance of the SFC.
3. The priorities set out in the CEO's statement provide a clear indicator for future performance. The corporate outlook section clearly sets out the four major focuses of the organisation.
4. The operational review covers key achievements of the SFC in discharging its duties and fulfilling its functions. On risk management, the report states that a risk and strategy unit was launched in March 2012, which is a dedicated, central and strategic function. Future reports on the responsibilities of this unit and the work it carries out will be relevant to stakeholders and will help enrich disclosures in this area.
5. The separate section on CSR reflects SFC's sensitivity to issues of social responsibility. More details could usefully be provided on how the SFC sees its role in terms of impacting the market in relation to CSR.
6. While recent years have not been easy for the financial world, the report shows that the SFC, as a securities regulator in one of the world's major financial markets, has achieved success in riding the financial storms.

Sustainability and Social Responsibility Reporting Award

CLP Holdings Limited

Findings

1. CLP has produced a comprehensive and high-quality sustainability/CSR report, which stands out in comparison with its peers (see: www.clpgroup.com/sr2011/eng/full/files/sr_report.pdf). The report provides very clear, well-structured and detailed information, with strong disclosures and discussion of the company's strategy and policy in this area. Whilst it is lengthy, it is also practical and stakeholder focused. The innovative reporting format is impressive, as are the design and content of CLP's website in the CSR sphere and the integrity shown in disclosing both positive and negative contributions to the sustainability performance of the company. The new feature, the "5-Minute Sustainability Report", helps readers to quickly grasp the key issues and performance figures for the year in very visual, user-friendly way. The credibility of the report is enhanced by assurance performed by an independent professional firm on elements of the company's reporting.
2. A sustainability framework was developed in early 2011 which has systematically embedded sustainability goals into the business planning process and operations throughout the CLP Group and sets specific and measurable targets for each of the CLP's business streams. The CLP Sustainability Committee is a board-level function overseeing the company's position and practices on sustainability issues. This demonstrates one of the critical success factors, namely the "tone at the top" of the company.
3. The sustainability report clearly outlines the risk and challenges faced by the company and the procedures it plans to apply and targets it aims to achieve. A stakeholder engagement process has been in place since 2006 to gauge internal and external stakeholders' view and concerns. In this regard, additional information on how stakeholder concerns are followed up would be helpful.
4. It is noted that CLP regularly updates its "Value Framework" to bring it into line with global best practices and meet the expectations of all stakeholders. In 2011, the company further reviewed the framework to emphasise the importance of proper management in respect of the ESG aspects of its business, to update its vision and mission statements, and to incorporate its sustainability targets into the framework. The newly developed "Responsible Procurement Policy Statement" also extended the company's corporate responsibility commitment to its supply chain, which reflects best practice.



5. CLP has attained the GRI rating of level A+, fulfilling the requirements of the G3 Sustainability Reporting Guidelines and the Electric Utility Sector Supplement. All performance indicators in relation to financial, environmental, social and climate vision 2050 target factors are independently verified by an external service provider directly engaged by each facility.
6. Other notable highlights of CLP's sustainability reporting include steps being taken to promote the efficient use of energy, recycling and refurbishing waste electrical equipment for the underprivileged, and extending disclosures in relation to safety to assets in which the company holds only a minority ownership and/or no operational control.
7. As a power generator, CLP's activities have very direct impact on the environment, so focused efforts and money spent on CSR activities, and results obtained, are of greater significance than achieving compliance with international disclosure standards per se. CLP has a climate vision for which it has set long-term targets, covering not only carbon emissions but also renewable energy and non-carbon emissions.
8. CLP is one of the companies voluntarily participating in the IIRC's pilot programme on integrated reporting, which is laudable, particularly given that there is reported to be a shortage of companies from Asia taking part in the programme. It is hoped that further developments in integrated reporting will result in greater integration of sustainability and financial performance.

Judges and Reviewers

The Institute would like to express its appreciation to the judges and reviewers for their invaluable contributions in assessing, analysing and judging the entries in the 2012 BCGDA.

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

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Wong Brothers & Co., CPA	The Hong Kong Institute of Chartered Secretaries
	The Hong Kong Institute of Directors
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The Institute would also like to thank the Professional Accountants in Business Leadership Panel and its BCGDA Organising Committee for continuing to develop the Awards programme and organising the 2012 BCGDA and related events.

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