



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

HKICPA applauds outstanding Corporate Governance performers, calls for stronger board accountability to promote investor confidence

(Hong Kong, 29 November 2018) Judges of the 19th Best Corporate Governance Awards (BCGA) organized by Hong Kong Institute of Certified Public Accountants (HKICPA) today called for boards to be more transparent about the way in which they operate and their accountability for business strategy and risk management. With recent market developments, such as the introduction of weighted voting right structures and special arrangements for new economy companies in Hong Kong, as well as more action taken by the Securities and Futures Commission against corporate misconduct and fraud, investors look to effective boards and independent non-executive directors (INEDs) to safeguard their interests.

The BCGA judges highlighted a number of areas where companies could provide more information. These include the criteria for appointing executive and non-executive directors, greater clarity around the reasons for directors' resignations, and more details about board evaluations, as well as more information on the components of director and senior management remuneration packages.

These calls echo recommendations made in the HKICPA-commissioned *Report on Improving Corporate Governance in Hong Kong* to improve board effectiveness and accountability, strengthen the roles and responsibilities of INEDs and ensure their independence.

The 2018 BCGA winners were selected through a rigorous review and judging process. A total of around 700 annual reports and 450 sustainability reports were put through an initial screening process, followed an by in-depth review of the disclosures and practices of the best candidates, to draw up short lists for the different categories of awards.

This year, the judges have given out 23 awards - three more awards than last year. New awardees were Shangri-La Asia Limited, Convenience Retail Asia Limited, Tencent Holdings Limited, Chow Tai Fook Jewellery Group Limited, The Hong Kong and China Gas Company Limited, The Wharf (Holdings) Limited and China Everbright Greentech Limited (see appendix). Mr. Eric Tong, President of HKICPA and Chairman of the Judging Panel said, "We hope that all these awards set good, attainable benchmarks for others to follow and that they will encourage more listed companies and public sector organizations in Hong Kong to raise the standard of their governance. It is important to stress that effective corporate governance requires more than just making good disclosures. The judges take note of a company's overall performance, including evidence of how corporate governance is being implemented in practice."

While there were more awards in total this year, no diamond award has been given out this time, as the judges felt that there was scope, even for companies with high corporate governance standards, to take stock and consider how they could still do better. The judges see this as an important message that needs to be communicated.

In general, performances in the SSR part of BCGA have improved since the upgrading of the Environmental, Social and Governance (ESG) Reporting Guide by the Stock Exchange. One consequence of this is that more SSR Award winners have been identified this year. "This is a positive outcome that reflects the efforts of regulators and the business sector. The majority of Award nominees adopted the Global Reporting Initiative (GRI) standards in preparing their sustainability reports, and the outstanding ones found better and more accessible ways to present their sustainability policies and practices, while meeting the GRI standards," Mr. Tong added.

The HKICPA is pleased to see first award given out in the Non-HSI (Small Market Capitalization) Category. "We sincerely hope that this award will motivate more SMEs to think about steps they could take to develop a sound corporate governance framework and culture, even within the confines of their more limited resources," said Mr. Derek Broadley, Chairman of the Awards Organizing Committee. "Developing a strong governance culture is about having the right mindset as much as anything else", he added.

Patrick Rozario, Chairman of the Review Panel of BCGA 2018, said, "We are definitely seeing improvements in the quality and presentation of information disclosure. For example, more companies are now providing easy-to-read charts and graphics on their board composition and diversity, which is a positive development. Good disclosure is part of the story. We would also like to see more concrete progress in the implementation of board diversity policies and measurable targets."

"Another area of interest for the reviewers and judges, given the concentration of family businesses in Hong Kong was how family-run companies deal with corporate governance challenges such as succession planning and board refreshment. We think it is important to reassure investors that, where appropriate, arrangements are in place for a smooth and progressive transition, both for executive and non-executive directors, including INEDs. Bringing new blood onto the board can be an opportunity to expand diversity, in terms of age, gender, background and expertise."

As for public sector organizations, the HKICPA says that these also need to be more transparent about criteria for the appointment of directors, to distinguish more clearly between NEDs and INEDs, and provide more information about the work carried out by the board and committees.

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About HKICPA

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the statutory body established by the Professional Accountants Ordinance responsible for the professional training, development and regulation of certified public accountants in Hong Kong. The Institute has more than 42,000 members and 18,000 registered students.

Our qualification programme assures the quality of entry into the profession, and we promulgate financial reporting, auditing and ethical standards that safeguard Hong Kong's leadership as an international financial centre.

The CPA designation is a top qualification recognised globally. The Institute is a member of and actively contributes to the work of the Global Accounting Alliance and International Federation of Accountants.

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