



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

Assignment/News/Business Assignment Editor
(For Immediate Release)

Best Corporate Governance Disclosure Awards 2015
Concrete progress but gaps still remain
Fewer top awards are given out, while broader efforts to move towards
corporate governance best practices are applauded

(HONG KONG, 26 November 2015) — The Hong Kong Institute of Certified Public Accountants announced today the results of the Best Corporate Governance Disclosure Awards 2015.

Consistent winner, CLP Holdings Limited was the only diamond award winner in this year's competition. Three awards categories saw more than one gold winner — a sign that this is one of the most competitive years. At the same time, the 2015 Awards identified one entirely new awardee, China CITIC Bank Corporation Limited, in the H-share companies and other mainland enterprises category and two more awardees that had not previously gained one of the main awards – Pacific Basin Shipping Limited, in the non-Hang Seng Index (mid-to-small market capitalization) category, and The Hongkong and Shanghai Hotels, Limited. in the sustainability and social responsibility reporting section.

The judges decided fewer awards and only one diamond award be given out this year. The diamond award, the highest honour, was withheld in four out of five categories: non-HSI large market capitalization, non-HSI mid-to-small market capitalization, H-share companies and other Mainland enterprises, and the public sector / not-for-profit organizations. They noted that many Hong Kong listed companies and not-for-profit organizations still have more to do to align their corporate governance practices and disclosures with best practice in Hong Kong.

The focus of this year's awards includes disclosures and practices in internal controls and risk management, as the Hong Kong Stock Exchange's strengthened requirements in this area will come into force in January 2016. Corporate social responsibility is another increasingly important aspect of good corporate governance and the new Companies Ordinance requires Hong Kong companies to provide a discussion of environmental policies and performance in the directors' report, which will be extended to all listed companies for financial year beginning on or after 31 December 2015. Also the Stock Exchange will be upgrading some of the core recommendation in its Environmental, Social and Governance Reporting Guide to comply-or-explain requirements.

"This year, we reviewed the marking scheme taking into account the latest developments and, in particular, the new requirements on internal controls and risk management as well as ESG reporting," says Patrick Rozario, chairman of the awards organizing committee. "The judges have looked for evidence of how the listed companies have made meaningful voluntary disclosures or moved towards early adoption now that the baseline has been raised with the implementation of the revised Corporate Governance Code.

The strongest performance was from companies that benchmarked themselves against the best practices in the revised Corporate Governance Code and Corporate Governance Report and even went beyond those. The shortlisted companies generally performed well in disclosing their risk management and internal control framework and processes, establishing high level committees with clear responsibilities for risk management, and disclosing key risks facing the company and how they mitigate these.

More companies are using recognized benchmarks for their corporate social responsibility reporting, such as Hong Kong Stock Exchange's ESG Reporting Guide and the criteria laid down by the Global Reporting Initiative, adds Rozario.

Dennis Ho, president of the Institute and chairman of the judging panel says, "The judges were pleased to see that the overall quality of short-listed reports was high, particularly in the HSI, the non-HSI large market capitalization and the H-share and other Mainland enterprises categories. There is a progressive improvement in corporate governance standards, which is essential for Hong Kong's competitive position as an international financial hub."

Some of the leading companies such as CLP, have also started to adopt the integrated reporting framework developed by the International Integrated Reporting Council — which aims at improving corporate reporting and encouraging companies to focus on longer-term, more sustainable performance.

"Despite the positive signs, the judges noted that, below the top tier of organizations, information gaps are still quite prevalent. Still not enough organizations are seeing the value of better corporate governance practices and reporting as a means of strengthening their strategic decision-making and stakeholder relationships," adds Ho. "Even though the evidence indicates that institutional investors are prepared to pay a premium for the shares of better governed companies."

The competition has remained intense this year with more than one gold award given out across the three main awards categories, as their corporate governance standards are very close. Each company has its own particular strengths, which can make it difficult to differentiate between them in terms of ranking, explains Ho.

HSI category

The HSI category continues to set the pace for Hong Kong's corporate governance standards and CLP Holdings Limited, in particular, has maintained its position as the benchmark for Hong Kong companies. CLP has won top honours, the diamond award, for the thirteenth successive year, with Hong Kong Exchanges and Clearing Limited gaining a gold award. The judges commended CLP's adoption of integrated reporting, the quality of its shareholder and stakeholder communications and its creditable sustainability report.

Non-HSI large market capitalization category

In the non-HSI large market capitalization category, the winners have set excellent examples for their peers to follow. The Hongkong and Shanghai Hotels, Limited, and Hysan Development Company Limited are again the platinum and gold awardees, respectively. The judges have also recognized The Hongkong and Shanghai Hotels for its impressive sustainability reporting.

Non-HSI mid-to-small market capitalization category

There was no diamond or platinum award in the non-HSI mid-to-small market capitalization category. The judges have decided Pacific Basin Shipping Limited and last year's winner Transport International Holdings Limited should both be recipients of a gold award as their corporate governance standards are very close.

H-share companies and other Mainland enterprises category

Companies in the H-share companies and other Mainland enterprises category have made continued advances in corporate disclosures and there were more companies competing for this award. Repeat winner Lenovo Group Limited was the highest achiever in this category receiving a platinum award, while first-time winner China CITIC Bank Corporation Limited and Shenzhen Expressway Company Limited both received a gold award. COSCO Pacific Limited was again given a special mention. Judges appreciated Lenovo's good board practices including its adoption of a board diversity policy which takes into account a range of factors.

Public sector / Not-for-profit category

The judges welcomed the signs of progress made in this category, with more public sector organizations starting to issue CSR / sustainability reports and additional corporate structures, such as risk management and internal audit functions being put into place. At the same time, there are still some information gaps and the judge hope to see more transparency around the process and criteria for the nomination and appointment of directors. Regular awardees Securities and Futures Commission and Airport Authority Hong Kong both take a gold award. Mandatory Provident Fund Schemes Authority was presented with a special mention.

Sustainability and social responsibility reporting award

The winner of the award for sustainability and social responsibility reporting in the HSI category is CLP Holdings Limited, which has the highest standards and has been a winner since this award was introduced four years ago. The company has set the pace in Hong Kong for this important area of non-financial reporting, as it continues to implement a comprehensive business strategy incorporating sustainability considerations and communicates openly with its stakeholders

Repeat winner, VTech Holdings Limited, and The Hong Kong and Shanghai Hotels, Limited, which gained a special mention last year, both won an SSR reporting award in the non-HSI large market capitalization category.

This year, the judges have recognized companies for progressively raising their corporate governance standards, setting the right "tone at the top" of the company, adopting nearly all the "provisions" of the revised Code and many, if not most, of the recommended best practices, moving in the direction of integrated reporting and using recognized benchmarks for ESG reporting.

However, the judges have also called for some remaining information gaps to be addressed through, such as more disclosure of remuneration policy and packages, greater transparency in the nomination and appointment of directors, detailed discussion of contribution of individual directors' skill sets to the board operation, and concrete information on monitoring the implementation of board diversity policies. In the public sector, the INEDs and NEDs should be more clearly differentiated.

This year, over 600 annual reports have been reviewed, three times as compared with that in previous years, as the Institute hopes to improve the chances of finding strong candidates not otherwise entering the competition or selected for review.

The awards presentation will take place on 30 November, with Professor K.C. Chan, GBS, JP, Secretary for Financial Services and the Treasury, as the guest of honour.

This year's awards are supported by six media partners – newspapers *Hong Kong Economic Times* and *The Standard*, the monthly business magazine *Capital*, radio *Metro Broadcast*, online business media *Quamnet*, and electronic media *Cable TV*.

Information on the awards is available on the Institute website at www.hkicpa.org.hk

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Editor's Note

About the Best Corporate Governance Disclosure Awards

Introduced in 2000, the Best Corporate Governance Disclosure Awards are Hong Kong's most established and prestigious awards for corporate governance. The Hong Kong Institute of CPAs was one of the first organizations to chart corporate governance standards in Hong Kong and the awards raise awareness of the benefits of greater accountability to stakeholders. The awards have strong support from the government, regulators and the business and professional communities.

About the Hong Kong Institute of CPAs

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to Certified Public Accountants in Hong Kong. The Institute has more than 39,000 members and 18,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation *CPA*.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance - an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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