



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 2013

Companies are applying new corporate governance standards while unfilled top awards reflect room for improvement

(HONG KONG, 29 November 2013) — The Hong Kong Institute of Certified Public Accountants announced today the results of the Best Corporate Governance Disclosure Awards 2013. Third-time winner, Prudential plc. and consistent winner, CLP Holdings Limited were the only two diamond award winners in this year's competition. At the same time, the 2013 Awards identified new awardees including, Lenovo Group Limited and China Minsheng Banking Corp., Ltd., both are from the H-share companies and other mainland enterprises category.

The judges decided against giving out the diamond award, the highest honour, in three categories: non-HSI mid-to-small market capitalization, H-share companies and other mainland enterprises, and the public sector. They noted that many Hong Kong listed companies and not-for-profit organizations still have more to do in terms of benchmarking their corporate governance practices and disclosures to the highest standards.

"This year, we refined the marking scheme based on the revised corporate governance code," says Patrick Rozario, chairman of the awards organizing committee. "The judges have looked for evidence that more listed companies and public sector organizations have embedded good governance into their organizational culture. This includes, for example, adopting the new corporate governance requirements and best practices, taking account of sustainability and social responsibility considerations in their business strategy and operations, and acknowledging the issue of diversity in the nomination process for new directors."

The best performances were from companies closely benchmarking their corporate performance against the latest standards in Hong Kong and internationally.

Susanna Chiu, president of the Institute and chairman of the judging panel says, "The judges were pleased to see that the general quality of corporate governance and corporate social responsibility was higher this year, particularly in the HSI and non-HSI large market capitalization categories. The continuing competition amongst Mainland companies was encouraging and helped to bring out new contenders. It was also good to see some advances in corporate practices and disclosures in the non-HSI mid-to-small market capitalization category."

Many companies have used electronic online media platforms to make their latest annual reports and sustainability reports more easily accessible on their websites, which has helped to improve transparency and strengthen channels of communication.

The judges also looked at corporate governance performance from a very practical perspective. "How companies conduct themselves, in practice, is just as important as the explanations in an annual report," says Chiu.

HSI category

The HSI category continued to set the pace for Hong Kong's corporate governance standards and CLP Holdings Limited, in particular, maintained its position as the highest benchmark for Hong Kong companies. CLP won top honours, the diamond award, for the eleventh successive year, with MTR Corporation Limited and Hong Kong Exchanges and Clearing Limited following behind with the platinum and gold awards, respectively.

Non-HSI (large market capitalization) category

In the non-HSI (large market capitalization) category, Prudential plc., won the diamond award for the third time in a row. The Hongkong and Shanghai Hotels, Limited, and Hysan Development Company Limited were the platinum and gold awardees, respectively, with Transport International Holdings Limited getting a special mention. Among the highlights in this category was Prudential plc.'s commitment to achieving high quality corporate governance with outstanding risk committee reporting and remuneration reporting, according to the judges report.

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, as there were still areas for improvement in this category. The judges considered repeat winner SOCAM Development Limited, to be worthy of a gold award.

H-share companies and other Mainland enterprises category

The H-share companies category was expanded to include other Mainland enterprises since the 2012 competition. This year, it was encouraging to see a mix of state-owned enterprises and private companies, including financial institutions and non-bank businesses, coming through in this category. Overall, it was a positive indicator for the development of corporate governance in the Mainland.

While the judges decided not to give out a diamond award, they acknowledged companies in this category for their improvements in all-round corporate governance reporting, including reporting on environmental and social issues in this category. Lenovo Group Limited was the highest achiever in this category, receiving a platinum award while China Minsheng Banking Corp., Ltd. received a gold award. Both are first-time recipients.

Public sector / Not-for-profit category

According to Kim Man Wong, chair of the professional accountants in business leadership panel, the judges found the public sector and not-for-profit category again lacking any new contenders — in particular the mid-size NGOs. A regular awardee Securities and Futures Commission was the only winner in the category, taking the gold award.

"We hoped to see improving standards of corporate governance in the public sector and, while a few organizations were "knocking on the door" of the judging panel, they still fell short of the standard required for recognition," explains Wong. "We accept that many public sector and not-for-profit organizations do not have the same level of resources as listed companies, but the judges hoped to see more of them making a significant effort to improve their governance and fulfil public expectations."

Sustainability and social responsibility reporting award

This year's winner of the sustainability and social responsibility award was CLP Holdings Limited, which has been a winner since the award was introduced two years ago. According to the judges, the company has been a role model for sustainability and social responsibility reporting as it recognizes environmental, social and governance (ESG) issues as fundamental drivers of the company's decision-making process and provides extensive and detailed stakeholder-focused information.

The Hong Kong and Shanghai Hotels, Limited and China Shenhua Energy Company Limited, both are first-time winners in the SSR category, get special mention.

Companies are expanding the information on their risk management and internal controls framework, and more are conducting evaluations of their boards' and board committees' performance. "The improving standard of CSR reporting was also another area of incremental improvement," adds Wong.

Rozario says, "There are other areas still in need of greater attention. For example, better explanations of the process and criteria for selection of board members, including in the public sector, more disclosure on emolument policies and how remuneration and incentives are linked to long-term, sustainable performance, more detailed information on the practical aspects of risk identification, assessment and prioritization, and further details on the process of internal control reviews."

In addition, the judges would have liked to see: more balanced coverage of the challenges and opportunities facing companies, how companies can retain their competitive edge, and an increased focus on the quality, instead of the quantity, of information. There have been calls for more disclosure of the approval process for related-party transactions, especially for mid-to-small market capitalization and family-controlled companies.

This year, more than 250 annual reports were reviewed.

The awards presentation will take place on 2 December with Carlson Tong, Chairman of Securities and Futures Commission, as the guest of honour.

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

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

- End -

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 nearly 36,000 members and more than 17,000 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.

Issued by : Hong Kong Institute of Certified Public Accountants
Through : Ms Angel Chung of Chung & Tang Communications Consultants

(For further enquiries, please contact Ms Stella To of the Hong Kong Institute of CPAs on tel: 2287 7209 or 9027 7323 or stella@hki CPA.org.hk, or Ms Angel Chung of Chung & Tang on tel: 2520-2679 or 9098 9878 or angel@cnt.com.hk.)