



Dear Assignment/News/Business Editor

## **Best Corporate Governance Disclosure Awards 2011 Invites Entries**

### ***Uncertainty in international markets and the growth of Hong Kong's market highlight need for good governance and disclosure***

(HONG KONG, 7 July 2011) — The Hong Kong Institute of Certified Public Accountants is calling for entries to the Best Corporate Governance Disclosure Awards 2011. Now in its 12<sup>th</sup> year, the BCGD Awards is Hong Kong's most established and prestigious corporate governance awards.

The deadline for entry is 18 August 2011.

As a major international financial hub, inevitably Hong Kong will be affected by what is happening internationally. Overseas market uncertainty, brought about particularly by the U.S. economy, the Euro-zone debt situation and market volatility around the world will affect Hong Kong. Closer to home, inflation in the Mainland and tightening monetary policy will also impact the city.

Susanna Chiu, vice president of the Institute, says, "In times of uncertainty, investors would want to reduce their risk by focusing on solid companies with good corporate governance standards. Problems emerging from some of the Mainland backdoor listings in the U.S. represent both a threat and an opportunity for Hong Kong. As an opportunity, it shows that our market is systemically sound and offers a relatively safe investment environment; but it will also pose a threat if we do not remain vigilant in guarding our entry standards, ongoing regulation, and maintain a general level of transparency and governance practices."

She adds, "Hong Kong has been the biggest IPO market in the world for the past couple of years. It is also becoming more international, with a number of high-profile listings from overseas. These are positive developments for the city. We need to reassure investors that we have the robust framework and the appropriate governance standards and practices to keep pace with these developments," says Chiu.

"One area in which Hong Kong could do more is in sustainability and social responsibility reporting," she points out. "Investors and stakeholders are looking more closely at how companies are reporting on, for example, the impact of their operations on the environment and the local community, their policies and practices on employees, and the effectiveness of their stakeholder engagement. Taking these matters into account will form part of good risk management nowadays. Our Awards is cognizant of the importance of fuller environment, social and governance information – and we will be taking that on board this year."

The mid-to-small market capitalization non-Hang Seng Index category, introduced in 2009, continues to feature in this year's awards. The category allows judges to recognize and benchmark companies adopting best governance practices, without necessarily having the same level of resources at their disposal as large cap companies.

This year, there are approximately 20 possible awards to give out in five award categories: Hang Seng Index (HSI)-constituent companies, non-HSI-constituent companies (large market capitalization), non-HSI-constituent companies (mid-to-small market capitalization), H-share companies, and public sector/not-for-profit organizations.

Announcing the judging criteria, Stephen Law, chairman of the Awards' organizing committee, says, "The Institute's Awards' organizing committee reviews the criteria each year to ensure that the Awards takes into account the changes in local regulations and the latest international developments in best practices."

"This year, we will review, in greater depth, board performance and structure following the public consultation and discussion on the code of corporate governance practices under the listing rules. We will also consider the commitment and performance of independent directors. In response to recommendations made by last year's judges, the 2011 Awards will place more emphasis on the implementation side of risk management and internal control, the disclosure of related party transactions, and the coverage of future prospects of the business in the management discussion and analysis."

Law says, "We aim to identify companies that take their sustainability and social responsibility reporting seriously and to recognize the best for setting a benchmark in this area. This means establishing clear objectives and performance measurements, engaging key stakeholders, and communicating strategies, policies and practices effectively. In short, the award will seek to promote Hong Kong's SSR culture and showcase the growing importance of sustainability and social responsibility among listed companies.

Another new initiative planned for this year is to include in the judges' report information on positive performances by non-award winners. The judges' report which contains the Awards results, commentaries on the winning annual reports and judges' observations, will be published when the results are announced in November.

Law says, "We hope to be able to find examples of positive performances from smaller public sector and not-for-profit organizations. Public sector organizations can differ substantially in size, resources and complexity, and if smaller non-government organizations are making good efforts, regardless of their resources and other constraints, they should be given encouragement."

In the Awards initial screening process annual reports not meeting the minimum standards for further consideration are excluded. Among the reasons for failing at this first hurdle are: a company's shares have been suspended for a prolonged period, its audit report is qualified, or the company complies only with the bare minimum provisions in the code on corporate governance practices.

As in previous years, there are diamond, platinum and gold awards in each category. There are also significant improvement awards for companies and organizations showing substantial improvement in corporate governance standards, and the newly introduced SSR award for excellence in sustainability and social responsibility reporting. The judges may also award special mentions and commendations for other worthy annual reports.

Over 200 annual reports are reviewed every year. This year, the Institute expects an equally strong level of response.

This year's awards will be supported by five media partners – dailies *Hong Kong Economic Times* and *The Standard*, the monthly business magazine *Capital*, radio *Metro Finance*, and electronic media *Cable TV*.

Information on the awards is available on the Institute website at [www.hkicpa.org.hk](http://www.hkicpa.org.hk).

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## **Editor's Note**

### **About the Best Corporate Governance Disclosure Awards**

First 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 transparency and 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 31,000 members and 15,000 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.

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