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Best Corporate Governance Awards 2016 invites entries

New features aim at strengthening Hong Kong's governance culture and reflect evolving expectations

(HONG KONG, 14 July 2016) — The Hong Kong Institute of Certified Public Accountants today invited entries to its 2016 Best Corporate Governance Awards, previously known as Best Corporate Governance Disclosure Awards and the most prestigious benchmark of Hong Kong's corporate governance standards. The deadline for entries is 15 August 2016.

New name to reflect changes

Institute president Ivy Cheung, says, "The Awards are heading into their 17th year and after more than a decade and a half, we think the Awards should take on board changes that have been taking place in the market. We have dropped the reference to 'disclosure' in the name of the Awards, which are now simply called, the 'Best Corporate Governance Awards', because good disclosure is only one aspect of corporate governance."

In addition to reviewing general disclosures in the annual reports, reviewers and judges are encouraged to also consider other publicly available information, like media reports and website information about companies and organizations.

Transparency, good and timely information

With the advent of online communication and connectivity of global financial markets, developments in one part of the world can quickly affect markets and confidence in other parts of the world. Issues such as the recent decision by the UK to leave the European Union, the pending U.S. presidential elections, as well as ongoing concerns about fragile economies, climate and social change and threats of terrorism all add to the uncertainty, and increase the need for good and timely information and transparency from companies and organizations.

Timely disclosure and transparency enables investors to make more informed decisions and helps to provide market stability. Social, economic and political changes call for companies to respond by implementing effective risk management and internal controls, which is a feature of good corporate governance and a theme that the Institute highlights this year in creating several new awards.

Locally, cross-border market-related developments, such as the long-anticipated Hong Kong - Shenzhen Stock Connect, have heightened speculative moves in the local stock market, while highlighting the importance for Hong Kong to build on its advantages and its standing as a financial and commercial hub. This calls for strong corporate governance and effective market regulation, adds Cheung.

The Institute is looking for listed companies and public sector organizations that demonstrate good corporate governance as part of their culture, which means integrating corporate governance into all aspects of the company's or organization's business or services.

Significant Improvement Awards

According to Cheung, amongst other changes this year, a self-nomination approach has been introduced for the Significant Improvement Awards. Companies and organizations that have taken significant steps to improve their governance practices and disclosures should want to make that known and are invited to express their interest in being considered for an award. Shortlisted candidates may also be invited for interviews.

Three new awards

Speaking about the changes made for the 2016 Awards, Patrick Rozario, chairman of the Best Corporate Governance Awards 2016 organizing committee, says, "We have introduced several new types of awards this year for particular aspects of good governance. These awards should enable more companies to be recognized for their efforts, if they can boost their corporate governance standards in an incremental way, even if they may not have the capacity to make changes right across the board all at once."

These new awards emphasize essential elements of good governance practices and through them the organizing committee aims to identify first-time awardees that are making progressive improvements. These new awards are for internal control and risk management (IC&RM), board and audit committee operation and functioning (B&AC), and website corporate governance information.

An effective system of internal controls and risk management is one indicator of a well-managed company and it is important to investors because it minimizes the risk of unpleasant surprises happening to a company, he adds.

The Hong Kong Stock Exchange has recently amended the IC&RM requirements of the Corporate Governance Code and the amendments became effective for accounting periods beginning on or after 1 January 2016. For this new award, the reviewers and judges will be looking more closely at how companies report on the implementation and effectiveness of their risk management, internal control and internal audit functions.

Given the fundamental importance of the board in determining the strategy, direction, and governance of an entity, and the critical role of the audit committee in providing an independent review and oversight of financial reporting, among other things, a separate award for B&AC has been included in the 2016 Awards. This will look at the quality of information about, among others, roles and responsibilities, background and experience of directors, work done, attendance at meetings and training. It will also cover other areas of increasing interest such as board diversity.

Reviewing company website information is not an entirely new concept for the Awards, as web-based information has been considered before, particularly for the Sustainability and Social Responsibility Reporting (SSR) Awards. However, the

introduction of this third new award for website corporate governance information is a significant step as it reflects the changes in how investors and the public at large, expect to obtain information. The award also reflects how companies increasingly use their websites to keep the market informed and up-to-date.

The SSR Awards will continue to be an important part of the overall competition in 2016. The new listing rule requiring companies to adopt the Companies Ordinance requirement to include a discussion of their environmental policies in their directors' report, and the impending implementation of the revised ESG Reporting (environmental, social and governance reporting) Guide under the listing rules, provide a new backdrop to the SSR Awards this year.

Awards categories

This year, there will be over 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 other Mainland enterprises, and public sector/not-for-profit organizations, as well as new awards for internal control and risk management, board and audit committee operation and functioning, and web corporate governance information .

“In addition to looking at company websites and other information, this year, we expect a total of around 650 annual reports will be reviewed,” adds Rozario.

In the public sector and not-for-profit organizations category, the judging panel will continue their efforts to encourage better corporate governance across the range of organizations in this sector and to identify good role models among smaller organizations. The new awards for specific aspects of corporate governance will also be featured in the public sector/not-for-profit organizations category.

The entrants are judged by their latest published annual report for financial years ending between 1 April 2015 and 31 March 2016 for the listed companies categories; and between 31 December 2014 and 31 March 2016 for the public sector/not-for-profit category.

In the initial screening for the awards, companies whose annual reports do not reflect certain minimum standards are excluded at an early stage. Among the reasons for falling at the first hurdle are that a company's shares have been suspended for a prolonged period or the company has failed to meet reporting deadlines. Companies that have minimal disclosure in key areas of good governance are also excluded at this stage.

As in previous years, there are Diamond, Platinum and Gold Awards in each main award category. The judges may also give out Special Mentions for other worthy efforts by companies and public sector organizations.

This year's awards are supported by seven media partners – newspapers *Hong Kong Economic Times* and *South China Morning Post*, the monthly business magazine *Capital*, radio *Metro Broadcast*, online business media *etnet* and *Finet*, and electronic

media *NOW BNC*.

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 Awards

Introduced in 2000, the Best Corporate Governance 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 40,000 members and 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.

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