



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 Awards 2016 ***Some progress and some disappointment***

A new award and more first-time winners, but more accolades withheld

(HONG KONG, 30 November 2016) — The Hong Kong Institute of Certified Public Accountants announced today the results of the newly renamed Best Corporate Governance Awards 2016. The results reflected this has been a mixed year overall. Only one top honour is presented across all awards categories. Consistent winner, CLP Holdings Limited, is the solitary diamond award winner in this year's competition.

At the same time, the 2016 Awards have identified new awardees including Bank of China Ltd. in the H-share companies and other Mainland enterprises category, and Hospital Authority, as the first recipient of a completely new type of award for web-based corporate governance information. Besides these first-time awardees, there are two new faces being given recognition in the awards for sustainability and social responsibility reporting – Lenovo Group and Airport Authority.

The judges decided that only one diamond award and three platinum awards should be given out this year. Diamond awards, the highest honour, will not be presented 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 public sector/not-for-profit organizations.

The Institute introduced three new types of awards this year for particular aspects of good governance – internal control and risk management, board and audit committee operation and functioning, and website corporate governance information. These new awards aimed to identify companies and organizations that are making good efforts in these important areas, but which may not yet have achieved the overall standard necessary to win an award in the main categories.

However, the judges expressed disappointment that they were not able to find suitable candidates for the new awards for internal control and risk management, and for board and audit committee operation and functioning. The judges, therefore, would like to remind companies that good disclosure and practices in the areas of risk management and board and audit committee operations will help foster greater investor confidence and be of long-term benefit to the business. These are basic elements of good corporate governance and if a company or a public sector organization wants to strengthen its governance framework progressively, they are the good places to start.

The Hospital Authority is given the new award for website corporate governance information. The judges were particularly pleased to be able to identify a winner which is a public sector organization and considered the Hospital Authority's website to be highly transparent and user-friendly. They were impressed by the way in which the Hospital Authority tries to reach out to its public stakeholders through its multilingual website, and

by its commitment to accountability as seen in, e.g., the posting of the minutes of its board meetings on the web.

“The awards organizing committee conducted a review and there are several new features in the Awards this year,” says Patrick Rozario, the Awards' organizing committee chair. “We dropped the word 'disclosure' from the title to emphasise that disclosure is only one element of good corporate governance. We introduced new awards and also reviewed the marking scheme taking into account the latest developments in environmental, social and governance reporting.”

The directors' report requirement from the Companies Ordinance that companies should include a discussion of their environmental policies, which is now applicable to all listed companies under the listing rules, and the impending implementation of the revised ESG Reporting Guide, provide a new backdrop to the sustainability and social responsibility reporting awards this year.

“The judges found more candidates with an improved standard of sustainability and social responsibility reporting, in the private sector and, for the first time, the public sector as well,” says Rozario. The Airport Authority Hong Kong gained a special mention for the first time in this category.

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. The shortlisted companies generally performed well in explaining their risk management and internal control framework and processes and highlighting the key risk areas facing the company, together with the measures taken to mitigate them.

Ivy Cheung, president of the Institute and chair of the judging panel says, “Despite some disappointing results, there are a number of positive signs. The judges are pleased to see that overall there were more shortlisted companies this year, and some categories, such as H-share and other Mainland enterprises category and the sustainability and social responsibility reporting awards, were very competitive. Whistle-blowing policies are more widely seen and some progress is being made on introducing diversity policies and objectives. We see quite a few companies and public sector organizations using graphics to show the current level of diversity of their boards. Board evaluations are another area where more is being done.”

Some of the leading companies, including CLP and Pacific Basin, have also started to adopt the integrated reporting framework developed by the International Integrated Reporting Council – which can help a company develop more integrated thinking and processes to understand the real value drivers of the business, focus on longer-term, more sustainable performance, and, very importantly, to explain itself more clearly to investors and other stakeholders.

“Despite the positive signs, the judges noted that, below the best performers, gaps still exist. There is also a gap between CLP and the rest in the HSI category. No candidates were shortlisted for the significant improvement awards. The judges made the point that, as the bar is raised in terms of the minimum requirements, companies need to make more effort to increase their corporate governance standard beyond the level of mere compliance. There are a few areas where many companies and public sector

organizations could have yet to enhance their transparency. One of these concerns the process and criteria for the selection and appointment of directors; another is risk management and internal control; a further area is director remuneration policies and the packages of senior management,” adds Cheung.

This year, the judges have recognized a range of organizations, which continue to set benchmarks among Hong Kong-listed and public sector entities, and to lead from the top. As they move forward on their journey, developing their ESG reporting and adopting many of the recommended best practices in the revised Corporate Governance Code, they engage their stakeholders, including investors, employees and the community, and embrace the spirit of good corporate governance as a key ingredient of a sustainable business.

This year, over 650 annual reports were reviewed, and the judges and reviewers, where relevant, also considered publicly-known information that could give further insights into candidates' corporate conduct and actual governance practices.

The awards presentation will take place on 1 December, 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 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*.

More detailed information about the awards is available on the Institute website at www.hkicpa.org.hk.

- End -

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 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.

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

(For further enquiries, please contact Ms. Margaret Lam of the Hong Kong Institute of CPAs on tel.: 2287-7053 or margaret@hkicpa.org.hk, or Ms. Angel Chung of Chung & Tang on tel.: 2520-2679 or 9098-9878 or angel@cnt.com.hk.)