



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

Dear Assignment/News/Business Editor

## **Best Corporate Governance Awards 2017 invites entries**

### ***Good corporate governance remains fundamental for Hong Kong and for the long-term sustainability of businesses***

(HONG KONG, 13 July 2017) — The Hong Kong Institute of Certified Public Accountants today invites companies and organizations in the private and public sectors to submit entries for Best Corporate Governance Awards 2017, a highly regarded event on the corporate governance scene in Hong Kong. The Awards play an important role in establishing benchmarks and encouraging improvements in the quality of corporate governance in the Hong Kong market. The deadline for entries is **14 August 2017**.

#### ***New category introduced***

"The Awards are now in their 18th year and they continue to progress and develop just as the market itself continues to evolve. This year we have introduced a new category within the broad group of Non-Hang Seng Index-constituent companies, for medium market capitalization companies. We hope that when companies see that they are being assessed against their peers, this will give them greater incentive to take steps to raise their corporate governance standard. Good governance practices can help them achieve their long-term strategic objectives and protect the interests of shareholders and stakeholders", says Mabel Chan, President of HKICPA and Chair of Judging Panel for 2017 Awards.

#### ***Hong Kong needs to remain vigilant and maintain standards***

The recent market activity and volatility in Hong Kong highlighted the importance to the market and the reputation of the market of sound governance, and the pitfalls and risks for investors if they do not give sufficient weight to this facet of a company's performance. Maintaining high standards of corporate governance is vital to safeguard the public interest and sustain a healthy business environment for market development.

While Hong Kong has one of the highest standards in the region, we cannot afford to be complacent, says Chan. "Many other markets are making concerted efforts to strengthen their own corporate governance regimes and are looking to increase the size of their capital markets and their share of investment business." In some areas they may be progressing faster than Hong Kong. This underlines the need for strong governance, not only in the private sector but the public sector. Hong Kong should always keep one eye on monitoring developments elsewhere and ensure that it continues to adopt best practices in terms of market developments and regulation.

#### ***Governance culture supports Hong Kong's development as a financial centre***

Recently, a number of developments have taken place that have helped boost Hong Kong's position as a financial centre and China's window on the world for financial market trading. The Shanghai and Shenzhen Stock Connects and, very recently, the Bond Connect, initiatives have facilitated market trading between Hong Kong and Mainland China. Hong Kong has also joined the Asian Infrastructure Investment Bank. These developments highlight Hong Kong's essential role in international and regional

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finance. At the same time they remind us of the qualities and characteristics that have made Hong Kong a success and which we must preserve. The high standards of governance and of the legal and regulatory systems are key reasons that foreign investors are confident to invest in the Mainland market through Hong Kong and the Stock and Bond Connects. This calls for strong corporate governance and effective market regulation, which in turn provide more predictability and a better basis for decision making by investors.

### ***Themes in 2017 Awards***

Key themes in this year's competition are reflected in the accolades that we will be giving out, says Derek Broadley, Chairman of the 2017 Awards Organizing Committee. "In addition to the new category for mid-size non-HSI companies, this year, we will be giving out commendations for: (i) internal control and risk management; (ii) board and audit committee operations; and (iii) website corporate governance information. These awards aim to recognize and encourage organizations that have performed strongly in fundamental areas of corporate governance practices, including transparency, but whose all-round performance may not yet have reached the standard necessary to win one of the main category awards." The organizing committee hopes that some new winners will emerge through these commendations and that the efforts of businesses that are making positive, incremental changes to their corporate governance can be recognized.

Broadley explains why these three areas of corporate governance are so important. Corporate governance standards and expectations are not static. They continue to develop and progress and this is reflected in changes to regulatory requirements. The Hong Kong Stock Exchange has quite recently upgraded the minimum internal control and risk management requirements under the Corporate Governance Code, which apply to the reporting period under review in the 2017 Awards. The Institute has built on this platform to revise its own assessment criteria in this area. "These changes are important because effective risk management and internal control are cornerstones of a sustainable business. They provide one indicator of a well-managed company and from an investor's perspective, they minimize the risk of unpleasant surprises happening to a company."

The award on board and audit committee operation and functioning recognizes the fundamental importance of the board in determining the strategy, direction and, indeed, the 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. The assessments will look at, e.g., the quality of information about 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.

As regards the use of websites, nowadays, more and more investors and the general public expect to obtain information online. At the same time more companies are making use of their websites to keep the market informed and up to date. The community will rely more on web-based information as markets progressively go paperless.

Another area, sustainability and social responsibility reporting will continue to be a very important part of the overall competition in 2017. There was immediate interest when the

first overall award for sustainability and social responsibility reporting was introduced in 2011. Chan explains, "Since then, the SSR Awards, as we call them, have gone from strength to strength and the judges have found listed companies of all sizes, Mainland enterprises, as well as public sector organizations whose efforts in this area have been recognized."

The Stock Exchange has upgraded its Environmental, Social and Governance (ESG) Reporting Guide at Appendix 27 to the Main Board listing rules and Appendix 20 to the GEM listing rules. This has been taken into account in the assessment criteria for our sustainability and social responsibility reporting awards. "There is a growing realization among the better-managed listed companies that social and environmental performance is integral to their whole business and to the long-term success of the company. The same can be said of public sector organizations," says Chan.

As for the Significant Improvement Awards, the Institute plans to adopt a self-nomination approach for these. Organizations that have taken substantive steps to improve their corporate governance practices and disclosures are encouraged to put themselves forward for consideration. Shortlisted candidates may be invited for an interview. "The organizing committee believes that those companies that have made positive efforts to uplift their corporate governance standard are more likely to want to make that known to the market," states Broadley.

The Institute has been in the forefront of corporate governance advocacy over the past two decades and has been setting the benchmarks for the best standards in the Hong Kong listed company sector since the Awards were launched in 2000. It was also among the first to appreciate that good governance in public sector is just as important as in the private sector, given the key role that public sector organizations play in the community, including the regulation of financial markets and the provision of essential public services. The Institute's Awards have included a public sector category since the beginning.

### **Awards categories**

More than 20 awards are expected to be given out, including Diamond, Platinum and Gold awards in six categories; awards for significant improvement; sustainability and social responsibility reporting; commendations for internal control and risk management, board and audit committee operation and functioning, and website corporate governance information; as well as special mentions for other good performances. All the awards will be selected through stringent judging criteria and review procedures, representing a benchmark for best corporate governance standards in Hong Kong.

"In addition to reviewing company websites and other information, we expect a total of over 700 annual and sustainability reports to be reviewed this year," adds Broadley.

The entrants are judged by their latest published annual report for financial years ending between 1 April 2016 and 31 March 2017 for the listed companies categories; and between 31 December 2015 and 31 March 2017 for the public sector/not-for-profit category.

This year's Awards are supported by nine media partners – *Now BNC*, the monthly business magazine *Capital*, the weekly business magazine *iMoney*, newspaper *Hong*

*Kong Economic Times and South China Morning Post, radio Metro Finance, and online media etnet, Finet and FinTV.*

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 Awards**

Introduced in 2000, the Best Corporate Governance Awards is Hong Kong's most established and prestigious award for corporate governance. The Hong Kong Institute of CPAs was one of the first organisations to chart corporate governance standards in Hong Kong and the awards raises awareness of the benefits of greater accountability to stakeholders. The awards has 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 41,000 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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