



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



The Hong Kong Institute of CPAs

# Best Corporate Governance Disclosure Awards 2011

## Judges' Report



Best Corporate Governance  
Disclosure Awards  
最佳企業管治資料披露大獎

# 2011 最佳企業管治資料披露大獎

## Best Corporate Governance Disclosure Awards

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### Award Winners

#### Hang Seng Index Category

Diamond	CLP Holdings Limited
Platinum	Hong Kong Exchanges and Clearing Limited
Gold	MTR Corporation Limited
Significant Improvement	China Coal Energy Company Limited

#### Non-Hang Seng Index (Large Market Capitalisation) Category

Diamond	Prudential plc
Platinum	Hysan Development Company Limited
Gold	Transport International Holdings Limited
Special Mention	The Hongkong and Shanghai Hotels, Limited

#### Non-Hang Seng Index (Mid-to-small Market Capitalisation) Category

Gold	SOCAM Development Limited <i>(formerly known as Shui On Construction and Materials Limited)</i>
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#### H-share Category

Platinum	Industrial and Commercial Bank of China Limited
Gold	Jiangsu Expressway Company Limited
Special Mention	China Shenhua Energy Company Limited

#### Public Sector/Not-for-profit Category

Platinum	Airport Authority Hong Kong
Gold	Securities and Futures Commission

#### Sustainability and Social Responsibility Reporting Award

Joint Winners	CLP Holdings Limited Hong Kong Exchanges and Clearing Limited
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# Introduction

## Background, Aims and Scope

The annual Best Corporate Governance Disclosure Awards (“BCGDA” or “Awards”) organised by the Hong Kong Institute of Certified Public Accountants (“the Institute”) is celebrating its 12<sup>th</sup> successive year since its inception in 2000. Over this time, it has become a well-established part of the corporate governance landscape and a highly-respected benchmark of corporate governance excellence in Hong Kong.

The Institute was one of the first organisations to promote the benefits of good governance in the Hong Kong market, in the mid-1990s. Having reviewed the “Cadbury Report” published in the United Kingdom (“UK”), the Institute made recommendations in relation to regulatory changes and best practice in a number of areas, including board operation, independent directorships, codes of corporate conduct and ethics, internal control and audit committees, and financial reporting and external audit.

While the concept of corporate governance has come a long way since that time, the fundamental elements of transparency, accountability and ethical behaviour remain the same. The Awards project continues to play a valuable role in identifying and acknowledging the best examples of good corporate governance in Hong Kong, in both the listed company sector and the public sector. It encourages improvements in the general standard of governance and raises awareness of the importance of transparency, accountability and high standards of corporate and ethical conduct, in relation to shareholders, investors, and other stakeholders. It achieves this aim primarily by giving recognition to well-run companies\* that voluntarily disclose information about how they are organised and managed, their strategies and plans, the context in which they operate and how they are performing against their objectives; in essence, those companies that have entrenched good corporate governance practices in their business culture and those that are committed to continuously improving their standards.

With increasing interest in how companies interact with, and impact on, the wider community, questions are being asked about how they communicate with the broader constituency of stakeholders. While they direct their attention to increasing shareholder value, or raising public service performance, companies also need to ask themselves, are their operations and practices sustainable and socially responsible over the long-term and are they in a position to measure their performance in these dimensions, in addition to their ongoing financial or business/service performance? The Awards organising committee is cognisant of these developments and believes that in the future more companies will be expected to integrate ESG (environmental, social and governance)-related information into their strategic, operational and financial reporting. Against this background, it was decided to introduce a new award for sustainability and social responsibility (“SSR”) reporting into the BCGDA this year.

The Institute wishes to express its gratitude for the valuable support given to the Awards over the years by the Hong Kong SAR Government, financial services regulators, investor groups, and the business and professional communities, through their participation on the judges’ and reviewers’ panels or, equally importantly, as contestants in the BCGDA.

\* *In this report, the term “company” is used to refer to both listed companies and public sector bodies, unless the context suggests otherwise. In the detailed commentaries on the annual reports of the award winners, references to “company” also include references to the listed group.*

The BCGDA aims to:

- establish current benchmarks of best practice against which companies can measure their own performance; and
- encourage more companies to make use of those benchmarks and improve their own corporate governance standard.

The more significant changes and refinements since 2000 have included:

- Expansion from three categories and ten awards into five categories and more than 20 awards.
- Introduction of an overall significant improvement award (“SIA”) in 2002, which was extended to all categories in 2003.
- Introduction of a category for Growth Enterprise Market (“GEM”) companies in 2004.
- Introduction of a category for H-share companies in 2006.
- Separation of the non-Hang Seng Index (“non-HSI”) category into two categories – one for companies with large market capitalisation (“large cap”) and one for companies with mid-to-small market capitalisation (“mid-small cap”), which also removed the need for a separate GEM category. This reflects a key objective of the Awards, to encourage listed companies of all sizes and complexions to adopt good corporate governance practices.
- The introduction in 2011 of a new award for SSR reporting, to encourage companies to improve their disclosures and practices in this area.
- Continuous review and updating of the judging criteria to take account of regulatory changes and changes in expectations.

The individual category awards available to be given out include diamond, platinum and gold awards, as well as SIAs for companies demonstrating substantial improvements in their corporate governance practices. “Special mentions” are available to recognise other entries that reflect commendable efforts in the relevant category. The main basis of the reviews and assessments carried out for the BCGDA are companies’ annual reports, which represent the principal channel of communication with shareholders and stakeholders. However, the reviewers and judges seek to identify, through annual reports and accompanying corporate social responsibility (“CSR”) reports, and the disclosures contained in them, those companies that have entrenched good governance within their corporate culture or DNA.

## Categories and Judging Criteria

There are five basic categories, namely,

- Listed companies:
  - Main Board*
    - HSI-constituent companies
  - Main Board or GEM*
    - Non-HSI-constituent companies (large market capitalisation)
    - Non-HSI-constituent companies (mid-to-small market capitalisation)
    - H-share companies
- Public sector/Not-for-profit organisations

The judging criteria cover:

- Overall presentation
- Promptness of reporting
- Quality of disclosure in relation to the following information:
  - Corporate governance statement and practice
  - Capital structure
  - Board structure and functioning
  - Management discussion and analysis, including operating and financial affairs and strategic outlook
  - Remuneration policy and details of directors' and senior management's remuneration packages
  - Nomination committee composition, terms of reference and duties
  - Internal controls and risk management
  - CSR and environmental reporting
  - Related party transactions and relationships
  - Other voluntary disclosures, such as shareholders' rights and investor relations
- Compliance with the corporate governance disclosure requirements of the Companies Ordinance and the rules governing the listing of securities on the stock exchange main board or GEM ("Listing Rules"), as appropriate.
- Ease of identifying compliance information.

## Review and Judging Procedures

Following an initial vetting procedure to exclude reports that do not meet even the basic requirements for being short-listed, two levels of review are conducted:

- (i) **Quality Review:** This involves an assessment of the quality and standard of presentation and disclosure of corporate governance information in annual reports, with an emphasis on voluntary disclosures. Other relevant publicly-known information about the companies concerned may also be taken into account, where appropriate.
- (ii) **Compliance Review:** Reports that are short-listed in the quality review undergo a further review to verify their compliance with the mandatory corporate governance disclosure requirements under the Companies Ordinance and the Listing Rules.

Reviewers examine annual reports that pass the initial vetting stage and produce a short list of the best in each category for final judging by the judges. The judges then determine the winners of awards in each category, and whether any special mentions should be given.

For the SIA, the reviewers identify annual reports that attain, as a minimum, a good overall standard of corporate governance, while demonstrating a substantial increase in overall marks in the current year compared with the same companies' reports in previous years (particularly the immediately preceding year). A further review of the relevant companies' current and previous annual reports is then conducted to identify specific areas of improvement, and assess whether these are sufficiently substantial for companies to be recommended to the judges for consideration for SIA awards.

To determine the winner of the SSR reporting award, companies, which obtain high marks in the CSR part of the assessment, and in overall corporate governance disclosures, during the quality review process, and other companies which are known to be strong in this area, undergo a more detailed review against specifically-designed assessment criteria, before a short list is drawn up for the judges. In addition to relevant disclosures in annual reports, any separate publications for SSR reporting purposes and other readily-available information (e.g., website information and other publicly-available, independent assessments) are also considered.

## Judging Considerations

The emphasis is on voluntary disclosures of relevant information in annual reports that exceed the statutory and regulatory requirements. This year, particular areas of focus included governance relating to the board structure and functioning, the role and participation of independent non-executive directors (“INEDs”) and evaluation of board performance, as well as disclosures on the role of the audit committee in the system of governance-related checks and balances and the critical functions of risk management and internal control.

The creation of the new award for SSR reporting directs attention to an area of operation and conduct that is of increasing importance to investors internationally, particularly institutional investors, as well as to other stakeholders and the wider community. We have used the term “SSR” or “sustainability and social responsibility” reporting for our award in order to be clear about the scope of the award and, as far as possible, to distinguish from other related terms. “CSR” or corporate social responsibility is, by now, a fairly well-known term, but it has come to be associated more with involvement in local community and charity work and general environmental awareness. This kind of involvement is to be applauded and is one element of SSR. The other fundamental element is sustainability, which relates to how a company is addressing the longer-term issues of its own continued survival and success, while demonstrating a keen awareness and sense of responsibility towards the resource constraints of the environment that we all share as human beings. Environmental, social and governance (“ESG”) reporting is another term sometimes used, but this implies a level of integration of reporting to which companies should aspire, which at the present time few are able to achieve, partly because, as yet, there is no internationally-agreed framework for such reporting. With the work of the International Integrated Reporting Council (“IIRC”, formerly known as the International Integrated Reporting Committee), referred to below, we hope that such a framework may become a reality in the coming few years.

We have, therefore, settled on SSR reporting as a good barometer of a well-run company, which is sensitive to the environment in which it operates and to its social and ethical responsibilities to a wider range of stakeholders. The new award aims to establish a benchmark amongst local companies in this area of reporting.

Additional attention was also paid to the reports of public sector/not-for-profit organisations. Efforts were made to identify new contenders, especially amongst smaller public sector organisations, that are taking concrete steps in the right direction in terms of their corporate governance practices, bearing in mind that this category covers organisations that differ substantially in size, resources and complexity.

As always, the quality review was a core part of the BCGDA. To ensure consistency and reduce the impact of individual marking differences, generally, reports that were being considered for the short list underwent separate reviews conducted by two different reviewers.

The reviewers and judges assessed the scope of corporate governance-related disclosures, the quality of the information provided, both in form and substance, and the standard of the underlying

governance practices, as evidenced in annual reports. They endeavoured to take an overall view of companies' corporate governance structures, practices and disclosures, to form an impression of the extent to which a good corporate governance culture had been entrenched. They also considered whether efforts had been made by companies towards further improvement of standards. They took note of and discussed other relevant information in the public domain, which could bear on particular companies' corporate governance practices and culture, and the public perception of the way in which those companies conducted themselves. This is potentially important because it reflects corporate governance in action, which is not always easy to assess from the pages of a well-presented annual report. Where applicable, the reviewers and judges considered the transparency and clarity of any disclosures in annual reports relating to issues of corporate conduct in the public eye.

## **Recent Corporate Governance Developments**

### *International developments*

Some of the world's major economies, especially the United States ("US") and Europe, are still facing major economic challenges after the global financial crisis. The unfavourable economic and financial conditions in the US and the sovereign debt issue in Europe have resulted in global stock market volatility, while "quantitative easing" action following the financial crisis has put upward pressure on inflation during the year. The sovereign debt issue emphasises once again that governance in the public sector is as important as in the private sector.

Financial reforms continue to be closely watched by the Leaders of the G20 (Group of Twenty) countries. Among the key topics still being discussed are strengthening financial regulation and governance, with the aim of improving the resilience of the global financial system and preventing the recurrence of a global financial crisis.

Policy makers in major markets continue to work towards addressing priority areas such as executive compensation, board practices and evaluation, risk management and the exercise of shareholders' rights. Since it has been commonly accepted that the global financial crisis was at least partly attributable to weaknesses in the implementation of corporate governance principles, it is clear that good corporate governance practices remain an essential element in maintaining the integrity and quality of markets and continued investor confidence.

If there was any doubt that sound governance and ethically-based corporate conduct has an importance that extends beyond the immediate concern of shareholders and potential investors, the recent phenomenon of the "occupy Wall Street" demonstrations in the US and other similar action taking place in the UK and elsewhere around the world, may serve as a wake-up call. While no doubt these demonstrations have brought together a diverse range of causes and grievances, they highlight that, when making decisions on how they should conduct their business, financial institutions, and the corporate sector generally, cannot afford to disregard the concerns of the wider community. These events also point to increasing influence of social media as communication tool and a means of initiating action. The above messages are equally relevant for regulators and governments.

The IIRC, which was set up in August 2010, issued an important discussion paper in September 2011, putting forward initial proposals for the development of an integrated business reporting framework. The paper proposes a framework for bringing together material information about an organisation's strategy, governance, performance and prospects. This is a major step towards establishing a template that combines business-financial and social-environmental performance measurements. The Johannesburg Stock Exchange, in South Africa, meanwhile, mandated that, for financial years that commenced on or after March 2010, all of the 450 plus companies listed on that exchange must produce an integrated report.

The International Federation of Accountants' Professional Accountants in Business Committee ("PAIBC"), on which the Institute is represented, in its publication, "Competent and Versatile", has looked at the important roles that PAIBs currently play and could play in driving sustainable organisations, including in ensuring that good corporate governance is seen as a means of boosting corporate performance and not simply a costly exercise in compliance. The PAIBC has also been working with COSO (the, US-based, Committee of Sponsoring Organisations of the Treadway Commission) and published a global survey on risk management and internal control, indicating the need for further international alignment of risk management and internal control guidance. COSO is currently developing an update and elaboration of its widely-adopted guidance "Internal Control – Integrated Framework".

### *Hong Kong developments*

On the local regulatory front, Hong Kong Exchanges and Clearing ("HKEx") published a consultation paper in December 2010 on changes to the Code on Corporate Governance Practices ("Code"), which proposed upgrading certain code provisions ("CPs") to become Listing Rules and a number of the existing recommended best practices ("RBPs") to become CPs. This was the first significant review of the existing corporate governance requirements and guidance in the Code since its full implementation in 2006. The consultation covered areas such as directors' duties, time commitment and training, the ratio of INEDs on the board, the role of the chairman, the duties and composition of various board committees and board evaluation. The consultation conclusions were released in late October this year with most of the Listing Rule amendments to be effective on 1 January 2012 and Code and other rule changes on 1 April 2012. The new rule requiring issuers to appoint INEDs representing at least one-third of the board must be complied with by 31 December 2012.

In the first quarter of this year, the government released consultation conclusions on legislative proposals for a price sensitive information ("PSI") disclosure regime, to encourage a continuous disclosure culture among listed corporations and to enhance market transparency. Subsequently, the Securities and Futures (Amendment) Bill 2011 was introduced into the Legislative Council to codify the disclosure requirements for PSI. The interpretation and practical implementation of the legislation, including ensuring clarity in the definition of PSI, will be the key to the effectiveness of this legislation. The Institute issued a submission highlighting these matters and Institute representatives met members of the Bills Committee to discuss its concerns in more detail.

The Draft Companies Bill under the Rewrite of the Companies Ordinance project is progressing. This extensive legislation covers a number of corporate governance issues, including codifying certain directors' duties; reducing the threshold for shareholders to demand a poll; extending the scope of the statutory derivative action; requiring companies to provide a more analytical and forward-looking business review; enhancing auditors' powers to require information from relevant persons, and strengthening the investigatory powers of the financial secretary and the power of the registrar of companies to obtain documents.

In relation to CSR/ESG, the first index series on corporate sustainability in Hong Kong was launched in July last year with the aim of increasing awareness of corporate sustainability (which encompasses ESG performance) and to serve the growing international interest in sustainable investment. This year, two new benchmark indices were added to enlarge the constituent base of the index series to include more mid-cap and small-cap companies with a strong sustainability performance. During the year, the HKEx developed a guide to ESG reporting and organised training for listed companies to help equip them with the practical tools for reporting. HKEx's longer term vision is to upgrade the reporting requirements to "comply or explain", similar to the arrangements for the Code.



# Commentaries

## New Award – Recognition of Excellence in SSR reporting

A new feature of the 2011 Awards is the award for SSR reporting. This new award is to recognise the company or companies that clearly understand that the vision of the twenty-first century business must go significantly beyond producing immediate returns for shareholders. They need to have an outlook and culture that focuses on achieving long-term, sustainable performance, appreciating that the success of the company entails increasing shareholder value in a sustainable way and responding to the legitimate interests and concerns of a range of other stakeholders, including employees, customers, business partners, the local and the wider community. In order to win this award a company has to be aware that in a globally- and locally-connected world, we are “all in this together” and that action it takes not only has an impact in the local environment but can also cause ripples in the farthest corners of the globe.

The SSR review was a separate and different exercise from the assessment of companies’ CSR performance in the context of the quality review for the main awards, which forms one element of the overall corporate governance score. The SSR reporting award is, at the same time, more extensive and more focused. As suggested above, it is not just about CSR as an aspect of good governance, but requires taking a more holistic view and integrating sustainability and social responsibility into the business strategy and culture. The name of the award indicates that the scope and expectation are greater than what is commonly understood by CSR. It is closer to the objectives of the work of the IIRC, referred to above. To this end, new assessment criteria were specifically designed for the reviewers and judges, which made reference to objective criteria, such as those developed by the GRI (Global Reporting Initiative), and covered various aspects of SSR reporting, including the background and objective of reporting; oversight of and accountability for reporting; the content, quality and scope/ boundary of reporting; performance indicators and whether independent assurance had been obtained.

The judges were pleased to note the high quality of SSR reporting by the short-listed candidates. The results and discussions among the judges indicated that the standard of the best two companies, namely CLP Holdings Limited (“CLP”) and HKEx, was very close. Both were considered to have set a very good example in their SSR reporting. Although they adopted, or perhaps because they adopted, slightly different approaches, the judges decided that both companies merited an award for their outstanding performance, which illustrated that, at this stage in the development of SSR reporting, there is more than one acceptable mode of presentation. More details of the judges’ comments are included in the individual commentaries on the winners.

It is worth noting that, following on from the publication of the IIRC discussion paper and proposed framework for integrated reporting, the next important phase in the IIRC project will see a pilot programme on integrated reporting carried out by a number of volunteer businesses in different sectors and different parts of the world. It has recently been announced that CLP is amongst the companies that will take part in this exercise, which reinforces the judges’ decision to give an SSR reporting award to that company.

## General Observations in 2011

In 2011, the judges followed a similar approach to that adopted in the previous two years. In determining whether to give out diamond awards, they benchmarked the corporate governance

practices of the short-listed companies against the highest standards, not just their performance relative to others in the same category. The upshot was that the judges decided to give out the highest level of award, the diamond award, in only two of the five categories – the HSI and non-HSI large cap categories.

Some disappointment was also expressed that there were not more candidates to consider for the SIA. The judges thought it important to convey the message that what constitutes good corporate governance changes over time, as the expectations of investors change and the influence of other stakeholders makes itself felt. Therefore, continuous efforts should be made towards improving and providing the kind of information that different stakeholders want, in a form that they can understand. The hope is that companies will understand the value of embedding good governance in their business strategy and plans and that this will be reflected not only in the statements that they make but also in their actions. In the meanwhile, all the award winners are to be congratulated on being the best in their class and laudable benchmarks of Hong Kong's current corporate governance standards.

Generally, the judges and reviewers noted that the best companies, particularly in the HSI category, maintained a high standard of corporate governance disclosure and practices. As indicated in the judges' comments, the HSI and non-HSI large cap categories remained the strongest in terms of the overall quality of their corporate governance.

The H-share category was again highly competitive with, generally, improving standards of corporate governance, in line with the development of the Mainland's economy.

Meanwhile, companies in the non-HSI mid-small cap category, which is a relatively new category, still have some way to go to reach the standard of the best in the other listed company categories. While there were several short-listed contenders, the judges indicated that they would need to see qualitative improvements in disclosures for companies in this category to be deserving of the highest accolades of diamond and platinum awards.

It was observed that smaller public sector organisations with limited resources continued to find it difficult to compete in the same category as larger public sector bodies with substantial manpower and financial resources. On the other hand, it was considered that smaller bodies should still be able to make further efforts to improve their governance, by reporting more promptly and transparently and taking the time to explain their governance structure and processes in their reports, in addition to providing activity-focused information. Some guidance is available for the public sector. The Institute published corporate governance guidance for public sector bodies back in 2004. More recently, in 2010, the Hong Kong SAR Government's Efficiency Unit published a guide to corporate governance for subvented organisations. The Institute recommended a member of the drafting team for that guide. The Awards organising committee will continue to explore the possibility of developing a different set of corporate governance parameters for smaller organisations, without compromising the core requirements of good governance.

#### *Positive signs – An honourable mention*

In addition to the award winners, on which there are more detail commentaries below, the judges came across other reports that they regarded as being "on the right track". They wished to encourage this development and, in this spirit, one report that they felt should be mentioned was in the public sector. The Hong Kong Housing Society was a contender in the public sector/not-for-profit category for the first time and its report contained some good corporate governance disclosures. With a more well-rounded approach, the judges hoped that it might be able to push for an award in future years.

## Specific Pointers

The judges and reviewers wished to highlight a few specific practices and disclosures to be applauded and encouraged, as well as certain areas for further improvement. Some of the observations below have been made previously, but remain relevant.

1. Some companies benchmarked their performance against the CPs and RBPs of the Code, highlighting where they achieved or exceeded the standard, and providing explanations for any deviations. This is an approach worth considering, because it establishes clear targets and aids readers' understanding. Some companies also discussed developments and improvements in their corporate governance practices during the year.
2. More companies with high standards of governance disclosed in their annual reports that they conducted formal evaluations of the board's and board committees' performance. This is to be encouraged. It is not yet a very widespread practice in Hong Kong companies, particularly not for mid-small cap companies, even though having a highly engaged and effective board can help drive their business. Once a new RBP is introduced to recommend that the boards of listed companies conduct a regular evaluation of their performance, which is scheduled to take effect on 1 April 2012, it is expected that this practice will become more prevalent.
3. The judges commented that, generally, the transparency of the nomination and appointment process for directors could still be improved, particularly in the public sector/not-for-profit category. More information should be disclosed about the process and criteria for appointment, as well as the expertise and experience sought in new board members. The work of nomination committees and related disclosures should be given added impetus when relevant RBPs are upgraded to CPs, commencing on 1 April 2012.
4. The judges also hoped to see more extensive disclosure of the remuneration packages of individual members of the senior management. This is an area where there is increasing investor and public demand for more openness and closer scrutiny, and both listed companies and major public sector organisations should extend their disclosures in this area. Overall, it would also be helpful if there were more clarity in the disclosure of emolument policies, incentive schemes and how they are linked to long-term, sustainable performance, as well as the structure and basis for determining the remuneration of directors and senior management. With a view to strengthening governance in this area, certain of the new Listing Rules and amended CPs relate to the composition, roles and responsibilities of the remuneration committees of listed companies.
5. The judges noted continuing improvement in disclosures in the area of risk management. Disclosures relating to the risk management framework and processes for evaluating and managing risks have become more extensive and sophisticated, particularly those of financial institutions, which seems only appropriate after the collapse of Lehman Brothers and the ensuing financial crisis. However, the judges were also aware that the extent of disclosure related to risk was also affected by the complexity and nature of business. Areas for improvement in disclosure include how risk assessment is carried out in practice, the methodology adopted to identify and prioritise risks, and how significant risks have been addressed.

6. While information on internal control reviews (which should cover, amongst other things, the adequacy of resources, qualifications and experience of staff responsible for the accounting and financial reporting functions), was more prevalent, there were still too many rather standard and boilerplate disclosures being made. HKEx's analysis of corporate governance disclosure in annual reports, released in September 2010, reinforces the view that this is an area where important detail is lacking and more needs to be done.
7. The judges were pleased to note that the standard of CSR reporting was improving among contestants. Relevant information appears in dedicated sections of annual reports, in separate booklets or on-line reports. The best performers make more effort to integrate ESG principles into their overall business strategies, and obtain independent or third-party assurance for their CSR reports. However, it remains the case that businesses whose operations have a bigger impact on the environment do not necessarily perform better in disclosing and addressing CSR issues. It is hoped that with the introduction of the SSR reporting award in this year's BCGD Awards, more companies will be motivated to strive for good practice in this area.
8. The management discussion and analysis ("MD&A") section of annual reports was generally informative, with relatively comprehensive discussions on the impact of the global economy on the operations of the relevant companies and the industries in which they operated. The judges suggested that more information covering areas such as key performance indicators ("KPIs") and treasury arrangements, would, however, be useful.
9. The point has been made before, and should be reiterated, that companies need to provide additional information on related party or connected transactions, particularly mid-small cap and family-controlled companies, including the approval basis and procedures undertaken in respect of such transactions, and the effect of such transactions on the company. Disclosing limited information in the notes to the financial statements is not sufficient.
10. The judges also commended those companies that made extra effort to upgrade the presentation of their annual report by using colourful and effective graphics, charts and diagrams, which can make annual reports more accessible and the information more digestible for readers. It is important, however, that core disclosures in annual reports, including those of public sector organisations, should aim to be primarily business-focused, rather than marketing-oriented.

# Hang Seng Index Category

## DIAMOND AWARD

### CLP Holdings Limited

#### Board of Directors:

##### EXECUTIVE

Andrew Brandler (Chief Executive Officer)

Peter P W Tse

Peter W Greenwood

##### NON-EXECUTIVE

The Hon Sir Michael Kadoorie, *GBS* (Chairman)

W E Mocatta (Vice Chairman)

R J McAulay

J A H Leigh

I D Boyce

Y B Lee

P A Theys

##### INDEPENDENT NON-EXECUTIVE

The Hon Sir S Y Chung, *GBM, GBE, JP*

V F Moore, *BBS*

Hansen C H Loh

Judy Tsui

Sir Rod Eddington

Nicholas C Allen

#### Audit Committee:

V F Moore, *BBS* (Chairman)

Judy Tsui

Nicholas C Allen

Hansen C H Loh

#### Auditors:

PricewaterhouseCoopers



## Findings

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1. The judges were impressed by the exceptional quality of CLP's annual report, which demonstrated the company's strong commitment to good governance. CLP has consistently set the benchmark of corporate governance excellence in the Hong Kong market and has maintained a high-quality governance framework and culture. The personable and systematic way in which the company defined its corporate business and values was outstanding.
2. The presentation of CLP's annual report was concise yet thorough and well-structured, providing many quantifiable metrics to measure the company's success, displayed in a graphically pleasing and easy-to-read manner. The design was innovative and well thought out with eye-catching charts and diagrams, which distinguished it from the traditional format of annual reports. The layout of the report made it very usable, catering also for investors with less financial knowledge.
3. The corporate governance framework adopted by CLP and its own corporate governance code exceeded the CPs and RBPs of the Code in a number of areas. In the spirit of continuous improvement, there was a section devoted to explaining the evolution of the company's corporate governance, outlining key developments and activities undertaken by the company during the year. The online corporate governance report, including the CLP Code and the company's existing corporate governance policies and practices were easy to locate on its website.
4. The judges commended CLP's report on its use of plain language to explain complex accounting principles and terms, so as to facilitate all readers' understanding of the financial statements. In this regard, the "Accounting Mini-series" section functioned very well. The "Q&A" and outlook sections, following the analyses of different business segments, helped readers to understand how the management responded to the challenges faced by the company.
5. The risk management report systematically explained different kinds of risk inherent in the company's operations and the policy the company has adopted to address each category of risk. This indicated that the management understood the business well and was forward looking in managing the business and handling risks and potential problems.
6. Disclosures of information on remuneration included other named senior executives, in addition to the directors, and their performance bonuses were shown separately. The incentives were long-term and designed to align the interests of the senior management with those of the shareholders.
7. Other notable highlights included the management's positive attitude and commitment to transparency in not avoiding disclosure of potentially negative issues, such as metrics covering industrial accidents. The chairman's and CEO's reports in the annual report were consistent and very much in tune with one another, which represented a good model for other companies to follow.
8. CLP's SSR reporting was highly commended. The judges' comments on this area of reporting are set out in more detail on page 40.

# Hang Seng Index Category

## PLATINUM AWARD

### Hong Kong Exchanges and Clearing Limited

#### Board of Directors:

##### EXECUTIVE

Li Xiaojia, Charles (Chief Executive)

##### INDEPENDENT NON-EXECUTIVE

Arculli Ronald Joseph\*, *GBM, GBS, JP* (Chairman)

Cha May-Lung Laura\*, *GBS, JP*

Chan Tze Ching Ignatius, *BBS, JP*

Cheng Mo Chi Moses\*, *GBS, JP*

Cheung Kin Tung Marvin\*, *GBS, JP*

Hui Chiu Chung Stephen\*, *JP*

Kwok Chi Piu Bill, *JP*

Lee Kwan Ho Vincent Marshall

Lee Tze Hau Michael\*

Strickland John Estmond, *GBS, JP*

Williamson John Mackay McCulloch

Wong Sai Hung Oscar

\* *Government Appointed Directors*

#### Audit Committee:

Cheung Kin Tung Marvin, *GBS, JP* (Chairman)

Lee Kwan Ho Vincent Marshall (Deputy Chairman)

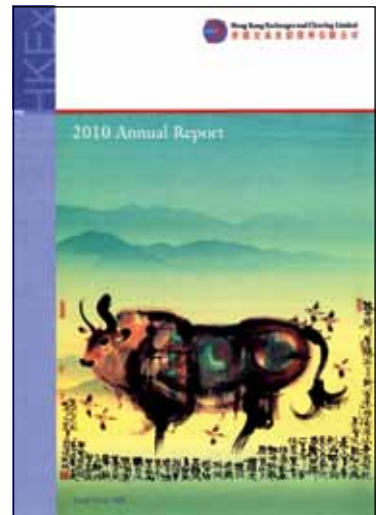
Chan Tze Ching Ignatius, *BBS, JP*

Kwok Chi Piu Bill, *JP*

Williamson John Mackay McCulloch

#### Auditors:

PricewaterhouseCoopers



## Findings

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1. The judges considered the 2010 annual report of HKEx to be comprehensive and well-written. The corporate governance report contained much useful information, including a well-documented corporate governance structure in diagram format, depicting the relationships and division of responsibilities between HKEx and its stakeholders, including the government, the Securities and Futures Commission (“SFC”), and the company’s shareholders. As a market regulator and listed company, HKEx’s emphasis on sound corporate governance set a good benchmark for other listed companies.
2. It was regarded as noteworthy that a formal board evaluation, covering board operations and performance, including each board committee and individual directors, was conducted by external independent consultants, to ensure objectivity and impartiality. The evaluation report was presented to the board. Recommended enhancements and a relevant action plan were also discussed to strengthen board effectiveness. Overall, the evaluation indicated that the board, its committees and members, functioned well.
3. The discussion in the business review section of the company’s 2010 initiatives and achievements and its 2011 new initiatives was commended by the judges. An effective use of tables, graphs and diagrams throughout the section enabled readers to easily understand HKEx’s business and performance.
4. The remuneration report set a very good standard and illustrated clearly how the management and staff were rewarded. The report disclosed detailed components of the remuneration packages of directors and employees, with charts illustrating the mix of fixed and variable pay components for employees at different grades, in a year when the group achieved its performance targets. The compensation of directors, and the salaries and benefits of all the senior staff, were shown separately.
5. The judges noted that HKEx used a Value-at-Risk approach to measure its financial risks, which was effective. The company’s internal control procedure and methodology were clearly spelt out.
6. SSR reporting is another area where HKEx excelled. The judges’ comments on the company’s performance in this area are set out in more detail on page 41.



## Hang Seng Index Category

### GOLD AWARD

## MTR Corporation Limited

### Board of Directors:

#### *EXECUTIVE*

Chow Chung-kong (Chief Executive Officer)

#### *NON-EXECUTIVE*

Raymond Ch'ien Kuo-fung (Chairman)

Commissioner for Transport

- Joseph Lai Yee-tak

Secretary for Transport and Housing

- Eva Cheng

Chan Ka-keung Ceajer

#### *INDEPENDENT NON-EXECUTIVE*

Vincent Cheng Hoi-chuen

Christine Fang Meng-sang

Edward Ho Sing-tin

Allister George Morrison

Ng Leung-sing

Abraham Shek Lai-him

T. Brian Stevenson

### Audit Committee:

T. Brian Stevenson (Chairman)

Ng Leung-sing

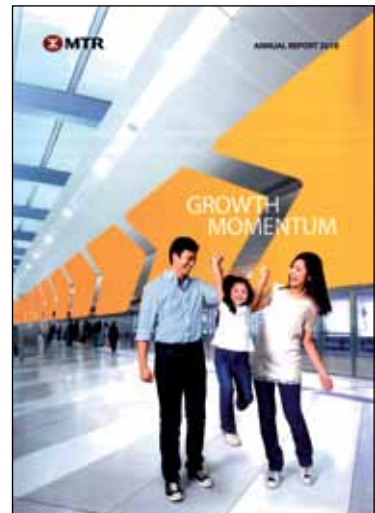
Allister George Morrison

Commissioner for Transport

- Joseph Lai Yee-tak

### Auditors:

KPMG



## Findings

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1. The judges praised the 2010 annual report of MTR Corporation Limited (“MTR”) for being well-organised, informative and of an overall high quality. The report contained detailed corporate governance disclosures, which complied with the relevant standards and demonstrated a clear commitment to a strong corporate governance culture.
2. The report provided a succinct overview of the company’s operations and included quantifiable data. The detailed executive management reports, covering the company’s railway operations, station commercial and rail related business, property and other businesses, were seen as being helpful and informative. The expansion of the company’s business locally, in the Mainland and overseas markets was also well covered in the report. The detailed ten-year statistics were very revealing of the company’s growth performance over this period.
3. The judges noted the company’s commitment to the environment and community, and concerns about long-term sustainability. An example was the use of new technology to minimise noise during construction. The reviewers and judges were impressed with the MTR’s performance in this area of reporting, which was also reflected in the fact that the company was one of the contenders for the new SSR reporting award.
4. The section “Responding to Stakeholder Expectations” was a good demonstration of how the company responded to the differing expectations of its different stakeholders.
5. The report also included a wide-ranging discussion on remuneration policy, remuneration structure and the company’s retirement schemes, which reflected a laudable attitude towards corporate transparency.

## Hang Seng Index Category

### SIGNIFICANT IMPROVEMENT AWARD

## China Coal Energy Company Limited

### Board of Directors:

#### EXECUTIVE

Wang An (Chairman)

Yang Lieke (President)

#### NON-EXECUTIVE

Peng Yi (Vice Chairman)

Li Yanmeng

#### INDEPENDENT NON-EXECUTIVE

Zhang Ke

Wu Rongkang

Zhang Jiaren

Zhao Pei

Ngai Wai Fung



### Audit Committee:

Zhang Ke (Chairman)

Peng Yi

Zhao Pei

Ngai Wai Fung

### Auditors:

PricewaterhouseCoopers

## Findings

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The judges were pleased to note that China Coal Energy Company Limited (“China Coal”)’s 2010 annual report displayed improvements in several important areas, including:

1. The company significantly improved the promptness of its reporting, advancing it by one month, which was no mean achievement for such a large and complex company.
2. The board was expanded from seven members to nine members in 2010, while retaining a majority of non-executive members.
3. The MD&A was more informative, containing amongst other things, a detailed analysis of the company’s capital expenditure, which was regarded as important for this type of business. In addition, more operating information was presented, such as the raw coal production efficiency. There were new sections, such as industry trends in 2011 and principal production and operation activities of the company in 2011, which were useful in helping readers understand the future development of the company.
4. In the directors’ report, there was a more comprehensive disclosure of risk factors than previously. The report analysed different aspects of the risks faced by the company.
5. China Coal was also acknowledged for achieving a significant improvement in its CSR reporting, which demonstrated an increasing commitment in this area of performance. The company’s first separate CSR report provided more information on the company’s initiatives in relation to its economic, environmental and social responsibilities.

# Non-Hang Seng Index (Large Market Capitalisation) Category

## DIAMOND AWARD

### Prudential plc

#### Board of Directors:

##### CHAIRMAN

Harvey McGrath

##### EXECUTIVE

Tidjane Thiam (Group Chief Executive)

Nicolaos Nicandrou

Robert Devey

John Foley

Michael McLintock

Barry Stowe

Michael Wells

##### INDEPENDENT NON-EXECUTIVE

Keki Dadiseth

Sir Howard Davies

Michael Garrett

Ann Godbehere

Bridget Macaskill

Paul Manduca

Kathleen O'Donovan

James Ross, *OBE*

Lord Turnbull

#### Audit Committee:

Ann Godbehere (Chairman)

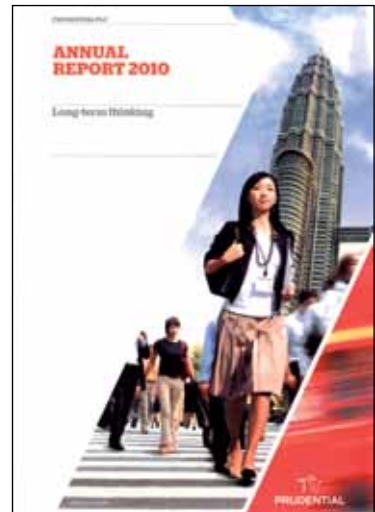
Kathleen O'Donovan

Paul Manduca

Sir Howard Davies

#### Auditors:

KPMG Audit Plc



## Findings

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1. The judges were impressed by the annual report of Prudential plc (“Prudential”), which was large in volume, but well arranged and readable. It was regarded as an excellent report with clear and well-laid-out messages.
2. Prudential’s corporate governance report was very comprehensive and of undoubted quality. The discussion of the company’s corporate governance policies and practices was particularly good.
3. Prudential maintained a large board with a majority of independent members, consistent with the company’s good corporate governance practices. A clear description of the selection process and criteria for directorships was provided and it was noted that a formal evaluation of the board and board committees was conducted.
4. The judges considered the chairman’s report to be commendably succinct, whilst the group chief executive’s report emphasised the company’s strategic focus. The chief financial officer’s report not only summarised the year’s financial performance, but also discussed future financial strategies. The country-by-country reports, while containing significant details, also had a strategic focus. Overall, the MD&A section was comprehensive, covering priorities and objectives, as well as business and financial reviews.
5. A risk committee was established and the company’s risk governance framework was built on the concept of “three lines of defence”: risk management, risk oversight and independent assurance. Risk factors that affected the group’s operating results, financial condition and the trading price of the company’s shares were indicated. The risk and capital management section was seen as a good role model for financial services companies.
6. The directors’ remuneration report, which provided information on the emolument policy and long-term incentive plan, was highly detailed and informative.
7. The chairman guided the company’s corporate responsibility efforts, which included meeting customer needs, employee policies, protecting the environment, and support for local communities. The company produced an annual corporate responsibility report, which was available on its website.

# Non-Hang Seng Index (Large Market Capitalisation) Category

## PLATINUM AWARD

### Hysan Development Company Limited

#### Board of Directors:

##### EXECUTIVE

Gerry Lui Fai Yim (Chief Executive Officer)  
Wendy Wen Yee Yung

##### NON-EXECUTIVE

Hans Michael Jebsen, *BBS*  
Anthony Hsien Pin Lee  
Chien Lee  
Irene Yun Lien Lee  
Michael Tze Hau Lee  
Deanna Ruth Tak Yung Rudgard, *OBE*

##### INDEPENDENT NON-EXECUTIVE

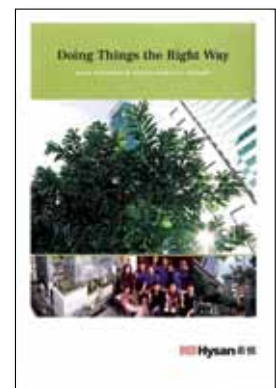
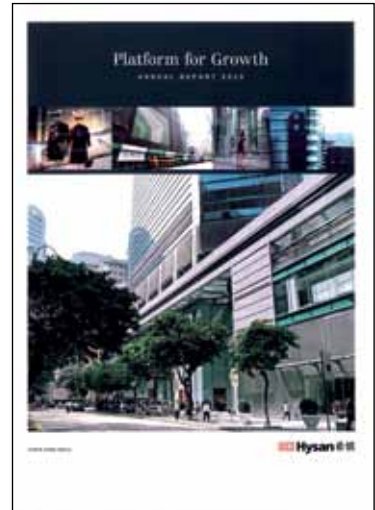
Sir David Akers-Jones, *GBM, KBE, CMG, JP* (Chairman)  
Nicholas Charles Allen  
Philip Yan Hok Fan  
Joseph Chung Yin Poon

#### Audit Committee:

Nicholas Charles Allen (Chairman)  
Anthony Hsien Pin Lee  
Philip Yan Hok Fan

#### Auditors:

Deloitte Touche Tohmatsu



## Findings

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1. The judges commended the 2010 annual report of Hysan Development Company Limited (“Hysan”) as being very well organised and containing a comprehensive, informative and professionally-presented corporate governance report. The company’s mission and values prefaced the report, with its aim to be a responsible business, fostering the highest standard of ethics and accountability and developing thought leadership and partnerships with stakeholders, whilst giving back to the community. The judges noted the company’s efforts to introduce some emerging corporate governance topics.
2. The corporate governance report highlighted the company’s corporate governance model and framework, and detailed where the company’s practices exceeded the standards laid down in the Code. The report drew readers’ attention to some important features of the company’s governance, including a written code of ethics, formal board mandates, board evaluation and corporate disclosure policies. It was noted that the majority of the board members were non-executive. It was also noted that, although Hysan was a family-controlled business, the company’s CEO was a professional manager, unrelated to the family. The future succession arrangement for the chairmanship was disclosed.
3. The MD&A section clearly explained the prevailing market conditions, as well as the company’s performance, with an analysis of its KPIs, including how they were measured and why they were significant. Graphs and charts were used effectively to illustrate key activities, such as debt and liquidity management.
4. The report included a good section on the company’s internal control and risk management system, which applied the widely-used framework developed by COSO in establishing the company’s internal control environment, performing risk assessments and conducting internal audit. Clear descriptions were given on how the company managed risks to achieve its business objectives.
5. Hysan produced a corporate responsibility report in a separate booklet, which set out succinctly the company’s framework for managing its corporate responsibilities and its efforts relating to environment, health and safety and the community.



# Non-Hang Seng Index (Large Market Capitalisation) Category

## GOLD AWARD

### Transport International Holdings Limited

#### Board of Directors:

##### EXECUTIVE

Edmond Ho Tat Man (Managing Director)

Charles Lui Chung Yuen, *MH*

Evan Au Yang Chi Chun

##### NON-EXECUTIVE

Kwok Ping-luen Raymond, *JP*

Kwok Ping-sheung Walter, *JP*

Ng Siu Chan

William Louey Lai Kuen

John Chan Cho Chak, *GBS, JP*

Winnie Ng

George Chien Yuan Hwei

John Anthony Miller, *SBS, OBE*

##### INDEPENDENT NON-EXECUTIVE

The Hon Sir Sze-yuen Chung, *GBM, GBE, JP* (Chairman)

Norman Leung Nai Pang, *GBS, JP* (Deputy Chairman)

Eric Li Ka Cheung, *GBS, OBE, JP*

Siu Kwing-chue Gordon, *GBS, CBE, JP*

#### Audit Committee:

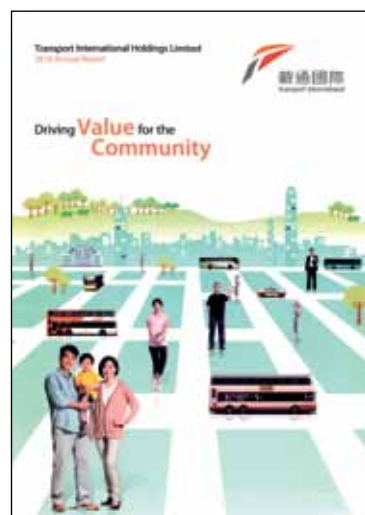
Eric Li Ka Cheung, *GBS, OBE, JP* (Chairman)

George Chien Yuan Hwei

Siu Kwing-chue Gordon, *GBS, CBE, JP*

#### Auditors:

KPMG



## Findings

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1. The judges were pleased to see that the 2010 annual report of Transport International Holdings Limited (“Transport International”) maintained a high standard of corporate governance disclosures. A statement of the corporate culture was featured prominently, covering the company’s mission, vision and corporate values, alongside a summary of the key business operations, its strategic locations, and highlights of the year’s financial and operational performance.
2. The comprehensive corporate governance report provided a clear description of the company’s governance framework and how its corporate governance objectives were achieved. The report also disclosed the group’s internal control framework and risk management process, including details of internal controls for handling and disseminating PSI. The responsibility of the company secretary to provide induction and continued training for directors was a good sign of a commitment to keeping the directors up to date on corporate governance developments.
3. The operational review was comprehensive, with statistical information on the group’s operational capabilities, mechanical reliability of its bus fleet, bus routes and service networks. The section provided illustrations on how the company maintained the highest standards and quality of services to its customers, and usefully analysed its operations into transportation service provider in Hong Kong and the Mainland, and its increasing involvement in property holding and development. The financial review section was also commended for its effective presentation by way of tables and charts. In addition, the report provided an informative commentary on the company’s funding and treasury policies.
4. The judges also commented favourably on the section entitled, “Conversation with the Managing Director”. This was a regular feature of Transport International’s annual reports, which made effective use of a simple question and answer format to provide information that investors and shareholders would be interested to know.
5. A strong and informative section on CSR, with full descriptions of how the company addressed environmental issues and how it communicated with stakeholders, provided evidence of the company’s commitment to be a good corporate citizen.

# Non-Hang Seng Index (Large Market Capitalisation) Category

## SPECIAL MENTION

### The Hongkong and Shanghai Hotels, Limited

#### Board of Directors:

##### EXECUTIVE

Clement King Man Kwok (Chief Executive Officer)  
Neil John Galloway  
Peter Camille Borer

##### NON-EXECUTIVE

The Hon Sir Michael Kadoorie, *GBS* (Chairman)  
Ian Duncan Boyce (Deputy Chairman)  
Ronald James McAulay  
William Elkin Mocatta  
John Andrew Harry Leigh  
Nicholas Timothy James Colfer

##### INDEPENDENT NON-EXECUTIVE

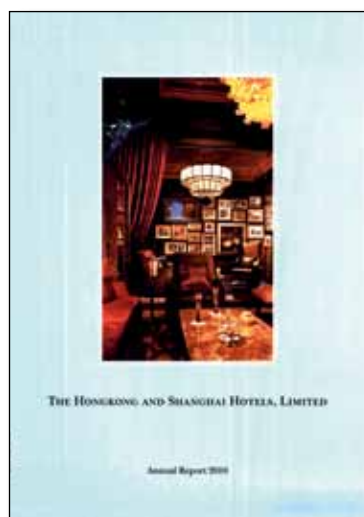
The Hon Sir David Kwok Po Li, *GBM, GBS, OBE, JP*  
Robert Chee Siong Ng  
Robert Warren Miller  
Patrick Blackwell Paul, *CBE*  
Pierre Roger Boppe  
William Kwok Lun Fung, *SBS, OBE, JP*

#### Audit Committee:

Patrick Blackwell Paul, *CBE* (Chairman)  
Ian Duncan Boyce  
William Kwok Lun Fung, *SBS, OBE, JP*

#### Auditors:

KPMG



## Findings

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The 2010 annual report of The Hongkong and Shanghai Hotels, Limited (“HSH”) was considered by the judges to be worthy of a special mention.

1. The judges commended HSH’s corporate governance report for its clear presentation of the company’s corporate governance structure, including the clearly-defined roles of non-executive chairman and chief executive officer. The major responsibilities and work performed by various committees were also well summarised.
2. The annual report of HSH contained a comprehensive MD&A section, with good descriptions relating to the company’s business and financial performance. There was also a detailed review of business segments.
3. The judges appreciated the separate section containing the company’s sustainability report, which included a clear index and reference to the relevant GRI application level. The inclusion of details of 2010 achievements, analysis of economic value and performance indicators were considered to be impressive and the report was independently assured. HSH was another contender for the SSR reporting award.
4. The judges also commented favourably on the detailed description of the company’s senior management team, which facilitated readers’ understanding of their backgrounds and particular expertise. The remuneration packages of the directors and senior management were clearly disclosed in the report.
5. The section on the heritage of the group provided extra information for investors and was interesting to read.
6. Overall, this was a well-presented annual report with a good level of additional voluntary corporate governance disclosures.

# Non-Hang Seng Index (Mid-to-small Market Capitalisation) Category

**GOLD AWARD**

## **SOCAM Development Limited** (formerly known as Shui On Construction and Materials Limited)

### **Board of Directors:**

#### *EXECUTIVE*

Lo Hong Sui Vincent, *GBS, JP* (Chairman)  
Choi Yuk Keung Lawrence  
Wong Yuet Leung Frankie  
Wong Kun To Philip  
(Managing Director and Chief Executive Officer)  
Wong Fook Lam Raymond

#### *INDEPENDENT NON-EXECUTIVE*

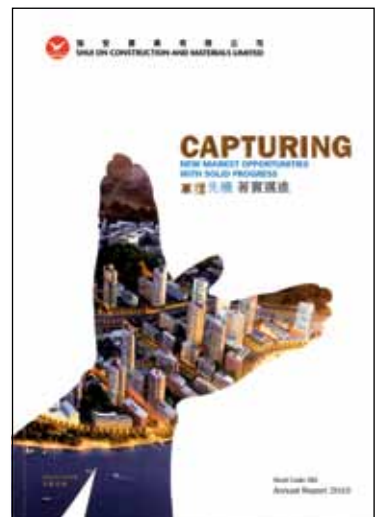
Gerrit Jan de Nys  
Li Hoi Lun Helen  
David Gordon Eldon, *GBS, CBE, JP*  
Chan Kay Cheung  
Tsang Kwok Tai Moses

### **Audit Committee:**

Chan Kay Cheung (Chairman)  
Gerrit Jan de Nys  
Li Hoi Lun Helen

### **Auditors:**

Deloitte Touche Tohmatsu



## Findings

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1. The judges acknowledged that the annual report of SOCAM Development Limited, formerly known as Shui On Construction and Materials Limited (the change-of-name announcement was released in late September 2011), disclosed a sound basic governance structure in its corporate governance report, which was well organised and easily understandable. The judges were of the view that the company's annual report served as a positive example for mid-small listed companies in terms of its corporate governance disclosures.
2. The roles of chairman and chief executive officer were described in a board charter and the key functions of the board and committees were clearly illustrated. The board of the company contained a high ratio of INEDs, who possessed different specialist experience. Details of the appointment, re-election and removal of directors, and training and development for directors were clearly presented.
3. The judges found that the MD&A painted an informative picture of the company's activities, and provided a very detailed review of the company's business by segments. The chairman's statement was also useful in explaining the developments in the company's strategy and business model.
4. A separate audit committee report provided useful information on the committee's role in overseeing the financial reporting function and on its review of the company's internal control and risk management systems.
5. Another separate report from the remuneration committee described its structure, role and duties and the work performed by the committee, in addition to the company's remuneration policy. The details of directors' remuneration and share options were clearly disclosed, reflecting a commitment to transparency in this area.
6. The judges were encouraged to see the company's efforts in producing a separate CSR report, which emphasised its commitment to good business practices in relation to greener buildings and sustainable cement, as well as engagement with stakeholders, the community and employees. The company sought to create a working environment that helped to attract and retain talented individuals and foster a strong sense of team spirit, by making building site safety a priority, facilitating personal development and promoting a healthy work-life balance.

## H-share Category

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### PLATINUM AWARD

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## Industrial and Commercial Bank of China Limited

### Board of Directors:

#### *EXECUTIVE*

Jiang Jianqing (Chairman)  
Yang Kaisheng (Vice Chairman and President)  
Wang Lili  
Li Xiaopeng

#### *NON-EXECUTIVE*

Huan Huiwu  
Gao Jianhong  
Li Chunxiang  
Li Jun  
Li Xiwen  
Wei Fusheng

#### *INDEPENDENT NON-EXECUTIVE*

Leung Kam Chung Antony  
Qian Yingyi  
Xu Shanda  
Wong Kwong Shing Frank  
Malcolm Christopher McCarthy  
Kenneth Patrick Chung

### Audit Committee:

Xu Shanda (Chairman)  
Leung Kam Chung Antony  
Qian Yingyi  
Wong Kwong Shing Frank  
Kenneth Patrick Chung  
Li Jun  
Wei Fusheng

### Auditors:

Ernst & Young



## Findings

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1. The judges found the 2010 annual report of Industrial and Commercial Bank of China Limited (“ICBC”) to be a high-quality report overall, with clear disclosures related to corporate governance, which attained all relevant standards.
2. The comprehensive corporate governance report covered in detail the corporate governance framework, policies and procedures. Under ICBC’s two-tier board system, common in Mainland companies, there was a separate board of supervisors to oversee mainly the operations of the board and the senior management, as well as the corporate governance matters of the bank. A report from the board of supervisors was included.
3. The MD&A section provided a very good overview of the bank’s business and transparent disclosure in relation to various business lines. The discussion on the economic, financial and regulatory environment under this section was informative and provided market indicators as supporting benchmarks.
4. The risk management section covered topics of enterprise risk management, reporting lines from branch level to chief risk officer and, ultimately, to the board of directors. The focus was on business related risks and the report provided good quantitative and qualitative analyses of risk management.
5. Given the company’s consistently strong and positive performance in terms of its corporate governance reporting, ICBC has regularly been among the best in this category in recent years. The judges hoped to see continuing improvements in the bank’s governance and risk management disclosures and practices in the future.



## H-share Category

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### GOLD AWARD

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## Jiangsu Expressway Company Limited

### Board of Directors:

#### *EXECUTIVE*

Qian Yong Xiang (General Manager)

#### *NON-EXECUTIVE*

Yang Gen Lin (Chairman)

Zhang Yang

Chen Xiang Hui

Du Wen Yi

Cheng Chang Yung Tsung Alice

Fang Hung Kenneth

#### *INDEPENDENT NON-EXECUTIVE*

Fan Cong Lai

Chen Donghua

Xu Chang Xin

Gao Bo

### Audit Committee:

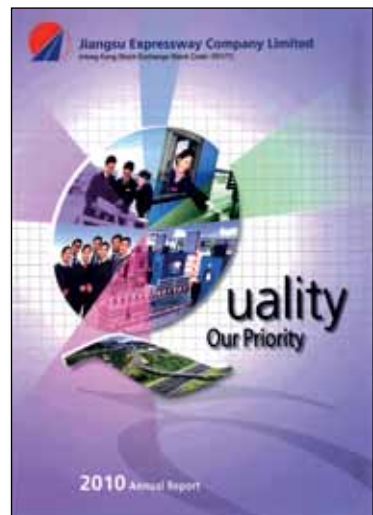
Chen Donghua (Chairman)

Fan Cong Lai

Du Wen Yi

### Auditors:

Deloitte Touche Tohmatsu



## Findings

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1. The 2010 annual report of Jiangsu Expressway Company Limited (“Jiangsu Expressway”) was comprehensive, with its corporate governance structure and shareholding structure clearly illustrated in charts. The detailed narrative on the company’s compliance with various provisions of the Code, in tabular format, was reader-friendly and accessible. The disclosures in relation to the company’s board and committees were also regarded as informative.
2. The judges commended the MD&A section, which included an in-depth analysis of the company’s business operations and financial results. Prospects and plans were discussed, taking into account environmental factors and the business direction. The section also included insightful and forward-looking comments.
3. The annual report was seen as being compact and concise. A range of useful information was presented through graphics and diagrams, together with a good summary of significant events and announcements made by the company during the year, including a record of shareholders’ meetings. Voluntary disclosures in respect of investor relations in different parts of the report clearly indicated the company’s strong commitment towards communicating effectively with its investors.
4. Jiangsu Expressway continued its good practice of disclosing the remuneration of senior management, in addition to directors and supervisors, on an individual, named basis and in detail.
5. Recognising the public nature of the industry in which it operated, Jiangsu Expressway’s vision extended beyond profits alone and included statements regarding community benefits and demands and social development needs. The CSR report, which formed part of the company’s annual report, reflected the company’s awareness of its responsibilities towards a wider body of stakeholders.
6. As regards possible additional disclosures, the judges suggested that further information on risk management and internal control would be useful.

## H-share Category

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### SPECIAL MENTION

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## China Shenhua Energy Company Limited

### Board of Directors:

#### *EXECUTIVE*

Zhang Xiwu (Chairman)

Zhang Yuzhuo

Ling Wen (President)

#### *NON-EXECUTIVE*

Han Jianguo

Liu Benren

Xie Songlin

#### *INDEPENDENT NON-EXECUTIVE*

Fan Hsu Lai Tai

Gong Huazhang

Guo Peizhang

### Audit Committee:

Gong Huazhang (Chairman)

Xie Songlin

Guo Peizhang

### Auditors:

KPMG



## Findings

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1. The judges found that the 2010 annual report of China Shenhua Energy Company Limited (“Shenhua”) included a very detailed corporate governance report, which spelt out the governance framework, processes and achievements in 2010. The judges recognised the management’s awareness of corporate governance issues and the strides taken to tackle the challenges of implementing and maintaining high standards of corporate governance and risk management.
2. The board structure, and the corporate governance roles and responsibilities of the board and supervisory committee, were all well documented. The report also contained useful additional information, such as resolutions passed at board committee meetings, in an easily understandable tabular form.
3. The MD&A was comprehensive and presented an overview of the company’s operating and financial results, asset distribution and group structure. Major risk exposures of the company and their effects were disclosed. The work plan for 2011 showed the positive commitment of the company to improving its internal control system in the coming year.
4. The annual report provided a good section on significant events, with detailed descriptions and references for its disclosures. The important notice on the inner cover of the report put the board and senior management’s reputation on the line, which added to the credibility of their efforts. The report contained other voluntarily disclosures, which reflected a strong overall corporate governance performance and good corporate practices.
5. The judges appreciated the efforts made to produce an effective CSR programme in an industry that was clearly not the most environmentally friendly. The CSR and sustainability disclosures were well organised.

## Public Sector/Not-for-profit Category

### PLATINUM AWARD

## Airport Authority Hong Kong

### The Board:

#### EXECUTIVE

Stanley Hui Hon-chung, *JP* (Chief Executive Officer)

#### NON-EXECUTIVE

Secretary for Financial Services and the Treasury

– The Hon K C Chan, *SBS, JP*

Secretary for Transport and Housing

– The Hon Eva Cheng, *JP*

Director-General of Civil Aviation

– Norman Lo Shung-man, *JP*

#### INDEPENDENT NON-EXECUTIVE

The Hon Marvin Cheung Kin-tung, *GBS, OBE, JP*  
(Chairman)

The Hon Chan Kam-lam, *SBS, JP*

The Hon Vincent Fang Kang, *SBS, JP*

Anita Fung Yuen-mei

The Hon Albert Ho Chun-yan

The Hon Raymond Ho Chung-tai, *SBS, MBE, JP*

Benjamin Hung Pi-cheng

Edmund Leung Kwong-ho, *SBS, OBE, JP*

Andrew Liao Cheung-sing, *GBS, JP*

Lo Ka-shui, *GBS, JP*

Allan Wong Chi-yun, *GBS, MBE, JP*

Wilfred Wong Ying-wai, *SBS, JP*



### Audit Committee and Finance Committee:

Benjamin Hung Pi-cheng (Chairman)

The Hon Vincent Fang Kang, *SBS, JP*

Anita Fung Yuen-mei

The Hon Albert Ho Chun-yan

The Hon Raymond Ho Chung-tai, *SBS, MBE, JP*

Wilfred Wong Ying-wai, *SBS, JP*

Secretary for Financial Services and the Treasury

### Auditors:

KPMG

## Findings

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1. The judges found that Airport Authority Hong Kong (“AAHK”)’s annual report was very balanced, with good disclosures in many areas of governance. AAHK continued to voluntarily apply the principles and guidelines set out in the Code applicable to listed companies and deviations from the Code were explained clearly. The company’s six core values related to safety, security, environment, quality, efficiency and people. This helped to guide staff and business partners.
2. The corporate governance structure was clearly illustrated by a diagram, supplemented by descriptions of the functions and responsibilities of each element within the structure. The disclosure of corporate governance was further extended with descriptions of AAHK’s risk assessment and management from the perspective of different types of risk, including operational, environmental, safety, security, health, and financial risks.
3. The discussion on adopting the “structural” and “people” approaches to fostering an ethical culture in AAHK was illustrated by a simple and impressive “ethics pyramid”, a feature which was also favourably noted in previous years. The approach to corporate ethics was highlighted by the company’s whistle-blowing policy, which was seen by the judges as an important and frequently-overlooked feature of good corporate governance for public sector entities.
4. The judges commended the annual report’s comprehensive business review, which provided informative data through the use of charts, graphs and tables. Existing operations and future directions were covered with detailed narratives.
5. A commitment to good corporate citizenship was outlined. Environmental and CSR considerations were important for a major airport and the separate CSR section covered emission reductions, energy savings, water and waste recycling, ecology and greening, and community outreach. The judges suggested that it would be useful to see further coverage of this area in the future.

## Public Sector/Not-for-profit Category

### GOLD AWARD

## Securities and Futures Commission

### The Board:

#### EXECUTIVE

Martin Wheatley, *JP* (Chief Executive Officer)

Brian Ho

Alexa Lam (Deputy Chief Executive Officer)

Keith Lui

Mark Steward

#### NON-EXECUTIVE

Eddy C Fong, *GBS, JP* (Chairman)

The Hon Chan Kam-lam, *SBS, JP*

Leonard K Cheng, *JP*

Anderson Chow Ka-ming

Angelina P L Lee, *JP*

Lawrence Lee, *JP*

Wong Kai-man, *BBS, JP*

### Audit Committee:

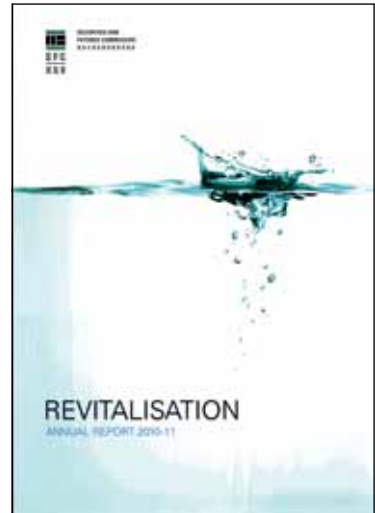
Angelina P L Lee, *JP* (Chairman)

Wong Kai-man, *BBS, JP*

Lawrence Lee, *JP*

### Auditors:

KPMG



## Findings

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1. The judges commented favourably on the SFC's annual report, which outlined the organisation's work in regulation, development of the market, Mainland liaison and investor education. The governance structure was succinctly illustrated. As a securities regulator in one of the world's major financial markets, the SFC quite rightly set for itself a high standard of corporate governance reporting and practices.
2. The corporate governance framework was clearly demonstrated by a simple but clear diagram. The internal controls and external checks worked in tandem to ensure that the SFC adhered to the policies and procedures necessary to uphold good governance. This also demonstrated the organisation's commitment to transparency.
3. The judges appreciated the to-the-point statements by the chairman and CEO. The corporate outlook, identifying six ongoing tasks facing the SFC, was considered to be insightful.
4. The operations review covered various aspects of the work undertaken by the SFC in discharging its duties and fulfilling its functions.
5. The separate section on CSR reflected SFC's commitment to corporate sustainability disclosure. The overview of the organisation's contribution to the community and the environment, as well as the attention it gave to staff wellness and development, were clearly described in this section.



# Sustainability and Social Responsibility Reporting Award

## Joint Winners

From the global perspective, the judges noted that there was more than one way to approach SSR reporting. HKEx's reporting was strong on independent, objective benchmarking (achieving a laudable A+ rating under the GRI framework) and external assurance, while CLP's focus was on developing an integrated strategy and embedding SSR into the company's corporate culture. It was considered that these represented different and equally valid approaches. The web links to the winners' SSR reports are included below:

CLP: <<https://www.clpgroup.com/ourvalues/report/Pages/sustainabilityreport.aspx>>

HKEx: <[http://www.hkex.com.hk/eng/exchange/csr/csr\\_report/csr\\_reporting.htm](http://www.hkex.com.hk/eng/exchange/csr/csr_report/csr_reporting.htm)>

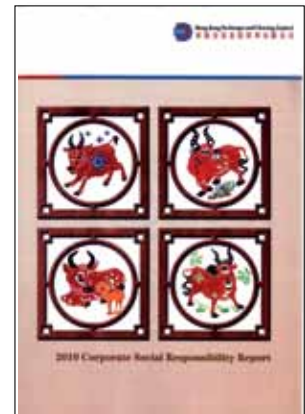
### CLP Holdings Limited

1. The judges applauded the CLP's sustainability report on the basis of its excellence in integrating SSR considerations throughout the culture of the company. The management demonstrated a well-thought-out strategic level approach to sustainability issues.
2. CLP integrated ESG principles and the "triple bottom line" (economic, social and environmental dimensions) into its core business, pointing to the implementation of the long-term sustainability of the business. The company demonstrated leadership by management through empowerment of employees, and service to the community and customers.
3. It was noted that CLP's business, in electricity and power generation, meant that its activities had a much greater impact on the environment than many other businesses. The company manifested a clear awareness of the need for sustainable development and social and environmental responsibility. A separate sustainability report, which was a succinct version of the company's comprehensive on-line sustainability report, addressed a wide range of sustainability issues. The company's stakeholder engagement model was seen as commendable.
4. CLP selectively used a range of GRI performance indicators as its targets for 2010. It also reported performance against its 2050 targets for climate. The company consistently applied a similar SSR strategy when it invested in and operated a number of projects overseas, including the Mainland, India and Australia.
5. The company's strong performance in sustainability reporting was recognised by international awards programmes. CLP was also selected as one of the 40 leading companies from around the world to participate in the IIRC's integrated reporting pilot programme. In this way CLP would have the opportunity to demonstrate global leadership in this emerging approach to corporate reporting.



## Hong Kong Exchanges and Clearing Limited

1. The judges were impressed by HKEx's commitment to high-quality disclosures and practices, which was evident from its standalone CSR report. The report took into account stakeholders' expectations and was well presented.
2. In November 2010, HKEx adopted a CSR management system as a means to better manage its performance in this area and the CSR impacts arising from its business operations. The management system was developed with reference to the principles and guidance of ISO 26000: 2010 Guidance on Social Responsibility and ISO 14001: 2004 Environmental Management Systems standard, and included a supply chain management system to address significant social and environmental impacts arising from HKEx's key suppliers.
3. To achieve high-level accountability, HKEx's CSR Committee directly reported to the board and was responsible for monitoring and reporting regularly on the company's progress towards achieving its CSR objectives/targets in addition to the handling of day-to-day CSR-related matters delegated by the board. Under the leadership of the committee, a working group was formed for development and implementation of the CSR management system.
4. The judges noted that HKEx was included in the newly launched Hang Seng Corporate Sustainability Index Series and the Dow Jones Sustainability Asia Pacific Index, which evidenced its commitment to best sustainability practices and its determination in promoting CSR standards. The judges saw HKEx as setting the standard in this area and demonstrating leadership by example. They hoped that, as the market operator, HKEx would also actively encourage the adoption of good SSR reporting by other listed companies.
5. Targets for 2010 and actual performance were clearly presented in the company's CSR report. In 2009, HKEx began to set annual KPIs under each CSR cornerstone, with the aim of transforming its CSR vision into measurable targets. The trend in KPIs, which was presented in a data series from 2006 to 2010, demonstrated HKEx's performance over a five-year period.
6. HKEx obtained an independent opinion on the completeness and overall quality of its CSR report and the accuracy and robustness of the information presented therein. Independent verification was also conducted on the report against the standard disclosure requirements of the GRI G3 guidelines A+ level and the Financial Services Sector Supplement.
7. Colourful tables were widely used in the report to enhance its presentation. Overall, the CSR report was well organised with clear headings and subtitles to facilitate readers' comprehension.



*ISO 26000: 2010*

# Judges and Reviewers

The Institute would like to express its appreciation to the judges and reviewers for their invaluable contributions in assessing, analysing and judging the entries in the 2011 BCGDA.

## Judging Panel

Chairman: Philip Tsai, president, HKICPA

Members: April Chan, The Hong Kong Institute of Chartered Secretaries  
Chris Chan, Cornell University  
Eva Chan, Hong Kong Investor Relations Association  
Colin Chau, Hong Kong Exchanges and Clearing Ltd.  
K O Chia, Hong Kong Venture Capital and Private Equity Association  
Susanna Chiu, vice president, and chairman of Professional Accountants in Business Leadership Panel, HKICPA  
Ada Chung, Companies Registry  
Cynthia Hui, MPF Schemes Authority  
P M Kam, Financial Reporting Council  
Karen Kemp, Hong Kong Monetary Authority  
Stephen Law, Council member and chairman of BCGDA Organising Committee, HKICPA  
Robert Lee, Hong Kong Securities Association  
R I (Bob) Tricker, The University of Hong Kong, Hong Kong Baptist University and The Open University of Hong Kong  
Kelvin Wong, The Hong Kong Institute of Directors  
S F Wong, Hong Kong Securities Institute

Secretary: Peter Tisman, director, specialist practices, HKICPA

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Members: **Quality Review**  
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Clement Chan, BDO Ltd.  
Raymond Cheng, HLB Hodgson Impey Cheng  
Stella Choy, KLC Kennic Lui & Co.  
Gayle Donohue, PricewaterhouseCoopers  
Peter Greenwood, The Hong Kong Institute of Chartered Secretaries  
Stephen Lee  
Daniel Lin, Grant Thornton Jingdu Tianhua  
Charles Lo, Charles Lo & Co.  
Patrick Rozario, BDO Ltd.  
Kenneth Siu, The Treasury  
Loren Tang, KPMG  
Florence Wong, Morningside Technologies Inc.  
Thomas Wong, Nexia Charles Mar Fan & Co.

**Compliance Review**  
Stephen Chan, BDO Ltd.  
Brian Chu, HLB Hodgson Impey Cheng  
Ernest Lee, Ernst & Young  
Ruby Leung, KLC Kennic Lui & Co.  
Vivian Siu, KPMG  
Johnny Yuen, Wong Brothers & Co., CPA

Secretary: Sharon Yeung, associate director, specialist practices, HKICPA

# Supporting Organisations

The Institute would like to thank the following supporting organisations of the BCGDA (in alphabetical order):

BDO Ltd.	Companies Registry
Charles Lo & Co.	Financial Reporting Council
Deloitte Touche Tohmatsu	Financial Services and the Treasury Bureau
Ernst & Young	Hong Kong Exchanges and Clearing Ltd.
Grant Thornton Jingdu Tianhua	Hong Kong Investment Funds Association
HLB Hodgson Impey Cheng	Hong Kong Investor Relations Association
KLC Kennic Lui & Co.	Hong Kong Monetary Authority
KPMG	Hong Kong Securities Association
Nexia Charles Mar Fan & Co.	Hong Kong Securities Institute
PricewaterhouseCoopers	Hong Kong Venture Capital and Private Equity Association
Wong Brothers & Co., CPA	Mandatory Provident Fund Schemes Authority
	Securities and Futures Commission
	The Hong Kong Institute of Chartered Secretaries
	The Hong Kong Institute of Directors
	The Treasury

The Institute would also like to thank the Professional Accountants in Business Leadership Panel and its BCGDA Organising Committee for continuing to develop the Awards programme and organising the 2011 BCGDA and related events.

## Organising Committee for the Awards

Stephen Law, chairman  
Derek Broadley  
Patrick Rozario  
Kenneth Siu  
Kim Man Wong

Sharon Yeung, secretary, HKICPA

## Professional Accountants in Business Leadership Panel

Susanna Chiu, chairman  
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Chew Fook Aun  
Eric Fok  
Kantstant Fung  
Ben Ho  
Eddie Kam  
Frankie Lam  
Stephen Law  
William Lo  
Guy Look  
Horace Ma  
Anthony Ng  
Donald Roberts  
Patrick Rozario  
Alec Tong  
Alan Wong  
Simon Wong  
Kim Man Wong  
Edward Yuen  
Wendy Yung

Peter Tisman, secretary, HKICPA



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

37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong  
香港灣仔皇后大道東213號胡忠大廈37樓  
Tel 電話：2287 7228  
Email 電郵：hkcipa@hkcipa.org.hk  
Website 網址：www.hkcipa.org.hk

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