

Best Corporate Governance Awards 2016

Judges' Report



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

2016 最佳企業管治大獎

Best Corporate Governance Awards

Award Winners

Hang Seng Index Category

Diamond	CLP Holdings Limited
Gold	Hong Kong Exchanges and Clearing Limited
Special Mention	MTR Corporation Limited

Non-Hang Seng Index (Large Market Capitalisation) Category

Platinum	The Hongkong and Shanghai Hotels, Limited
Gold	Hysan Development Company Limited

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

Gold	Pacific Basin Shipping Limited
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H-share Companies and Other Mainland Enterprises Category

Platinum	Lenovo Group Limited
Gold	Bank of China Limited
Special Mention	China CITIC Bank Corporation Limited
Special Mention	Huatai Securities Co., Ltd.

Public Sector/Not-for-profit Category

Platinum	Airport Authority Hong Kong
Gold	Securities and Futures Commission

Sustainability and Social Responsibility Reporting Awards

Winner – Hang Seng Index Category	CLP Holdings Limited
Special Mention – Non-Hang Seng Index (Large Market Capitalisation) Category	The Hongkong and Shanghai Hotels, Limited
Special Mention – H-share Companies and Other Mainland Enterprises Category	Lenovo Group Limited
Special Mention – Public Sector/ Not-for-profit Category	Airport Authority Hong Kong

Award for Website Corporate Governance Information

Winner	Hospital Authority
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Introduction

Background, Aims and Scope

Background

The annual Best Corporate Governance Awards (“BCGA” or “Awards”) organised by the Hong Kong Institute of Certified Public Accountants (“the Institute”) are now in their 17th year and they continue to be a landmark on Hong Kong’s corporate governance (“CG”) scene.

The Awards play an important role in encouraging improvements in the quality of CG, while reflecting changing attitudes and expectations among shareholders, investors and other stakeholders. This year, following an internal review, the Awards Organising Committee proposed a number of changes to help refresh the competition. The main changes include:

- Changing the name of the Awards. The reference to “disclosure” in the name, which had been used for the past 16 years, has been dropped, to emphasise that good CG is more than just good disclosure and that the quality of companies¹ underlying CG structures, processes and practices is equally important
- Inviting companies that have taken significant steps to improve the standard of their CG to express interest in being considered for a significant improvement award (“SIA”)
- Introducing certain new awards for specific aspects of CG (“new Awards”), aimed at companies that are not winners of the main categories of awards, but which are, nevertheless, making commendable efforts to strengthen their governance in one or more important areas of CG, namely, internal control and risk management, board and audit committee operation and functioning; and also in the area of website CG information, given that, increasingly, stakeholders look to the internet as an important source of corporate information
- Designing assessment criteria for the new Awards, in addition to reviewing the existing criteria and refining the various existing marking schemes to take account of, e.g., the revised Environmental, Social and Governance (“ESG”) Reporting Guide², which was published by Hong Kong Exchanges and Clearing Limited (“HKEX”) towards the end of 2015.

1. In this report, the term “company” is used to refer to both listed companies and public sector organisations, 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.

2. Listing rules, Appendix 27 (Main Board) and Appendix 20 (GEM)

As always, the Institute wishes to express its gratitude for the continuing support given to the Awards by the Hong Kong SAR Government, financial services regulators, investor groups, and the business, academic and professional communities. The Institute also acknowledges all the companies whose CG is reviewed in the BCGA for allowing themselves to be assessed against their peers and benchmarked against the highest standards of CG in Hong Kong.

Aims and scope

The BCGA aims to (i) establish benchmarks of CG best practice in Hong Kong and (ii) encourage more companies to refer to those benchmarks and improve their own CG standard.

Reviewers and judges seek to identify, primarily through disclosures in annual reports and corporate social responsibility (“CSR”)/ sustainability reports, those companies that have embedded good governance and socially responsible and sustainable practices within their organisational culture.

Categories and Judging Criteria

(1) There are five main categories, which are:

a. Companies listed on the Hong Kong Stock Exchange (“SEHK”):

Main Board

(i) Hang Seng Index (“HSI”)-constituent companies

Main Board or Growth Enterprise Market (“GEM”)

(ii) Non-HSI-constituent companies (large market capitalisation)

(iii) Non-HSI-constituent companies (mid-to-small market capitalisation)

(iv) H-share companies and other Mainland enterprises

b. Public sector/Not-for-profit organisations

In all of the above categories, Diamond, Platinum and Gold Awards are available to be presented, as well as SIAs for companies which demonstrate that they have made significant improvements to their CG practices and disclosures. Special Mentions are used to acknowledge other companies that have made commendable efforts.

The judging criteria for the main CG awards cover:

- Overall presentation
- Promptness of reporting
- Quality of disclosure in relation to the following information:
 - CG statement and practices
 - Capital structure
 - Board structure, including composition and diversity, and board functioning
 - Management discussion and analysis (“MD&A”), including operating and financial review and strategic outlook
 - Remuneration policy and details of directors’ and senior management’s remuneration packages
 - Nomination committee’s work and policies and nomination processes
 - Internal controls and risk management
 - CSR and environmental reporting
 - Connected transactions and relationships
 - Other voluntary disclosures relating to, e.g., audit committees, internal audit and investor relations
- Compliance with the CG-related disclosure requirements of the Companies Ordinance (Cap. 622) (“CO”) and the listing rules governing the listing of securities on the SEHK main board or GEM, as appropriate.
- Presentation of compliance information.

(2) There are also separate awards for sustainability and social responsibility (“SSR”) reporting and new Awards for the specific areas mentioned above. The potential candidates are assessed on the basis of specifically-designed criteria.

Review and Judging Procedures

This year, the initial vetting process covered around 650 annual reports. As indicated above, the primary source of information (except in the case of the awards for website CG information) remained annual reports and, for the SSR Awards, CSR/ sustainability reports. Annual reports undergo a preliminary review to see if they merit a more in-depth analysis of particular companies’ CG performance. At this stage, companies may be filtered

out for a variety of reasons; e.g., if they have a qualified audit opinion (depending on the reasons), their shares have been suspended for a prolonged period, they have been sanctioned by the Securities and Futures Commission (“SFC”), or simply because their standard in key areas of CG is clearly insufficient for them to be considered further.

The reviewers undertake detailed assessments of the companies that pass the initial vetting stage, in order to produce shortlists of the best companies in each category of awards, which are then referred to the judges. The work of the reviewers includes the following:

- Main Categories of Awards:

Conducting comprehensive reviews of CG information to identify the potential awardees, based on the results of two rounds of “quality reviews”; and also a “compliance review”. The compliance review is conducted after the first round of quality reviews on those companies selected for a second quality review (based primarily on their scores), to verify their full compliance with the mandatory CG-related disclosure requirements under the CO and the listing rules.

- SSR Awards:

Based on specifically-designed criteria, conducting a more detailed assessment of those companies that obtain high marks in the CSR section in the first quality review, as well as other companies known to be leaders in CSR and sustainability reporting and practices.

- New Awards:

Performing additional assessments, against tailor-made criteria, on the companies that, during the first round of quality reviews, achieve high scores on internal control and risk management or board and audit committee operation and functioning, as appropriate. For the evaluation of website CG information, the candidates to be shortlisted are selected during the initial vetting process.

- SIAs:

In the past, this has entailed identifying companies that attain a good overall standard of CG, while demonstrating a substantial increase in overall marks in the current year compared with the previous year (and also prior years); then carrying out a more detailed comparison to identify whether specific areas of substantial improvement can be identified. This year, with the introduction of a self-nomination process, the methodology, in principle, entails assessing self-nomination information to verify whether substantial CG improvements have been made during the reporting period and, if necessary, conducting interviews to hear first-hand about a company’s CG practices.

Judging Considerations

The emphasis of the BCGA is on voluntary inclusion of relevant information in annual reports (or CSR/sustainability reports), and CG structures, processes and practices that go beyond any statutory and regulatory requirements and are indicative of a strong CG culture. Given that the Awards are not awards simply for disclosure, the reviewers and judges will also consider other relevant publicly-available information, including news and media reports, which may reflect on companies' actual CG practices.

The reviewers and judges assess the scope of CG-related information, the quality of the information provided, both in form and substance, and the standard of the related governance practices. They endeavour to take an overall view of a company's CG performance and form an impression of the extent to which a good CG culture is entrenched within that company. They also consider whether efforts are being made towards further improving standards. Where applicable, they will consider the transparency of information contained in annual reports relating to matters of public interest or concern that affect the companies in question.

Recent Corporate Governance Developments

A number of notable CG developments have taken place since the conclusion of the 2015 Awards, both domestically and internationally. Some highlights are mentioned below.

Hong Kong

HKEX published the consultation conclusions* (see the Appendix)³ on the Review of the ESG Reporting Guide ("ESG Guide" or "Guide") in the late 2015.

Some of the main changes to the ESG Guide and related listing rules include:

- amending Main Board Rule 13.91 (GEM Rule 17.103) to require issuers to state in their annual reports or ESG reports whether they have complied with the "comply or explain" provisions set out in the Guide for the relevant financial year; and if they have not, to give considered reasons in their ESG reports;
- re-arranging the Guide into two Subject Areas: (A) Environmental and (B) Social;
- upgrading the General Disclosures under each Aspect of the Guide to "comply or explain";
- revising the wording of the General Disclosures (where relevant) to be consistent with the relevant requirements of the directors' report under the CO. The CO requirements have been incorporated into the listing rules and apply to companies for financial years ending on or after 31 December 2015⁴;

3. References for this publication and all other materials denoted with an asterisk are contained in the Appendix

4. Listing rules, Appendix 16 (Main Board) and Chapter 18 (GEM)

- upgrading the Key Performance Indicators (“KPIs”) in the “Environmental” Subject Area to “comply or explain”; and
- revising the voluntary provisions of the Guide (i.e., the recommended disclosures) to bring them more in line with international standards of ESG reporting by incorporating disclosure of gender diversity.

The amendments to the Guide and related listing rules will come into effect in two phases:

- Rule amendments and upgrade of the General Disclosures from recommended to “comply or explain”, as well as the revised recommended disclosures, are effective for financial years commencing on or after 1 January 2016
- Upgrade of the KPIs in the “Environmental” Subject Area of the Guide from recommended to “comply or explain” will be effective for financial years commencing on or after 1 January 2017.

In March of this year, the Hong Kong Monetary Authority (“HKMA”) published a consultation paper on the Empowerment of Independent Non-executive Directors (“INEDs”) in the Banking Industry in Hong Kong, concerning their roles, the practices of locally-incorporated authorised institutions (“AIs”) on INEDs and measures to ensure there are sufficient, qualified people to serve the boards of AIs. The Institute responded to the consultation, indicating that the proposals helped to clarify the role of INEDs in AIs and making some specific suggestions to strengthen the arrangements*.

In September, HKEX published the findings of its latest review of listed companies’ CG practices*. The review covered the CG reports of 81 issuers with the financial year-end date of 30 June 2015 and analysed their compliance with the CG Code, including the CG Report (together referred to hereinafter as “CG Code” or “Code”)⁵ under the listing rules. The review, together with two earlier reviews (for companies with financial year-end dates of 31 December 2014 and 31 March 2015), examined a total of 1,636 companies’ CG reports. HKEX concluded that all three reviews showed that the compliance level with the CG Code was generally high. However, the quality of explanations given for deviating from the Code Provisions was varied and reflected a degree of “boilerplate” use. In addition, some companies did not disclose board diversity policies and did not provide any explanation.

Following a consultation by HKEX on proposed changes to the CG Code relating to risk management and internal control and the publication of the consultation conclusions, in 2014, the corresponding changes to the Code took effect for accounting periods beginning on or after 1 January 2016*.

5. Listing rules, Appendix 14 (Main Board) and Appendix 15 (GEM)

In June 2016, the SFC and HKEX issued a joint consultation paper on proposals to enhance HKEX's decision-making and governance structure for listing regulation. The Institute made a submission on the consultation*. The responses to the consultation suggest that opinions differ as to the most appropriate division of responsibilities for securities regulation in Hong Kong. Although this subject has been discussed at different times for well over a decade, agreement on the best solution remains elusive.

The directors' report under the new CO requires Hong Kong companies to provide a discussion of environmental policies and performance. As mentioned above, this requirement has now been incorporated into the listing rules and applies to all listed companies.

The Institute, meanwhile, has embarked upon a comparative study of different aspects of CG and next year hopes to be in a position to put forward some recommendations that will help Hong Kong remain in the forefront of CG developments in this region and support the long-term sustainability of the capital market.

International

Integrated reporting ("*IR*") has been influencing not only private and listed entities but also public sector organisations. A publication, *Focusing on Value Creation in the Public Sector** has been released, providing guidance for public bodies around the world to help them think holistically about their strategies and plans, make informed decisions, and manage key risks, in order to build stakeholder confidence and improve future performance. In addition, the International Integrated Reporting Council ("*IIRC*") has been adding examples of emerging best practices*, aiming to enhance the understanding of *IR* through companies that are early adopters.

At the end of 2015, the Professional Accountants in Business Committee of the International Federation on Accountants ("*IFAC PAIBC*"), on which the Institute is represented, issued a thought paper, *Creating Value with Integrated Thinking**. The paper aims to reflect integrated thinking as it is understood today. It explores what integrated thinking involves, as well as its challenges and how they can be overcome, and advances a meaningful understanding of its role and power. The publication also discusses how *IR* both improves and is improved by integrated thinking.

Having updated the model framework on internal control in 2013, the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) turned its attention to reviewing its Enterprise Risk Management (“ERM”) framework. A consultation document, *Enterprise Risk Management – Aligning Risk with Strategy and Performance*, was published in June*. Among other things, the proposed revised framework updates the core definitions of risk and ERM and the components of ERM. It also introduces principles that reflect the evolution of risk management thinking and practices.

The Institute and the IFAC PAIBC, among others, made submissions* responding to the consultation. These support COSO’s overall objectives to update and further develop the ERM framework and offer some additional suggestions. The Institute proposes further changes that would help to make the framework more practical and effective, including for small and medium enterprises (“SMEs”). The IFAC PAIBC agrees with COSO’s objectives of integrating risk management into strategy development and implementation, while suggesting that more work needs to be done to change the perception of risk management as a separate and discrete activity.

The new International Standard on Auditing (ISA) 701, *Communicating Key Audit Matters in the Independent Auditor’s Report** is effective for audits of financial statements for periods ending on or after 15 December 2016. The Institute has taken the international standard into account as part of its convergence programme with auditing and assurance standards issued by the International Auditing and Assurance Standards Board of IFAC and issued the equivalent standard as HKSA 701*, to be effective on the same date. ISA/ HKSA 701 is part of a suite of new auditor reporting standards, the aim of which is to provide audit reports that increase the public’s confidence in companies’ financial statements, as well as in the audit process itself.

ISA/ HKSA 701 should result in more informative disclosures in audit reports and the audits of the early adopters in Hong Kong seem to bear this out. Among the changes, auditors are required to highlight key audit matters (“KAM”) that, in the auditor’s professional judgment, were of most significance in the audit. KAM are not expected to be generic and, accordingly, the reporting of KAM will be different from one company to another. The standard applies to audits of general purpose financial statements of listed entities. It also applies when the auditor is required by law or regulation to communicate KAM for other entities, or when the auditor decides to communicate KAM on a voluntary basis.

Commentaries

Observations in 2016

The judges this year continued to adopt the approach that Diamond, Platinum, and Gold Awards should each be seen as representing a certain standard of CG quality and not simply be given to the first, second and third-place companies in each category.

This year, for the top two levels of awards, the judges are giving out one Diamond and three Platinum Awards. There is no Platinum Award in the HSI category, indicating that a gap exists between the best performer in that category and the remainder. However, the fact that Platinum Awards are given out in other categories points to a narrowing of the gap between the HSI and other categories, which is generally a positive development.

Overall, one more award is given out this year than last year, including Special Mentions. This is still fewer than in 2014 and, moreover, this is against the background of three new award categories being introduced this year, so it cannot be seen as signifying a general improvement. An observation made by the judges last year bears repeating, namely that, as the minimum regulatory requirements progressively rise, companies need to make more effort to increase the quality of their CG beyond the level of mere compliance. In addition, this is now the seventeenth year of the Awards and the judges' expectations are higher. They are rigorous in their assessments where clear gaps in the quality of CG practices are evident. They are not distracted by fine-sounding words if there appears to be a misalignment between a company's CG practices and culture and the picture that it paints of itself.

As indicated above, the new Awards are aimed at companies that are not winners in one of the five main categories of awards or in the SSR Awards. It is disappointing to note, therefore, that for two of the three new Awards, i.e., internal control and risk management and board and audit committee operation and functioning, the judges are not able to identify suitable candidates to give out any award. The main contenders are often those that, ultimately, are winners of one of the main awards and so are not eligible for the new Awards. This indicates that, in these quite fundamental areas of CG, many companies are simply meeting the minimum requirements and are still treating CG primarily as an exercise in compliance. The judges would suggest to them that good disclosure and practices in the areas of risk management and board and audit committee operations will help to foster greater investor confidence and be of long-term benefit to the business. These are basic elements of good CG and if a company wants to strengthen its CG framework progressively, they are good places to start.

There is also disappointment that no candidates were shortlisted for SIAs. Whilst there were a number of enquiries about the new self-nomination process, in the end, it seems that no companies had the confidence

or commitment to put themselves forward and the reviewers were also unable to find suitable candidates using the previous methodology. We will explore further in subsequent BCGAs what can be done to encourage companies to take steps towards improving their overall standard of CG.

On a more positive note, the judges are able to find a first winner of the award for website CG information and it is a public sector organisation. There are also a number of first-time awardees in several different categories this year, and more companies that were good enough to be shortlisted but which just fell short of the grade needed to win an award. So, there are reasons to be optimistic for future BCGAs.

Other welcome signs this year include the continuing competitiveness of the category for H-share companies and other Mainland enterprises, where there is more than one new awardee; and also in the SSR Awards, where the judges found good candidates both in the private sector and, for the first time, the public sector.

So, a mixed year overall, and one in which the BCGA judges are giving out a strong message that they will not lower standards just to increase the number of awardees. The community expects and requires good standards of CG and ethical practices in both the corporate and the public sectors and the benchmarks set by the BCGA reflect this.

Observations of Judges and Reviewers on Specific Areas of Strength and Weakness

The judges and reviewers wish to highlight a few specific areas to be commended and encouraged, as well as areas for further improvement. These include the following:

1. Although the minimum CG requirements have been and continue to be raised, the best performers in most categories are still able to achieve high scores on the strength of their voluntary additional disclosures and practices. They see the benefits of a good CG framework to the long-term sustainability of the company and, generally, demonstrate a firm commitment to a strong CG culture at the highest levels, which permeates throughout the company.
2. A number of companies continue to benchmark themselves against most of the Recommended Best Practices (“RBPs”) in the CG Code, with reasoned explanations for any deviations. This provides users with pertinent, readily-accessible information.

3. The better companies generally perform well in explaining their risk management and internal control frameworks and processes. Some of them have established dedicated risk committees and indicate their key risks and mitigation measures, which assists investors to analyse the overall risk profile of the company and facilitates more informed investment decisions. However, the fact that no award is given out in the new category dedicated to risk management and internal control is an indication that these efforts do not yet run sufficiently deep and wide beyond the few best performers.
4. Organisations both in the private and public sectors have been improving the standard of their CSR/ sustainability reporting, as reflected in a larger number of SSR awardees this year. With the revised ESG Guide becoming effective from next year, the judges expect improvements to continue and the competition for the SSR Awards to become more intense in future.
5. The judges note that some companies are moving further in the direction of <IR>, including some of the awardees. The Link Real Estate Investment Trust is another. The efforts of more companies listed in Hong Kong to adopt <IR> is a welcome development. There is growing momentum around the world behind the adoption of this new approach to corporate reporting, which can help a company to develop more integrated thinking and processes, and to understand the real value drivers of the business; also, very importantly, to explain itself more clearly to investors and other stakeholders.
6. It is noted that some companies, including Standard Chartered PLC and KAZ Minerals PLC, both of which are listed on the London Stock Exchange, and Swire Pacific Limited are early adopters of the long-form audit report. This is more informative for users of the audit reports as it requires the auditors to highlight, amongst other things, significant matters considered in the course of the audit. The new auditing standards should help increase confidence in the integrity of financial statements and the audit process.
7. It is noted that the H-share financial institutions provide a responsibility notice at the front of their annual reports, which states that the boards of directors and supervisors, the directors, supervisors and members of senior management warrant that the information in the report contains no false or misleading statement, or material omission, and that they, jointly and severally, accept full

responsibility for the information. Some seem to go even further and state that the report is accurate and complete. This is a clear and positive acceptance of responsibility and should give additional confidence to investors and other stakeholders.

8. Comprehensive information is often provided in annual reports, although in some cases the presentation could be improved and not every report is designed for easy or pleasurable reading. Over time, a good piece of CG reporting will become routine and repetitive, unless the presentation and content are kept under regular review to satisfy the needs of users for meaningful, succinct and easily-digestible information.
9. More companies are introducing whistle-blowing policies and procedures to enable employees and other stakeholders to report irregularities in confidence. This is a welcome development.
10. Companies, generally, still need to enhance the transparency of the process and criteria for selection and appointment of directors, including executive directors and INEDs. Greater commitment also needs to be shown by many companies to developing and implementing board diversity policies, with practical and achievable targets. The value of having a diverse, knowledgeable and multi-dimensional board should not be underestimated. Experience shows that it is a mistake to believe that because a one-dimensional, compliant or passive board may seem to be easier to manage, it is an advantage to the business.
11. For public sector organisations, it is important not only to comply with relevant laws and regulations, but also to gain the trust, confidence and engagement of the public. Articulation of their vision, goals, performance indicators and public accountability are important and need to be accompanied by outcomes and results which match their promises.
12. Companies could do more to improve the disclosure of details of their director remuneration policies and the remuneration packages of senior management. This is regarded as relevant and important information by investors and other stakeholders.

Hang Seng Index Category

DIAMOND AWARD

CLP Holdings Limited

Board of Directors:

EXECUTIVE

Richard Kendall Lancaster (Chief Executive Officer)
Geert Herman August Peeters

NON-EXECUTIVE

The Hon Sir Michael Kadoorie, *GBS* (Chairman)
William Elkin Mocatta (Vice Chairman)
Ronald James McAulay
John Andrew Harry Leigh
Andrew Clifford Winawer Brandler
Lee Yui Bor

INDEPENDENT NON-EXECUTIVE

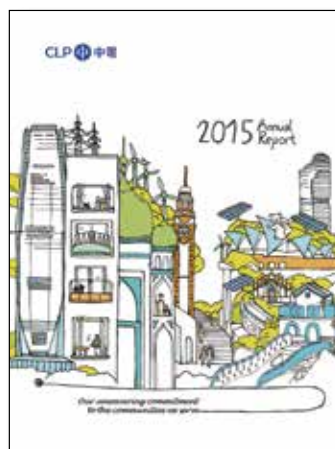
Vernon Francis Moore, *BBS*
Sir Rod Ian Eddington
Nicholas Charles Allen
Cheng Hoi Chuen Vincent, *GBS, OBE, JP*
Law Fan Chiu Fun Fanny, *GBS, JP*
Lee Yun Lien Irene
Zia Mody

Audit Committee:

Vernon Francis Moore, *BBS* (Chairman)
Nicholas Charles Allen
Law Fan Chiu Fun Fanny, *GBS, JP*
Lee Yun Lien Irene

Auditors:

PricewaterhouseCoopers



Findings

1. Once again, this year, CLP Holdings Limited (“CLP”)’s CG performance stands out from others and the CG-related information provided in the company’s Annual Report is the most readable amongst its peers.
2. CLP has adopted <IR>. This is its fifth integrated Annual Report, encapsulating the IIRC’s guidelines. This approach to corporate reporting help users gain a more comprehensive understanding of the value that the company has created for all stakeholders and how it will continue on its value creation journey.
3. The company’s CG practices have been strong for a long time and they continue to exceed the requirements for listed companies by a significant margin. The Annual Report contains an easily-readable table to highlight where the CLP Code on Corporate Governance meets or surpasses the Code Provisions and RBPs under the listing rules.
4. CLP provides useful guidance to facilitate readers’ understanding of its financial statements, including a diagram to illustrate the relationships between the statement of profit or loss and other comprehensive income, the statement of financial position and the statement of cash flows, as well as their links with its stakeholders.
5. The company’s “Risk Management Report” clearly and systematically explains the key risk management issues and material risks, together with the measures taken to mitigate the risks.
6. Extensive information and disclosures on the remuneration policies and packages of directors and senior management are provided, demonstrating market-leading good practice for Hong Kong-listed companies.
7. CLP produces a separate high-quality, sustainability report, showing the company’s overall governance and stakeholder relations in a succinct manner. Further details can be found under SSR Awards, pages 38-39.

Hang Seng Index Category

GOLD AWARD

Hong Kong Exchanges and Clearing Limited

Board of Directors:

EXECUTIVE

Li Xiaojia, Charles (Chief Executive)

INDEPENDENT NON-EXECUTIVE

Chow Chung Kong*, *GBS, JP* (Chairman)

Chan Tze Ching Ignatius, *BBS, JP*

Freshwater Timothy George*

Fung Yuen Mei Anita*, *BBS, JP*

Gil-Tienda Rafael*

Harrison John Barrie*

Hu Zulu Fred

Kwok Chi Piu Bill, *JP*

Lee Kwan Ho Vincent Marshall

Leung Ko May Yee Margaret*, *SBS, JP*

Williamson John Mackay McCulloch

Wong Sai Hung Oscar

* *Government Appointed Directors*

Audit Committee:

Harrison John Barrie (Chairman)

Chan Tze Ching Ignatius, *BBS, JP*

Fung Yuen Mei Anita, *BBS, JP*

Kwok Chi Piu Bill, *JP*

Williamson John Mackay McCulloch

Auditors:

PricewaterhouseCoopers



Findings

1. HKEX has produced an impressive “Strategic Plan 2016-18”, which is not a straightforward exercise given the rapidly evolving and liberalising capital market in the Mainland.
2. HKEX oversees the development and implementation of the CG requirements for listed companies on the SEHK. It is expected, therefore, that the company itself should have a high standard of CG. It is clear from its Annual Report that HKEX makes every effort to adopt best practices in most areas.
3. There are good, clear descriptions of the board’s operation and responsibilities, including key matters addressed in relation to its different areas of responsibility during 2015, such as induction training for new directors and board processes. There are also colourful diagrams showing the diversity of the board’s composition in different dimensions. A statement of its diversity policy is on the company’s website. Directors’ board and committee attendances are set out clearly and the attendance rate is high.
4. An ERM framework has been adopted to enhance risk management through a holistic and integrated framework, so that all material risks are identified. The risk governance structure is based on a “Three Lines of Defence” model, with a table highlighting risk management measures at each level. The company provides a succinct and informative “Audit Committee Report” explaining the work done by the committee during the year.
5. HKEX’s Annual Report includes a useful section providing 10-year financial and market statistics. HKEX also produces a separate CSR report, which gives a balanced representation of its CSR performance in the four cornerstones of marketplace, workplace, community and environment. This is benchmarked against the ESG Guide and has been independently verified by the Hong Kong Quality Assurance Agency (“HKQAA”) to ensure its integrity and credibility.

Hang Seng Index Category

SPECIAL MENTION

MTR Corporation Limited

Board of Directors:

EXECUTIVE

Lincoln Leong Kwok-kuen (Chief Executive Officer)

NON-EXECUTIVE

Frederick Ma Si-hang (Chairman)

Commissioner for Transport

- Ingrid Yeung Ho Poi-yan

Permanent Secretary for Development (Works)

- Hon Chi-keung

Secretary for Transport and Housing

- Anthony Cheung Bing-leung

Chan Ka-keung Cejzer

INDEPENDENT NON-EXECUTIVE

Pamela Chan Wong Shui

Dorothy Chan Yuen Tak-fai

Vincent Cheng Hoi-chuen

Eddy Fong Ching

Edward Ho Sing-tin

James Kwan Yuk-choi

Lau Ping-cheung Kaizer

Lucia Li Li Ka-lai

Alasdair George Morrison

Ng Leung-sing

Abraham Shek Lai-him

Benjamin Tang Kwok-bun

Allan Wong Chi-yun



Audit Committee:

Eddy Fong Ching (Chairman)

Lucia Li Li Ka-lai

Alasdair George Morrison

Allan Wong Chi-yun

Commissioner for Transport

- Ingrid Yeung Ho Poi-yan

Auditors:

KPMG

Findings

1. The Annual Report disclosures of MTR Corporation Limited (“MTR”) are comprehensive, and provide users with a very sound understanding of the company’s CG framework. MTR has a code of conduct applicable to every employee, calling on staff to enhance transparency and requiring them to work under the highest principles of fairness, impartiality and integrity. A comprehensive review of the company’s code was carried out in 2014 and a revised version released in 2015.
2. The descriptions of the new director induction programme, as well as continuing professional development for board members, executive directors and senior management, are informative and quite detailed, illustrating the company’s commitment to ensuring that key personnel receive appropriate training.
3. MTR has a board diversity policy and an illustration of the breakdown of the current composition is provided. There is also a clear explanation of how the board diversity policy is applied.
4. The company’s commitment to ensuring the adequacy of resources, staff qualifications and experience for the company’s accounting, financial reporting and internal audit functions is explained in some detail.
5. The MD&A section of the report is extensive, with analyses of its Hong Kong transport operations, Hong Kong property and other businesses, Mainland and international business and growth and human resources. The ten-year financial statistics provide useful at-a-glance comparatives and the “Investor Relations” section of the annual report provides a good model in terms of consolidating key information.
6. MTR has also published a separate, extensive Sustainability Report to illustrate its responsibilities to different stakeholders in the community. The company’s commitment to sustainability is reflected clearly in the “CEO Letter” in the report.

Non-Hang Seng Index (Large Market Capitalisation) Category

PLATINUM AWARD

The Hongkong and Shanghai Hotels, Limited

Board of Directors:

EXECUTIVE

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

NON-EXECUTIVE

The Hon Sir Michael Kadoorie, *GBS* (Chairman)
Andrew Clifford Winawer Brandler (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*
Patrick Blackwell Paul, *CBE*
Pierre Roger Boppe
William Kwok Lun Fung, *SBS, OBE, JP*
Rosanna Yick Ming Wong, *DBE, JP*
Kim Lesley Winser, *OBE*

Audit Committee:

Patrick Blackwell Paul, *CBE* (Chairman)
Andrew Clifford Winawer Brandler
William Kwok Lun Fung, *SBS, OBE, JP*

Auditors:

KPMG



Findings

1. The Hongkong and Shanghai Hotels, Limited (“HSH”) impresses on users of its Annual Report that it can readily comply with the most rigorous requirements on CG and sustainability in the normal course of its business.
2. Major roles and responsibilities of the board, board committees and the chairman, chief executive officer (“CEO”), executive directors, NEDs and INEDs are clearly set out. Gender diversity at the senior management level is balanced and has improved incrementally at the board level by appointing a female director to replace a departed male member. The board agreed in 2013 that it would conduct a two-yearly self assessment. A good description of the board’s 2015 self-evaluation process is contained in the “Corporate Governance Report”.
3. The company’s Annual Report provides a helpful summary of key CG initiatives and activities in 2015 in a table format.
4. The top ten principal risks and HSH’s risk management strategy are outlined and discussed in the “Group Risk Committee Report”, and are accompanied by an outline of the key controls and mitigating factors against each identified risk.
5. The “Business Review” objectively discusses HSH’s business performance and prospects. Both positive and negative factors affecting each major operating location are presented to give a balanced picture.
6. The disclosure of major financial indicators and certain industry-specific indicators, accompanied by extensive uses of tables, charts, key figures and ratios, smartly printed on the margin of the relevant pages, helps break down the financial figures and data into readily digestible information.
7. HSH has published a standalone CSR and Sustainability Report, in which the company’s efforts in achieving its “Sustainable Luxury Vision 2020” are discussed. Further details can be found under SSR Awards, pages 40-41.

Non-Hang Seng Index (Large Market Capitalisation) Category

GOLD AWARD

Hysan Development Company Limited

Board of Directors:

EXECUTIVE

Irene Yun Lien Lee (Chairman)

Siu Chuen Lau

(Deputy Chairman and Chief Executive Officer)

NON-EXECUTIVE

Hans Michael Jebsen, *BBS*

Anthony Hsien Pin Lee

Chien Lee

Michael Tze Hau Lee

INDEPENDENT NON-EXECUTIVE

Nicholas Charles Allen

Frederick Peter Churchouse

Philip Yan Hok Fan

Lawrence Juen-Yee Lau

Joseph Chung Yin Poon

Audit Committee:

Nicholas Charles Allen (Chairman)

Frederick Peter Churchouse

Philip Yan Hok Fan

Anthony Hsien Pin Lee

Auditors:

Deloitte Touche Tohmatsu



Findings

1. The Annual Report of Hysan Development Company Limited (“Hysan”) uses plain language and is one of the most pleasant-to-read reports.
2. The “Overview” section provides a good summary of the company’s key facts, vision, mission, value creation, and financial and non-financial performance at a glance. The MD&A provides a good overview of Hysan’s business and financial positions, including its treasury policy, which is very helpful for gaining a more in-depth understanding of the company’s prospects.
3. The informative “Corporate Governance Report” covers all material aspects of the current status of Hysan’s CG, and highlights a number of areas in which the company’s CG practices exceed the Code under the listing rules.
4. The board attaches high importance to avoiding any actual and perceived conflict of interests in light of the company’s family-ownership, through enhanced monitoring and controls, such as having a substantial independent element on the board to maintain sufficient checks and balances.
5. The “Internal Controls and Risk Management Report” uses diagrams to effectively illustrate the company’s risk profile and direction of risks, as well as its “top-down” and “bottom-up” approach to risk identification, assessment and mitigation.
6. A separate “Responsible Business” section is included. This contains detailed discussions on environment, workplace quality, health and safety, as well as community contributions, such as those in relation to healthy living promotion, arts and culture development promotions, and contributions and support to various charitable organisations. The section is benchmarked against the ESG Guide and has been verified by HKQAA.

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

GOLD AWARD

Pacific Basin Shipping Limited

Board of Directors:

EXECUTIVE

David M Turnbull (Chairman)
 Mats H Berglund (Chief Executive Officer)
 Andrew T Broomhead
 Chanakya Kocherla

INDEPENDENT NON-EXECUTIVE

Robert C Nicholson
 Patrick B Paul
 Alasdair G Morrison
 Daniel R Bradshaw
 Irene Waage Basili

Audit Committee:

Patrick B Paul (Chairman)
 Robert C Nicholson
 Alasdair G Morrison
 Daniel R Bradshaw
 Irene Waage Basili

Auditors:

PricewaterhouseCoopers



Findings

1. The information provided in Pacific Basin Shipping Limited ("PBSL")'s Annual Report is concise and informative. Where the company has not adopted the RBPs under the CG Code, in terms of providing quarterly trading updates instead of quarterly financial results, it has explained that the approach adopted is more appropriate for its shareholders.
2. The board has a high ratio of INEDs (5 out of 9) and the attendance by directors at board and committee meetings is good. An annual evaluation of the board is conducted by the chair and the chairman of the Audit Committee, by way of interviews with each director. The biographical details of directors and their board and committee positions and terms of office are useful, succinct and clearly presented.
3. The internal control framework of PBSL is consistent with the COSO framework. Information about the annual review, system effectiveness and controls for the handling and disclosure of inside information are covered.
4. The "Investor Relations" section demonstrates how the company maintained effective communication with investors throughout the year. There is detailed information about the work done, which includes KPIs for investor relations. The section also contains an interesting chart giving investor perceptions on compelling factors for investing in PBSL. Key investor concerns in 2015 are also listed. It would be useful to know how the company responds to the concerns identified.
5. PBSL has integrated its CSR reporting into its Annual Report and has adopted the <IR> framework to embed holistic, integrated thinking into its strategy and plans. As the company also explains, in a weak market, it has quite responsibly decided to use two-colour printing and cheaper paper for its 2015 Annual Report to reduce its production costs by 25%.

H-share Companies and Other Mainland Enterprises Category

PLATINUM AWARD

Lenovo Group Limited

Board of Directors:

EXECUTIVE

Yang Yuanqing (Chairman and Chief Executive Officer)

NON-EXECUTIVE

Zhu Linan

Zhao John Huan

Gordon Robert Halyburton Orr

INDEPENDENT NON-EXECUTIVE

Tian Suning

Nicholas C Allen

Nobuyuki Idei

William O Grabe

William Tudor Brown

Ma Xuezheng

Yang Chih-Yuan Jerry

Audit Committee:

Nicholas C Allen (Chairman)

Ma Xuezheng

William Tudor Brown

Auditors:

PricewaterhouseCoopers



Findings

1. Lenovo Group Limited (“Lenovo”)s Annual Report contains a clear and well-presented “Corporate Governance Report” .
2. The MD&A provides users with information on performance by business group and geographical location. It also gives a detailed explanation and illustration of the company’s environmental affairs policy and ISO-certified environmental management system, established to ensure regulatory compliance, efficient resource use, and environmental performance improvements.
3. The board comprises a majority of INEDs (10 out of 11 directors are non-executives, with 7 being INEDs). Lenovo implements of all the RBPs and Provisions of the CG Code, except that the roles of chairman and CEO are performed by the same person, an arrangement which the company justifies. At the same time, it has appointed a lead INED who chairs the Nomination and Governance Committee meeting and/or board meeting when considering the combined roles and assessing the performance of the chairman/ CEO.
4. The Annual Report contains clear descriptions of the company’s board diversity policy and its objectives; the process for nomination and appointment of new directors to the board; the induction programme and continuing training for directors, and the annual, internal board evaluation process.
5. There is also a good description of the roles and responsibilities of different parties in relation to risk management and internal control, and how the system operates. Material risks and corresponding mitigation measures are explained. Lenovo provides clear and informative reports from its Audit Committee and Compensation Committee.
6. The percentage of votes in favour of particular resolutions at the annual general meeting is shown and the company makes use of various social media platforms to give updates on results announcements and key company events.
7. Lenovo publishes a separate, extensive Sustainability Report. Further details can be found under SSR Awards, pages 42-43.

H-share Companies and Other Mainland Enterprises Category

GOLD AWARD

Bank of China Limited

Board of Directors:

EXECUTIVE

Tian Guoli (Chairman)
Chen Siqing (Vice Chairman and President)
Zhu Hexin

NON-EXECUTIVE

Zhang Xiangdong
Zhang Qi
Wang Yong
Wang Wei
Liu Xianghui
Li Jucai

INDEPENDENT NON-EXECUTIVE

Chow Man Yiu Paul
Jackson Tai
Nout Wellink
Lu Zhengfei
Leung Cheuk Yan

Audit Committee:

Lu Zhengfei (Chairman)
Wang Yong
Li Jucai
Chow Man Yiu Paul
Jackson Tai
Nout Wellink
Leung Cheuk Yan

Auditors:

Ernst & Young



Findings

1. Bank of China (“BOC”)’s CG framework is set out clearly in the bank’s Annual Report. It highlights the importance of shareholders’ rights and communications and sets out processes relating to shareholders’ meetings. It is emphasised that the company operates independently and separately from its controlling shareholder, Huijin, in its business, personnel, assets and institutional and financial matters.
2. Under BOC’s articles of association, any shareholder holding by him/herself, or jointly with others, 5% or more of the voting shares of the bank may, by written proposal to the shareholder’s meeting, recommend candidates for directors.
3. BOC’s Annual Report contains a comprehensive statement by key personnel accepting responsibility for the completeness and accuracy of the information contained in it (see the “Commentaries” section above), which is commendable.
4. Information is supplied on the dates of board meetings and the matters discussed. Directors’ attendance at shareholder, board and committee meetings is very high, with, e.g., 12 out of 13 directors having a full attendance rate at shareholder meetings. This reflects the importance that the company attaches to such meetings.
5. There is a separate “Report of the Board of Supervisors”, with a detailed description of the tasks undertaken. There are also reports from the Audit Committee, Risk Policy Committee, the Personnel and Remuneration Committee and the Connected Transactions Control Committee, all of which have a majority of INEDs and are chaired by INEDs. Additional information on the different perspectives of the supervisors and relevant board committees on issues of common interest (e.g., internal control and risk management) would be helpful.
6. BOC’s Annual Report has an extensive MD&A with segmental information, as well as information on the bank’s engagement in the “Belt and Road” initiative and support for SMEs. There is a separate section on risk management, which sets out the risk management framework and provides an overview of the different areas of risk that BOC has to address.
7. Information on the remuneration packages for directors and supervisors is contained in the notes to the financial statements.
8. BOC issues a separate CSR report, reporting on its social responsibility activities and management.

H-share Companies and Other Mainland Enterprises Category

SPECIAL MENTION

China CITIC Bank Corporation Limited

Board of Directors:

EXECUTIVE

Li Qingping (President)

Sun Deshun

NON-EXECUTIVE

Chang Zhenming (Chairman)

Zhu Xiaohuang

Zhang Xiaowei

INDEPENDENT NON-EXECUTIVE

Li Zheping

Wu Xiaoqing

Wong Luen Cheung Andrew

Yuan Ming

Audit and Related Party

Transactions Control Committee:

Yuan Ming (Chairman)

Wu Xiaoqing

Wong Luen Cheung Andrew

Auditors:

PricewaterhouseCoopers



Findings

1. China CITIC Bank Corporation Limited (“CITIC Bank”) presents a clear illustration of its CG structure in its Annual Report. The “Corporate Governance Report” contains a section explaining the bank’s functional independence from its controlling shareholder.
2. CITIC Bank’s report contains a statement at the front by key personnel vouching that there are no false or misleading statements, or material omissions in the report and accepting responsibility for the information (see the “Commentaries” section above), which should give more assurance to investors.
3. The bank provides detailed biographies of directors, supervisors and senior management, and information on terms of office, as well as changes during the year.
4. The Audit and Related Party Transactions Control Committee has been established to oversee the bank’s internal control, financial information and internal audit, and identify related parties of the bank, as well as reviewing and filing the bank’s related party transactions within its authorised mandate. This committee and also the Nomination and Remuneration Committee are chaired by INEDs and all the members are INEDs.
5. The bank illustrates and describes its risk management system and analyses various risks and how they are managed. There is also an explanation of the development the bank’s internal control system.
6. Information on director training is provided. CITIC Bank gives directors monthly updates on the latest developments of the bank’s operations and the banking industry, as well as legal and regulatory requirements. An employee code of conduct has been formulated, covering matters such as professional ethics and image, office environment and work atmosphere.
7. The MD&A explains developments in different areas of the bank’s business over the year. There is scope to enhance the presentation of this useful information.

H-share Companies and Other Mainland Enterprises Category

SPECIAL MENTION

Huatai Securities Co., Ltd.

Board of Directors:

EXECUTIVE

Zhou Yi (President)

NON-EXECUTIVE

Sun Lu

Wang Shuhua

Pu Baoying

Sun Hongning

Zhou Yong

Cai Biao

Xu Min

INDEPENDENT NON-EXECUTIVE

Bai Wei

Shen Kunrong

Liu Hongzhong

Lee Chi Ming

Chen Zhibin

Audit Committee:

Lee Chi Ming (Chairman)

Pu Baoying

Liu Hongzhong

Chen Zhibin

Auditors:

KPMG



Findings

1. Huatai Securities Co., Ltd. (“Huatai”) provides users of its Annual Report with a good deal of useful information. This includes resolutions of each board meeting and general meeting and information on various rules, procedures and constitutional documents produced by the company, and whether they have been disclosed publicly (on the website of the Shanghai Stock Exchange).
2. Huatai’s report contains a comprehensive statement by key personnel accepting responsibility for the completeness and accuracy of the information contained in it (see the “Commentaries” section above), which is laudable. It also contains a lengthy warning about the potential impact of the volatility of the securities markets in the Mainland and the effects of increased competition. This note of caution suggests Huatai is a prudent and responsible company. It states that it is one of the few securities firms to have obtained a regulatory rating of AA from the China Securities Regulatory Commission.
3. The company provides detailed biographies of directors and other key personnel and changes that have taken place during the year.
4. There is an honest discussion of the risks facing the company and how these are being addressed in the “Report of the Board”.
5. The MD&A contains an interesting company profile, including an illustration of the organisational structure, with a timeline indicating key events in the company’s history and development. There is a description of Huatai’s business lines and analyses of its performance during the reporting period, and also of the securities industry generally. There is scope to enhance the presentation of information in the report.
6. Information on directors’ and supervisors’ remuneration, and the five individuals with the highest emoluments, disclosed in bands, as well as information on financial risk management, can all be found in the notes to the financial statements.

Public Sector/Not-for-profit Category

PLATINUM AWARD

Airport Authority Hong Kong

Board of Directors:

EXECUTIVE

Fred Lam Tin-fuk, *JP* (Chief Executive Officer)

NON-EXECUTIVE

Secretary for Financial Services and the Treasury

– The Hon K C Chan, *GBS, JP*

Secretary for Transport and Housing

– The Hon Anthony Cheung Bing-leung, *GBS, JP*

Director-General of Civil Aviation

– Simon Li Tin-chui, *JP*

INDEPENDENT NON-EXECUTIVE

Jack So Chak-kwong, *GBS, OBE, JP* (Chairman)

Edward Cheng Wai-sun, *SBS, JP*

Andrew Fung Hau-chung, *JP*

Anita Fung Yuen-mei, *BBS, JP*

The Hon Steven Ho Chun-yin, *BBS*

Franklin Lam Fan-keung, *BBS*

The Hon Jeffrey Lam Kin-fung, *GBS, JP*

Lee Shing-see, *GBS, OBE, JP*

Peter To

Billy Wong Wing-hoo, *BBS, JP*

The Hon Frankie Yick Chi-ming, *JP*

Allan Zeman, *GBM, GBS, JP*



Audit Committee and Finance Committee:

Anita Fung Yuen-mei, *BBS, JP* (Chairman)

Andrew Fung Hau-chung, *JP*

The Hon Steven Ho Chun-yin, *BBS*

Franklin Lam Fan-keung, *BBS*

The Hon Jeffrey Lam Kin-fung, *GBS, JP*

Secretary for Financial Services and the Treasury

Auditors:

KPMG

Findings

1. The Annual Report of Airport Authority Hong Kong (“AAHK”) should help increase public confidence and trust in one of the major public sector organisations in Hong Kong. The board comprises primarily INEDs (12 out of 16 directors)⁶ and, with the exception of the CEO, all directors are non executive.
2. There are clear and effective illustrations of the organisation’s CG structure and internal control system in what is, overall, a well-presented report. Whilst AAHK is not obliged to follow the CG Code under the listing rules, it has chosen to do so for some time. Even though new requirements on risk management and internal control in the Code will become applicable only in 2016/2017, AAHK has chosen to adopt the revised version. It applies the Code Principles and voluntarily adopts the Provisions and RBPs in most areas. Where it does not follow the Code, this is indicated and the reasons for this are explained.
3. The risk management report gives very detailed information on how different types of risks are identified and what measures AAHK has taken to address the identified risks. AAHK has implemented a process to require certain staff to undergo regular training on its financial and internal control policies and procedures; this is important in ensuring ongoing, up-to-date internal control mechanisms.
4. AAHK’s Annual Report includes a specific section explaining how it is addressing the public concerns about the third runway project from the environmental and community perspectives. There are also good business comparisons with other airports and a clear and concise financial review.
5. The organisation makes use of on-line media and different channels for promotion and information dissemination, as well as for soliciting feedback, which is important for it to reach out to its stakeholders, including the public.
6. A separate Sustainability Report covers issues relating to the third runway, as well as other activities relating to the environment, staff and the community. Further details can be found under SSR Awards, pages 44-45.

6. The report states that any member who is not a public officer or an executive of AAHK, or related to a board member or member of the executive management, is considered to be independent.

Public Sector/Not-for-profit Category

GOLD AWARD

Securities and Futures Commission

The Board:

EXECUTIVE

Ashley Alder, *JP* (Chief Executive Officer)

Brian Ho

Julia Leung, *SBS*

Keith Lui

James Shipton

NON-EXECUTIVE

Carlson Tong, *SBS, JP* (Chairman)

Albert Au, *BBS*

Leonard Cheng, *JP*

Lester Huang, *JP*

Teresa Ko, *JP*

Mary Ma

Kelvin Wong, *JP*

William Wong

Audit Committee:

Albert Au, *BBS* (Chairman)

Teresa Ko, *JP*

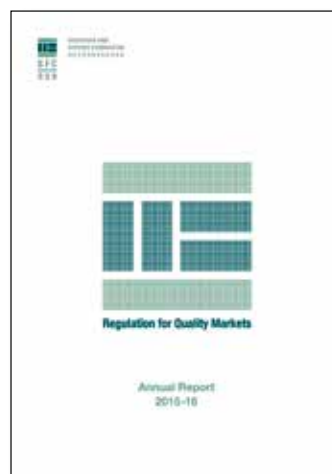
Mary Ma

Kelvin Wong, *JP*

William Wong

Auditors:

KPMG



Findings

1. The SFC demonstrates a high standard of CG, which is important as a regulator of financial markets in Hong Kong.
2. The organisation's CG structure is clearly explained and it aims to ensure a well-defined management structure, high standards of conduct, comprehensive operational and financial control procedures and independent checks and balances. The SFC explains that the framework is consistent with CG practices for public bodies, such as those set out in the Institute's publication, *Corporate Governance for Public Bodies – A Basic Framework**. During the reporting period, the board comprised either 13 or 14 members with 50% or more being NEDs. The roles of the chairman and CEO are distinct and performed by separate individuals. The board conducts periodic self-assessments to assess basic board responsibilities and the performance of individual members. The assessment results are reported to the board on an anonymous basis.
3. The Audit Committee and Remuneration Committee comprise five NEDs and eight NEDs respectively. An external consultancy firm conducts an annual review of the SFC's internal controls to assess adherence to them and to evaluate their adequacy. The scope of the review is approved by the Audit Committee and, in the relevant reporting period, it covered specific areas, including procurement assessment, payroll procedures and fixed assets acquisition. This led to certain changes in policies and procedures.
4. The "Operational Review" section contains a good and very readable overview of work performed by the SFC in the different areas of its responsibility during the year, with effective use of charts and tables.
5. There is a clear breakdown of directors' emoluments on an individual, named basis in the notes to the financial statements.
6. The SFC has established a dedicated CSR Committee, chaired by the chief financial officer and senior director of corporate affairs, to formulate strategy and implement activities. The CSR section of the report provides coverage of various activities relating to, e.g., environment, community and volunteer work.

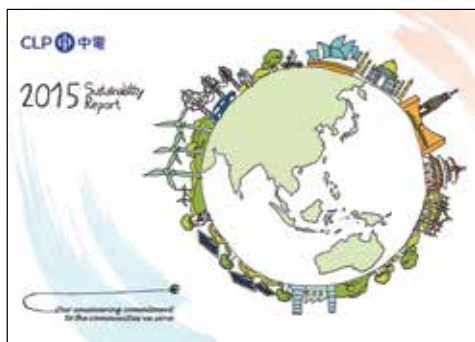
Sustainability and Social Responsibility Reporting Awards

WINNER – Hang Seng Index Category

CLP Holdings Limited

Findings

1. CLP continues to set the SSR standard for companies in Hong Kong and beyond, in terms of programmes and activities and related reporting, as demonstrated by its comprehensive 2015 Sustainability Report. The report is prepared in accordance with the Global Reporting Initiative (GRI)'s G4 guidelines and the Electric Utilities Sector Disclosures, and the requirements of the ESG Guide under the listing rules.
2. The company knows exactly where it should go and how to get there. It has mapped a transparent and sustainable path for development, with clear choice of technology for long-term growth amid high expectations from the public. The report contains at-a-glance information at the front, including highlighting what is new this year. Feedback is encouraged on the Sustainability and Annual Reports and CLP will donate money to designated charities, up to a ceiling, for any feedback received.
3. CLP values human resources, resulting in a low staff wastage and turnover rate, typically below the local market average in most of its operations.
4. KPIs, both in qualitative and quantitative measurements, are presented. For example, CLP demonstrates the reliability of its electricity supply in Hong Kong by providing the data of unplanned power interruptions per customer against other major cities around the world.
5. The report looks at sustainability from various perspectives, including the economics of the business, operations, environment and relationships.



6. The section, “Drivers of Sustainability”, gives a very clear explanation of the key trends of the business and how the company identifies risks and opportunities, which facilitates understanding of the business of the company. The section, “Sustainable Relationships”, deals extensively with employees and the communities where CLP operates, as well as engagement with shareholders, governments and regulators, and industry and professional organisations. This reflects the company’s awareness of, and commitment towards, its diverse range of stakeholders.
7. An independent limited assurance is provided by PwC on a selected set of environmental, social and governance-related KPIs.

Sustainability and Social Responsibility Reporting Awards

SPECIAL MENTION – Non-Hang Seng Index (Large Market Capitalisation) Category

The Hongkong and Shanghai Hotels, Limited

Findings

1. HSH has produced high quality Corporate Responsibility and Sustainability Report. The company's "Sustainable Luxury Vision 2020" strategy represents a bold initiative, laying out specific pillars together with corresponding ambitions. The company's SSR disclosures until this year have been incorporated into the company's Annual Report, so publishing a standalone report represents another step forward in strengthening the company's efforts in this area.
2. The report uses GRI G4 and the ESG Guide as benchmarks. It meets the G4 core level requirements, as verified by an independent limited assurance by KPMG. The Group Corporate Responsibility Committee is a high-level committee chaired by the CEO and the group risk register includes sustainability risks within strategic and operational risk, indicating that sustainability issues are seen as an integral part of the risk management process.
3. There is a useful snapshot of performance highlights in the inside back cover, indicating the current status and reductions during the year, over the 2006-2008 baseline. The coming year's targets include implementing a group-wide sustainability management and reporting system and a new, two-year stakeholder engagement plan to expand employee engagement in Vision 2020. These targets provide evidence of a strong and continuing commitment by the company toward achieving its sustainability goals.



4. The report covers not only the progress but also challenges faced by the company and areas where improvements are needed. For example, given the staff turnover rate of 37% for those under 30 years old, the company acknowledges that it will need to enhance its efforts to build a committed and engaged workforce, especially among the younger generation. Similarly, the company concedes that energy and water reduction targets have proved difficult to attain, which has led HSH to rethink its understanding of how it uses these resources.
5. The “Guest Experience” section is well articulated and indicates how the company aims to maintain quality services sustainably, e.g., introducing a Tesla sedan and hybrid cars into the vehicle fleet. Through the Peninsula Academy, HSH connects its customers with the cities where the hotels are located, helping to promote and preserve the cities’ natural, social and cultural heritages.

Sustainability and Social Responsibility Reporting Awards

SPECIAL MENTION – H-share Companies and Other Mainland Enterprises Category

Lenovo Group Limited

Findings

1. Lenovo has produced an extensive Sustainability Report showing that it sets for itself a global standard of corporate citizenship. The report contains useful comparative metrics for the past five years and an honest and user-friendly table showing performance against targets in 2015/16, which explains the reasons why some targets have not been met or only partially.
2. The company complies with all the “comply or explain” provisions in the ESG Guide and has obtained external assurance from Bureau Veritas on its greenhouse gas (“GHG”), waste and water data and certification of the company’s compliance with ISO 9001, ISO 14001 and OHSAS 18001 standards.
3. Lenovo sets out clearly its corporate policy on environmental affairs, with revisions effective from 31 March 2016, and its environmental performance in 2015/16, detailing the energy efficiency projects that the company has implemented in the various countries where it operates. The results of its efforts have enabled Lenovo to achieve an overall reduction of 22% in GHG emissions and to increase its future target reduction substantially, from 20% to 40%, relative to 2009/10, which is very commendable.



4. The company engages in ethical sourcing of materials and reports that it made significant progress in 2015/16 with its conflict minerals programme: 95% of its suppliers have conflict minerals policies and use industry tools for reporting and due diligence. More generally, it has a supplier code of conduct, which, in addition to requiring suppliers to adhere to laws, rules and regulations in their home countries, details Lenovo's expectations with regard to ethical, social and workplace performance.
5. Lenovo has an employee code of conduct. The report also covers the company's relationships with its employees and its outreach activities.

Sustainability and Social Responsibility Reporting Awards

SPECIAL MENTION – Public Sector/Not-for-profit Category

Airport Authority Hong Kong

Findings

1. The 2014/15 Sustainability Report⁷ of the AAHK is prepared in accordance with GRI G4 guidelines. The move from using G3.1 indicates that the organisation is committed to achieving greater transparency.
2. The report has been independently verified by HKQAA and GHG emissions data have been verified by SGS Hong Kong Ltd. This is supplemented by GRI Materiality Disclosure Services' verification of General Standard Disclosures G4-17 to G4-27.
3. There is a detailed explanation of the materiality assessment process and results, including stakeholders' views, AAHK's responses and where the relevant matters are covered further in the report. The "Materiality Matrix and Boundary Mapping" illustration shows the weighting given to different sustainability issues from the perspectives of economy and society, operating practices, environment and people.
4. A prominent feature is the AAHK's active "stakeholder engagement", which aims to help AAHK understand and respond to stakeholder needs, make more informed business decisions, and better manage the resulting impact of those decisions. The report includes a table illustrating stakeholders' key interests and the regular engagement methods adopted.



7. AAHK's 2015/16 Sustainability Report was published after the review period.

5. There is a good summary of sustainability-related objectives and targets, showing progress and target dates. Airport safety is one of the dimensions covered and it is noted that, during the year, there was a reduction of about 35% in the injury rate of passengers and staff, compared with 2009/10. It is also noted that AAHK intends to develop a more robust framework for managing supply chain sustainability with proposed actions outlined in the report. This is an important development. The organisation has introduced an Environmental Management Recognition Scheme for airport tenants.
6. Responding to concerns from some sectors of the public, a section of the report is devoted to addressing the three runway system and the environmental mitigation measures.
7. There are some interesting and informative case studies contained in the report: One on air quality and how to reduce emissions including from aircraft during the landing and takeoff cycle; and another on green airport design.

Award for Website Corporate Governance Information

WINNER

Hospital Authority

Membership⁸:

John Leong Chi-yan, *SBS, JP* (Chairman)

William Chan Fu-keung, *BBS*

Director of Health

- Constance Chan Hon-yea, *JP*

Francis Chan Ka-leung, *JP*

Anita Cheng Wai-ching

Chiang Lai-yuen, *JP*

Quince Chong Wai-yan, *JP*

Ricky Fung Choi-cheung, *SBS, JP*

Andrew Fung Hau-chung, *JP*

Ho Wing-yin

Lester Garson Huang, *JP*

Kam Pok-man

Stephen Lee Hoi-yin

Diana Lee Tze-fan

Gabriel Matthew Leung, *GBS, JP*

Leung Pak-yin, *JP* (Chief Executive)

Raymond Liang Hin-suen, *SBS, JP*

Lo Wai-kwok, *SBS, MH, JP*

Winnie Ng

Permanent Secretary for Food and Health (Health)

- Patrick Nip Tak-kuen

Pang Yiu-kai, *GBS, JP*

Ivan Sze Wing-hang, *BBS*

Wong Kwai-huen, *BBS, JP*

Priscilla Wong Pui-sze, *BBS, JP*

Maurice Yap Keng-hung, *JP*

Jason Yeung Chi-wai

Charlie Yip Wing-tong

Deputy Secretary for Financial Services and the Treasury

- Carol Yuen Siu-wai, *JP*



Audit and Risk Committee:

Lester Garson Huang, *JP* (Chairman)

Stephen Lee Hoi-yin (Vice Chairman)

Ricky Fung Choi-cheung, *SBS, JP*

Kam Pok-man

Ivan Sze Wing-hang, *BBS*

Priscilla Wong Pui-sze, *BBS, JP*

Maurice Yap Keng-hung, *JP*

Jason Yeung Chi-wai

Paul Yu Shiu-tin, *BBS, JP*

Wendy Yung Wen-yea

Auditors:

PricewaterhouseCoopers

8. As disclosed on the Hospital Authority's website

Findings

1. This is the first award given out in the new category of awards for website CG information and the judges are pleased to be able to identify a winner in a public sector organisation that is well known to, and provides services to, virtually the whole of the community. The website of the Hospital Authority (“HA”) is considered to be clear, uncluttered, and easy to navigate, which is very important for members of the public seeking to obtain information.
2. The colours and fonts improve the presentation and make the site more user-friendly, enhancing the overall experience of dealing with the HA on line.
3. The level of transparency is high as the HA publishes the agenda papers and minutes of its board and administrative and operational meetings on its website, which is not a common practice in either the public or private sectors.
4. The website includes information in different languages (Urdu, Punjabi (Indian and Pakistani), Hindi and Nepali) to cater for ethnic minorities, which demonstrates the HA’s commitment to serving the needs of all Hong Kong residents and its efforts to reach out to different stakeholders.
5. There is a separate section of the website devoted to CG, which, in addition to board agendas and minutes, contains, e.g., useful biographical and background information on board members, the memberships and terms of reference of a number of different committees, including the Audit and Risk Committee, Human Resources Committee, Information Technology Services Governing Committee and the Public Complaints Committee; the memberships of all the hospital governing committees; and also information on the HA’s executive management.
6. There are numerous interactive links on the website which helps with navigation. Various mobile apps are also available through the HA’s website, such as *BookHA*, which is a mobile platform for the public to submit applications for HA specialist outpatient clinic new case appointments.

Judges and Reviewers

The Institute would like to express its appreciation to the judges and reviewers for their invaluable contributions in reviewing, analysing and judging the entries in the 2016 BCGA.

Judging Panel

Chairman:	Ivy Cheung, president, HKICPA
Members:	Arthur Bacci, Hong Kong Investment Funds Association Pru Bennett, BlackRock Chris W.H. Chan, Ivey Business School Eva Chan, Hong Kong Investor Relations Association York Chow Richard Chu, Hong Kong Monetary Authority Ada Chung, Companies Registry Ruth Kung, Hong Kong Securities and Investment Institute Joseph Lau, Hong Kong Securities Association Haitian Lu, The Hong Kong Polytechnic University Steve Ong, Hong Kong Exchanges and Clearing Ltd. Samantha Suen, The Hong Kong Institute of Chartered Secretaries Paul Winkelmann, Financial Reporting Council Ivan Wong, Mandatory Provident Fund Schemes Authority K.M. Wong, Council member and chairman of Corporate Governance Working Group, HKICPA
Secretary:	Peter Tisman, director, advocacy and practice development, HKICPA
Assistant Secretary:	Wallace Wong, manager, advocacy and practice development, HKICPA

Review Panel

Chairman:	Derek Broadley, Deloitte Touche Tohmatsu
Members:	Quality Review Stephen Chan, Trinity-C Management Ltd. Raymond Cheng, HLB Hodgson Impey Cheng Ltd. Gayle Donohue, PricewaterhouseCoopers Sammy Fung, The University of Hong Kong Kevin Lam, The Chinese University of Hong Kong Richard Law, Global Brands Group Ernest Lee, Ernst & Young Stephen Lee Charles Lo, Charles Lo & Co. Horace Ma, S. Culture International Holdings Limited Patrick Rozario, Moore Stephens CPA Ltd. Loren Tang, KPMG Thomas Wong, Nexia Charles Mar Fan Ltd. Gary Wong, Pan-China Certified Public Accountants James Ye, Mazars CPA Ltd. Eric Zegarra, BDO

Compliance Review

Joel Chan, ZHONGHUI ANDA CPA Ltd.
Mimosa Chan, Ernst & Young
Brian Chu, HLB Hodgson Impey Cheng Ltd.
Roy Lo, SHINEWING (HK) CPA Ltd.
Nelson Tang, KLC Kennic Lui & Co. Ltd.
Johnny Yuen, Wong Brothers & Co., CPA

Sustainability and Social Responsibility Review

Melissa Brown, Council member, HKICPA
Gayle Donohue, PricewaterhouseCoopers
Richard Law, Global Brands Group
Herbert Yung, Deloitte Touche Tohmatsu

Secretary: Peter Tisman, director, advocacy and practice development, HKICPA
Assistant Secretary: Wallace Wong, manager, advocacy and practice development, HKICPA

Supporting Organisations

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

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

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Organising Committee for the Awards

Patrick Rozario, chairman	Kim Man Wong
Derek Broadley	James Ye
Stephen Chan	Wendy Yung
Clara Chin	Eric Zegarra
Eddie Kam	Peter Tisman, secretary
Horace Ma	Wallace Wong, assistant secretary
Loren Tang	

Appendix

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