

The background of the cover is a photograph of a beach. In the foreground, a stack of seven smooth, rounded stones of various colors (white, grey, brown, and black) is balanced vertically. The beach is covered with many other similar stones. In the background, the blue ocean meets a clear blue sky with a few white clouds. A red vertical bar is on the left side of the cover, and a red horizontal bar is at the top left corner.

CORPORATE GOVERNANCE REVIEW 2014

企業管治檢討報告2014

Ninth annual review on HSCI companies

第九年度有關恒生綜合指數成分股公司的研究

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INTRODUCTION

引言

Every year, since 2006, we have tracked and analysed the level of corporate governance disclosure by Hong Kong listed companies with respect to the Corporate Governance Code (the Code) and Rules Governing the Listing of Securities on the Stock Exchange (Listing Rules). The first few editions of our Corporate Governance Review reflected the transition many companies made as they worked to identify how best to apply the framework.

In our current review, we find a similar trend as companies adapt to these changes that, although taking effect in 2012, they first addressed in annual reports issued last year. We now have more recent changes to the Code introduced by the Hong Kong Exchanges and Clearing Limited (Exchange) that target risk management and internal control. This is likely to present a challenge to some boards and management as they continue to grapple with the changes introduced in 2012, but should prove helpful as companies revisit their action in these critical areas.

The Exchange first communicated these latest changes in June this year in the form of a consultation paper. In it, the Exchange looked deeper to refocus on the interconnected relationship between risk management and internal control along with management and board responsibilities.

This flurry of changes in the past few years makes great strides in modernising the framework of our governance framework and comes after a long period of relative stability in the Code and governance-related Listing Rules. While many companies may find implementing these changes daunting, it is important that they welcome them as opportunities to improve their businesses.

While the least complicated method would be to take a checklist approach, all companies would benefit from thoroughly reassessing their risk management and internal control functions as they address the latest changes. Just as companies must adapt to changes in industries and markets, they must also have a corporate governance framework that vigorously tracks and responds to improvements in governance principles.

We are confident that these changes can collectively improve how companies operate and we look forward to seeing improved disclosure on how well they are adopting the latest changes.

自2006年以來，立信德豪每年均緊貼並分析香港上市公司根據《企業管治常規守則》（下稱《守則》）及《香港聯合交易所有限公司證券上市規則》（下稱《上市規則》）進行的企業管治披露情況。最初幾年的《企業管治檢討報告》顯示，眾多公司致力探索善用管治框架的最佳方法，並逐步進行轉變。

今年的檢討報告顯示，公司在適應轉變的過程中有一個類似的趨勢，公司在去年刊發的年報中才首次披露已於2012年生效的相關修訂。而香港交易及結算所有限公司（下稱交易所）近期就風險管理及內部監控進一步修訂《守則》。由於部分公司董事及管理層仍在努力推行2012年實施的修訂，對他們來說可能是一項挑戰，但若公司能重新審視他們在這些重要範疇所採取的行動，便會發現有助公司長遠發展。

此外，交易所於今年6月發出諮詢文件，首次提及這些最新修訂。在諮詢文件中，交易所再次集中討論風險管理及內部監控與管理層及董事會責任之間密不可分的關係。

過去數年一系列的修訂令管治框架現代化向前邁進了一大步，此前《守則》及有關管治的《上市規則》長時間處於穩定水平。雖然，許多公司在實施這些修訂時會遇到困難，但他們應將這些修訂視為改進企業的機遇。

其實，實施修訂最簡單的方法是採用清單形式進行，所有公司在推行最新修訂時，應徹底重新評估其風險管理及內部監控功能，從而改善公司的企業管治。公司不但要順應行業及市場的變動，亦須訂立企業管治框架，積極探討管治原則的修訂並加以改善。

我們相信這些修訂將進一步提升公司整體的營運水平，並期待公司更充分地披露他們採納最新修訂的情況。



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EXECUTIVE SUMMARY

檢討簡報

In total 238 companies from the Hang Seng Composite Index (HSCI) were analysed as part of our review. In order to analyse the quality of disclosure from Hong Kong's leading companies we have concentrated our efforts on those that comprise the large-cap or mid-cap indices as we believe they have the best resources to create highly-developed corporate governance environments.

Our review of these companies includes an analysis of the most recently available annual reports, allowing us to apply the same level of scrutiny consistently, serving as the basis for our report. Later, in the Summary Review, we present the results of this work alongside the previous two years and support them with detailed analysis of trends and observations. This section makes evident of the trends resulting from the recent changes and provides an indicator of how much work lies ahead.

RENEWED EMPHASIS ON RISK

As this report went to print the changes related to risk management and internal control proposed by the Exchange were not yet finalised although it generally received strong support through solicited public comments. We should expect that most of the changes will be implemented along with a transitional phase for companies to determine how best to accommodate the changes.

Unlike the previous series of corporate governance changes that came into effect in 2012, these are expected to be far more limited in scope. They focus on adding clarity to existing Code Provisions that companies must either comply with or explain, elevating certain Recommended Best Practices to the more visible Code Provision status and introducing a handful of new Recommended Best Practices.

One of the aims of the Exchange was to better integrate the relationship between risk management and internal control. More specifically, it emphasises the importance of risk management and how internal controls can be used as a mechanism to address relevant risks. The change is subtle but will hopefully lead companies to reassess how their internal control approach fits within the risk management process. The changes to place more focus on risk management extend to the Code Provisions surrounding the Audit Committee's role, clarifying the level of oversight needed to remain consistent.

This tone ripples throughout the Code clarifying the responsibilities of the board in developing and maintaining a risk management and mitigation system, and management in executing the strategy and reporting on its operation. It is hoped this will lead to increased levels of discussion surrounding risk management and internal control at the board level and help to define management's role in the process.

本檢討報告涵蓋合共 238 家恒生綜合指數成分股公司的分析。由於大型及中型恒生綜合指數成分股公司具有更佳的資源發展良好的企業管治環境，故我們的研究主要集中分析這些公司，以反映香港主要企業的資料披露質素。

本檢討報告檢閱公司最新發表的年報，令我們能夠採用一致的審核標準作為這份檢討報告的基礎。而在下文的〈詳細檢討〉一節中將連同前兩年的數據加以闡述，從而對企業管治趨勢及觀察作出詳盡的分析。該節亦反映出最新修訂所引起的趨勢，並為未來需進行的工作提供指標。

對風險重新關注

交易所就風險管理及內部監控建議的修訂，在徵詢公眾意見時獲得普遍支持，但在本報告付印時尚未獲最終確定。我們預期大部份修訂在實施時會有一個過渡期，讓公司決定套用這些修訂的最佳方法。

與 2012 年生效的一系列企業管治修訂不同，預期此次修訂的範圍將大幅縮小，主要是釐清公司須遵守或須作出解釋的現有《守則》條文，將若干建議最佳常規升級為更明確的《守則》條文，並引入數項新的建議最佳常規。

交易所作出修訂的其中一個目標，是希望更好地整合風險管理及內部監控之間的關係。具體而言是強調風險管理的重要性，以及如何利用內部監控應付相關風險。這次修訂幅度不大，但應該會令公司重新評估其內部監控方法是否適合風險管理程序。這些修訂主要集中在風險管理，以至有關審核委員會角色的《守則》條文，指明監管水平須保持不變。

這個論調貫穿整份《守則》，表明董事會制定及維持風險管理，及緩衝機制的責任，以及管理層執行策略和報告營運的責任。藉此希望董事會深入討論風險管理及內部監控，協助界定管理層在此過程中的角色。

The changes are also expected to urge improved disclosure in the annual review of the risk management and internal control system. Many of the salient points are addressed as Recommended Best Practices already but do not stress the importance as strongly as Code Provisions may. It is expected that by elevating these to Code Provision status, companies will revisit their annual review process and disclosures to expand on efforts undertaken each year as part of the review. This should help drive the concept of evaluation as a continual process and not a one-off exercise.

The final area addressed by the Exchange stresses the significance of the role of the internal audit function. It recognises its position as a critical element in effective risk management and pushes for companies to either have this function available or both review the need for one and disclose the reasons annually.

CAPITALISING ON OPPORTUNITY

With these latest forthcoming changes to corporate governance, companies again have an opportunity to self-evaluate and determine how their governance structures should evolve. The changes will not likely be to the same extent as those introduced two years ago but still have the ability to noticeably improve the quality of corporate governance. As our Summary Review details later in this report companies can be slow to adopt change but look forward to seeing continual improvement.

此外，我們預期這些修訂亦將推動公司改善風險管理及內部監控制度年度檢討方面的披露。其實，大部分要點已納入建議最佳常規，但這些建議最佳常規並未如《守則》條文般被重視，其重要性往往被忽略。若這些修訂升級為《守則》條文，則預期公司將重新審視其年度檢討程序及披露，積極投入每年的檢討。使評估成為一項持續的程序，而非僅此一次的工作。

此外，交易所提出的最後一點，是強調內部審核功能職責的重要性。交易所肯定內部審核功能是有有效風險管理的要素，並推動公司設立這一職能，或每年檢討該功能對公司的必要性並披露理由。

把握機遇

隨著企業管治的最新修訂即將生效，公司再次有機會自我評估，並決定如何調整其管治架構。修訂的範圍可能與兩年前的修訂不同，但仍會顯著提升企業管治質素。據本報告的〈詳細檢討〉一節所述，公司採納修訂的過程可能緩慢，但期待日後會繼續取得改善。



SUMMARY REVIEW

詳細檢討

COMPLIANCE WITH THE CODE

Prior to the 2011 revisions the Exchange made to its corporate governance regulations, which came into effect in 2012, our annual reviews revealed a consistent levelling off in the rate of improvement in terms of compliance. It appeared that the collective response of Hong Kong companies was minimal compliance with the governance guidance until pressured to do more. Our review for last year, the first year that companies had been required to report on their compliance with the latest revised guidance, showed that only few companies have managed to address and embrace the latest revisions.

Almost a decade since the Code was originally introduced, our ninth review of current corporate governance practice shows how far we have come – and more importantly, how far we still need to go.

This year saw only a minimal improvement in the adoption of the 2011 revisions. In past reviews, we observed that disclosure practices on new guidance could invariably take more than two years to evolve, so it was no surprise that the overall response to the latest revisions in corporate governance regulations may continue to pose a challenge to many companies. The greatest improvement was board accountability in financial reporting and nomination, remuneration, and audit of committees. It is not surprising given the heightened scrutiny of price sensitive information, auditor independence and communication, and executive remuneration, not to mention the increasing drive for board effectiveness and diversity over the past few years that boards are now demanding frequent updates of financial reporting that is indicative of company position and performance from management, and stakeholders are demanding more transparency in the purpose and structure of committees.

While there is likely to be further improvement in the adoption of the revisions in the future, this year saw a further dip in the percentages of companies particularly in HSCEI from a relatively high rate of 80% in 2012 down to 67% and 58% in 2013 and 2014 respectively (**Fig 1**). As for the HSI and HSCI companies, the full compliance rate remained relatively unchanged. Based on the explanations provided in the annual reports we have reviewed, it is encouraging to note that 51% of the 148 companies that did not comply stated that they are striving to do so.

Compliance with provisions

In the light of the 2011 amendments to the Code and Listing Rules specific to corporate governance requirements, this is the second consecutive year that full compliance has fallen below 50% among all Hong Kong companies. Companies that reported non-compliance with the Code typically failed to adhere to one or two of its provisions. As in the previous year, the most commonly reported forms of non-compliance related to the Code's provisions concerning the balance of the board and communication with shareholders.

遵守《守則》

在交易所於2011年對企業管治制度作出修訂並於2012年生效前，我們的年度檢討顯示，就合規程度而言，企業管治改善速度保持平穩。香港公司的整體反應都似乎是，除非有更大壓力，否則只會遵守管治指引的最低標準。去年是香港公司須就遵守最新修訂指引作出報告的第一年，我們的檢討顯示，僅有少數公司正視並配合這些最新修訂。

《守則》實施將近十年，我們第九年度的最新企業管治常規檢討反映《守則》推行以來所取得的進展，更重要的是還有多少的進步空間。

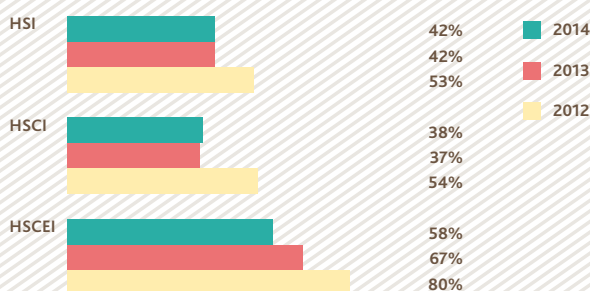
今年，公司在採納2011年修訂方面並無顯著改善。在過往的檢討中，我們發現有關新指引的披露常規均需要至少兩年時間發展，因此對企業管治規例的最新修訂作出整體回應，對眾多公司而言仍是一項挑戰，這實為意料之內。最顯著的改善是董事會在財務報告，以及委員會的提名、薪酬及審核方面問責。此改善實屬意料之中，因公眾日益關注股價敏感資料、核數師的獨立性及溝通，以及執行董事薪酬，加上公眾過去數年更注重提升董事會的有效性及多元化，董事會要求管理層更頻密地提供財務報告以了解公司狀況及表現，企業有關人士亦要求委員會提升目標及架構的透明度。

儘管修訂的採納情況未來可能會進一步改善，但今年採納修訂公司的百分比進一步下跌，恒生中國企業指數成分股公司尤其顯著，由2012年的較高比率80%，下跌至2013年的67%及2014年的58% (**Fig 1**)。而恒生指數成分股公司及恒生綜合指數成分股公司的全面合規率則仍無改善。但可喜的是，根據檢討的公司年報所得的解釋，148家未遵守的公司中有51%表示正努力遵守。

合規情況

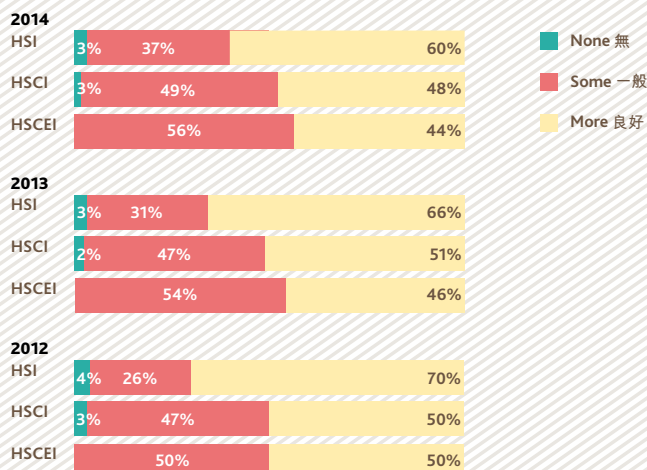
根據2011年修訂的《守則》及有關企業管治規定的《上市規則》內容，今年香港公司整體的全面合規率連續第二年跌破50%。在報告稱其未能遵守《守則》的公司當中，以違反《守則》內一至兩項條文的情況最為普遍。與去年一樣，不合規的情況多數涉及董事會平衡及與股東溝通的《守則》條文。

Fig 1



Q Do they claim full compliance with the Code? (Appendix 14 G(a)&(b) of the LR)
 公司有否聲稱完全遵守《守則》? (《上市規則》附錄十四 G(a) 及 (b))

Fig 2



Q If not compliant, to what degree do they explain their reason for noncompliance? (Appendix 14 G(c) of the LR)
 如有未遵守的情況，公司對此作出如何的解釋? (《上市規則》附錄十四 G(c))

Many companies continued to lack having different individuals fulfilling the roles of chairman and chief executive. This makes it difficult to believe that the spirit of independence prevails in such organisations, as there is little assurance that the board adequately carried out its function of overseeing management.

This year, our review confirmed that Hong Kong companies are still not prepared to embrace the significant role and responsibilities of a nomination committee, as few companies believe that the board is the most suitable body to assess the most desirable skills and competencies for director selection and appointment. With the board itself retaining the ultimate responsibility for these practices, it is difficult for it to demonstrate that the processes involved in the selection and dismissal of executives and non-executive directors, as well as the evaluation of board performance and succession plans, are carried out in a thorough, fair, independent and transparent manner.

Another common form of non-compliance relates to succession planning and the terms of office of non-executive directors (NEDs). As companies do not appoint NEDs for specific terms and make them subject to re-election, it is a challenge for them to maintain an appropriate balance in the composition of their boards.

This year, we found little progress in corporate relationships with shareholders. The extent of chairman and committee chairmen attendance and participation in annual general meetings remains another form of key non-compliance this year. The chairman's presence at annual general meetings signifies recognition of the importance of communicating basic information with shareholders. As the head of the board and board committees, the chairman should use such meetings to understand and capitalise on the current interests and concerns of corporate shareholders, and articulate how these can influence company activities.

許多公司仍未能委任不同人士擔任主席及行政總裁職位。此舉意味很難確保董事會妥善履行監督管理層的職能，公司內的獨立性成疑。

此外，今年甚少公司認為在篩選及委任董事時，應透過董事會評核董事的技能及能力，證明香港公司仍未準備好接納提名委員會角色及職責的重要性。由於董事會對這些做法承擔最終責任，因此在甄選及辭退執行董事及非執行董事，以及在評估董事會表現及繼任計劃的過程中難以做到周全、公平、獨立及透明。

不合規的另一種常見情況則涉及繼任計劃和非執行董事的任期。由於公司並無指定非執行董事的任期並容許他們自動重選，這些公司往往難以維持適當均衡的董事會架構。

今年，我們發現企業與股東的關係幾乎無改善。今年主席及委員會主席出席股東週年大會的比率亦是另一個不合規的主要範疇。主席出席股東週年大會可體現他們認同向股東傳達基本訊息的重要性。主席作為董事會及董事委員會的主管，應利用這些會議了解及把握公司股東現時感興趣及關心的問題，並分析其對公司活動的影響。

Governance revisions pertaining to shareholder relations were introduced to encourage the active engagement of shareholders, with a view to promoting good governance through dialogue. It is hoped that these revisions will continue to put pressure on chairmen, so that we can see some measurable progress in these areas of non-compliance in the next few years.

Detailed explanations

Explanations for non-compliance were generally dissatisfactory this year. Of the companies that chose to explain, almost all but 3% of HSCI companies provided some level of detail about their reasons for non-compliance; 48% of them provided substantive and informative disclosures in this respect (Fig 2). However, it is disappointing to see the quality of the explanations of HSI and HSCEI companies has fallen, with the number of companies providing informative disclosures concerning non-compliance slipping to 60% and 44% from 66% and 46% respectively in 2013. While the goal should be for companies to achieve full compliance, those that chose not to comply can deviate from the Code provisions providing they disclose the facts and explain the more suitable alternative they have adopted to address the Code's principles.

Regarding informative disclosure, the best reports consisted of more than a basic explanation of non-compliance with either an action plan for achieving it in the coming year or reasons for their deviation from it. A number of companies went beyond mere statements on compliance by providing their chairman's personal views about governance in his or her statement, as well as tables and charts illustrating compliance with provisions in their governance report. On the other hand, the weakest reports either provided no insight into the reason for non-compliance or failed to update their compliance statement from previous years.

THE ROLE OF THE BOARD

The quality of reporting on the role and activity of the board has improved this year, with an increment of 11%, 19%, and 9% from last year's 32%, 50%, and 33% of HSCI, HSI, and HSCEI companies respectively (Fig 5). The best companies provided transparency concerning the activities of the board and how decisions were made. A few outstanding reports mentioned how the board spent its time studying and analysing performance, strategy, governance and other areas, and formulating action plans for the coming year. At the other end of the spectrum, it is surprising to note the worst companies provided no insight into the how the board operates and makes decisions given the increasing focus and drive for board effectiveness over the past twelve months.

Directors' duties and commitments

Every director must be able to allocate sufficient time to the company's affairs in order to contribute to its effective organisation. The latest amendments concerning directors' duties and commitments place increased emphasis on how boards carry out their roles and responsibilities, accountability, and the culture they promote in the hope it will stimulate reflection on productive performance.

Promotion of the participation of directors in professional development is another important element of the Code. This year saw more companies choose to provide some information about their director's professional development over the year with only 2% of both HSI and HSCEI, and 3% of HSCI companies failing to report board participation in professional development (Fig 6). Several companies went beyond the basic minimum of merely providing a list of training programmes. Their helpful disclosures included formal procedures for implementing and documenting training and continuous professional development for directors and senior management, as well as details of the subjects and content of the training. However, given that the quality of explanations remained relatively unchanged this year, we hope to see more companies providing informative disclosures next year.

涉及股東關係的管治修訂旨在鼓勵股東積極參與，透過互相溝通推動良好企業管治。我們期望這些管治修訂繼續推動主席履行更多責任，讓這些不合規的情況在未來數年得到顯著改善。

詳盡披露

今年就不合規情況作出的詳盡披露普遍未如理想。在選擇作出披露的公司當中，幾乎所有恒生綜合指數成分股公司（僅3%例外），均頗詳盡地披露不合規的原因，當中48%的公司就此作出實質詳盡披露 (Fig 2)。然而，恒生指數成分股公司及恒生中國企業指數成分股公司所提供解釋的質素卻有所下降，按詳盡披露不合規情況的公司數目計，前者由2013年的66%下降至60%，後者則由2013年的46%下降至44%，情況令人失望。縱使公司的企業管治目標應是達致完全合規，但其實選擇不完全遵守《守則》條文的公司只要如實披露，並在其報告中就其他更合適的方案加以解釋便可。

就詳盡披露而言，研究發現，表現最佳的報告不僅對並未遵守規定作出基本解釋，還闡述來年實現合規的計劃或偏離合規的原因。許多公司不單報告合規情況，更在主席報告中陳述主席的管治觀點，並在公司管治報告中加入表格和圖表，以說明遵守規定的情況。另一方面，表現最差的報告卻不能反映不合規或未能更新過往年度合規報告的原因。

董事會角色

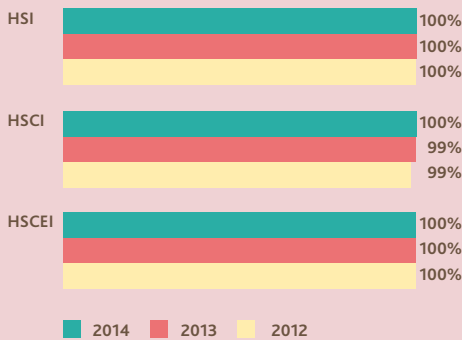
今年有關董事會角色及活動的報告質素有所改善，作出詳盡報告的恒生綜合指數成分股公司、恒生指數成分股公司及恒生中國企業指數成分股公司比例分別較上年的32%、50%及33%增加11%、19%及9% (Fig 5)。表現最好的公司在董事會活動及其決策程序方面作出披露。數家表現較為出色的公司更在報告中講述董事會如何投放時間去研究及分析表現、策略、管治及其他範疇，並就來年制定實際執行計劃。另一方面，在過去十二個月中，董事會的有效性日漸受到關注及推動，但表現較遜色的報告卻未有深入闡述董事會如何運作及決策，令人感到意外。

董事職責及承諾

每位董事都必須能夠分配充足時間處理公司事務，對公司作出貢獻。關於董事職責及承諾的最新修訂，進一步強調董事會的角色、職責、責任，及其建立的文化，務求鼓勵董事會思考如何提高公司的表現。

鼓勵董事參與專業發展是《守則》的另一個重要方向。今年，更多公司選擇披露其董事於年內專業發展的資料，僅有2%的恒生指數成分股公司及恒生中國企業指數成分股公司，以及3%的恒生綜合指數成分股公司未能報告董事參與專業發展的情況 (Fig 6)。數家公司不但符合列出培訓計劃的最低要求，還披露實施及記錄董事和高級管理層培訓及持續專業發展的正式程序，以及培訓主題和內容詳情。然而，鑒於闡述的質素今年停滯不前，我們希望來年有更多公司作出詳盡披露。

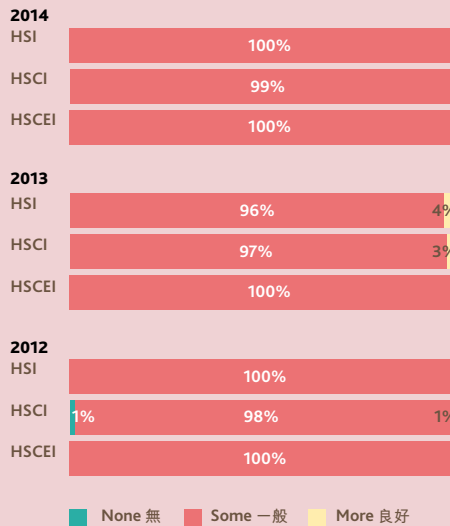
Fig 3



Q Are there disclosures of whether companies have adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code? (Appendix 14 H(a) of the LR)

有否披露公司採納一套與《標準守則》相同或持更高標準的董事證券交易行為準則？（《上市規則》附錄十四H(a)）

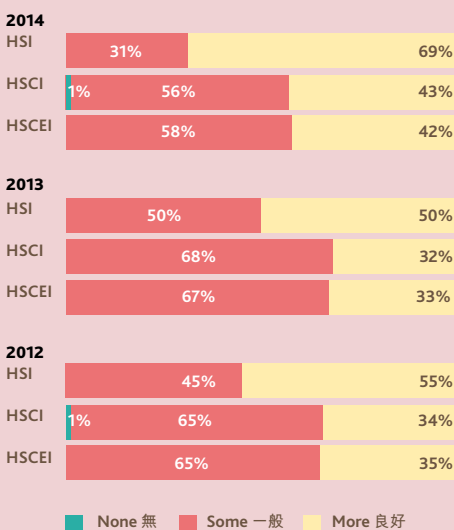
Fig 4



Q How well do companies disclose if they have made specific enquiries about whether or not the directors of the listed issuer have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions? (Appendix 14 H(b) of the LR)

對於向所有董事作出特定查詢後，上市發行人的董事是否有遵守《標準守則》所訂有關董事進行證券交易的標準及公司本身所訂的有關行為守則，公司在披露上表現如何？（《上市規則》附錄十四H(b)）

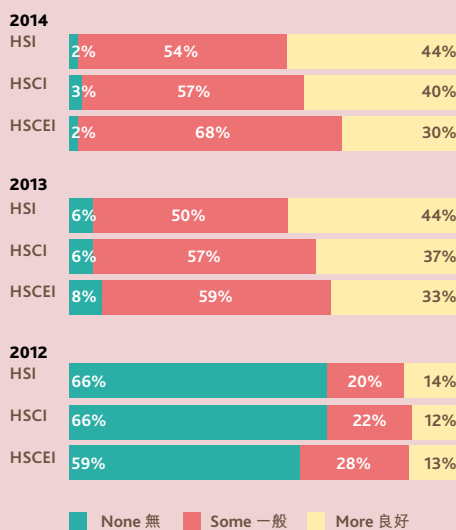
Fig 5



Q How well do companies describe the way their board operates (including the types of decisions the board takes and the types that are delegated to the management)? (Appendix 14 I(e) of the LR)

對於闡述董事會如何運作（例如，哪類決定會由董事會執行，哪類決定會授權給管理層執行），這些公司的表現如何？（《上市規則》附錄十四I(e)）

Fig 6



Q What level of disclosure is provided about directors' participation in professional development and their training records? (A.6.5 of the Code & Appendix 14 I(i) of the LR)

對於闡述董事參與專業發展及培訓紀錄，公司的披露表現如何？（《守則》A.6.5及《上市規則》附錄十四I(i)）



Company secretaries

Company secretaries play an important role in terms of supporting and advising the board on governance matters and compliance with legal and regulatory requirements, so as to facilitate the induction and professional development of directors.

Our review revealed that company secretaries with extensive knowledge of company affairs who are not company employed have a slight increase of 2% among both HSI and HSCI companies, while slightly more company secretaries of the HSCEI companies this year are not company employed (Fig 8). Most of these were new entrants on the list of HSCEI companies, who chose to engage an external service provider to discharge the functions of company secretary. It is encouraging to see that some companies have raised the bar concerning the aptitude of their company secretary in order to be consistent with best practices in other jurisdictions, with only 15%, 21%, and 9% of company secretaries of HSCI, HSI, and HSCEI companies respectively either not meeting the minimum academic and professional qualifications for their position, or who chose not to provide that information (Fig 7).

BOARD EFFECTIVENESS

Board and committee composition

A board and committees with a balanced composition of appropriate skills, experience, independence and knowledge facilitate the performance of their respective duties and responsibilities. Most companies seemed to understand the value of having an independent non-executive presence to increase the likelihood of counteracting any inherent bias towards executive directors. Although composing boards with independent non-executive directors (INEDs) is becoming a growing challenge, the number of companies with appropriate independent non-executive membership on the board remains high with only a few companies failing to comply with the provision that one-third of their board members should be INEDs. The few companies that were unable to achieve the recommended board balance attributed the fact to unplanned retirements or difficulties in finding appropriate replacements.

The number of changes to the regulations governing membership requirements of board committees signifies the Exchange's increased focus on companies delegating the process of making recommendations and selecting directors to a body that is independent of executive management.

We saw a small increase of the number of companies who had created nomination committees, with the percentages of HSI, HSCI, and HSCEI companies rising to 85%, 93% and 93%, respectively (Fig 9a). These figures were just 1% up across the three indices from last year. Among companies that had one, their nomination committees with a majority of INED members showed a levelling off in the rate of improvement. In spite of admirable results last year, it is disappointing to note that fewer companies indicated in their reports that their nomination committee was chaired by either an INED or the chairman of the board. Compliance rates in HSI companies are lowest with 9% of companies failing to maintain independent membership requirement (Fig 10). Non-compliance was less prevalent in the HSCI and HSCEI companies.

Once again, there was little change in the composition of remuneration committees this year, except for minor variations, especially with all HSI companies having committees composed largely of INEDs (Fig 11a). The 5 companies that failed to achieve the minimum presence of independent directors adequately explained and disclosed the underlying reasons for this in their reports. The main reason given was poor succession planning with respect to NEDs.

公司秘書

對公司而言，公司秘書擔當著重要角色，他們需就企業的管治事項及條例的監管要求，向董事會提供支援及建議，以促進董事的培訓及專業發展。

今年的檢討顯示，在恒生指數成分股公司和恒生綜合指數成分股公司當中，非受聘於公司而對公司事務有廣泛了解的公司秘書輕微增加 2%，而今年恒生中國企業指數成分股公司非受聘於公司的公司秘書亦有所增加 (Fig 8)。這些公司多數為剛獲納入恒生中國企業指數的新公司，他們選擇了外聘服務供應商履行公司秘書職責。令人鼓舞的是，部分公司已提高對公司秘書的要求，與其他地區的最佳常規看齊，在恒生綜合指數成分股公司、恒生指數成分股公司及恒生中國企業指數成分股公司中，分別僅有 15%、21% 及 9% 的公司秘書未達到該職位的最低學歷及專業資格要求，或選擇不提供該項資料 (Fig 7)。

董事會的有效性

董事會及委員會的組成

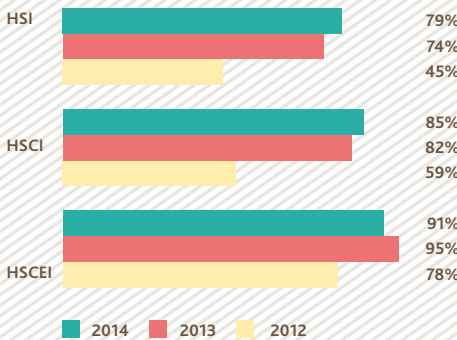
若董事會及委員會擁有均衡的能力、經驗、獨立性及知識，則有助於履行各自的職務和責任。大部分公司看來都明白委任獨立非執行董事以平衡執行董事的固有看法的重要性。雖然在董事會委任獨立非執行董事日趨艱巨，但董事會中有合適成員可出任獨立非執行董事的公司比例仍相當高，只有小部分公司未能符合獨立非執行董事須佔董事會人數三分之一的規定。這些公司表示由於有董事成員突然退休或難以找到合適的替代人選，故未能就建議成立均衡的董事會架構。

交易所對規管董事委員會組成的規則作出多項修訂，顯示交易所日益注重公司將推薦及篩選董事的程序交給獨立於行政管理層的組織負責。

另外，我們發現設立提名委員會的公司數目略有增加，在恒生指數成分股公司、恒生綜合指數成分股公司及恒生中國企業指數成分股公司中的比例分別升至 85%、93% 及 93% (Fig 9a)。三大指數成分股公司的比例均較去年上升僅 1%。在已設有提名委員會的公司當中，提名委員會大部分成員由獨立非執行董事擔任的公司的比例保持平穩。去年在報告中表示其提名委員會主席由獨立非執行董事或董事會主席擔任的公司數目理想，但今年合規的公司則略為減少，情況令人失望。恒生指數成分股公司的合規率最低，有 9% 的公司未能遵守關於成員獨立性的要求 (Fig 10)。恒生綜合指數成分股公司及恒生中國企業指數成分股公司的不合規率則較低。

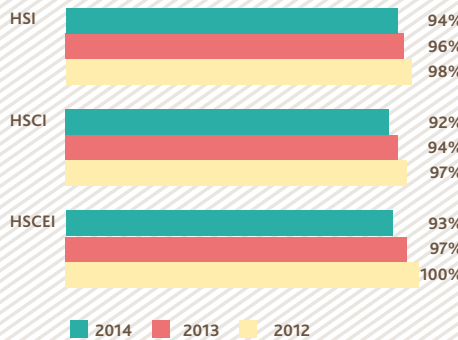
與去年一樣，本年度薪酬委員會的組成變化較小，只有少數公司例外，而所有恒生指數成分股公司的委員會成員均主要由獨立非執行董事擔任 (Fig 11a)。5 家未能達到最低獨立董事席位要求的公司在報告中充分解釋和披露箇中原因，主要理由是非執行董事的繼任計劃未盡完善。

Fig 7



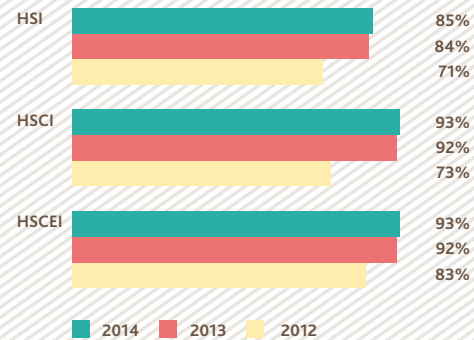
Q Is there disclosure on whether the company secretary has adequate academic, professional qualifications or relevant experience to discharge the functions? (Appendix 14 N(a)&(b) of the LR)
 有否披露公司秘書是否有足夠學歷、專業資格或相關經驗以履行職務? (《上市規則》附錄十四 N(a)及 (b))

Fig 8



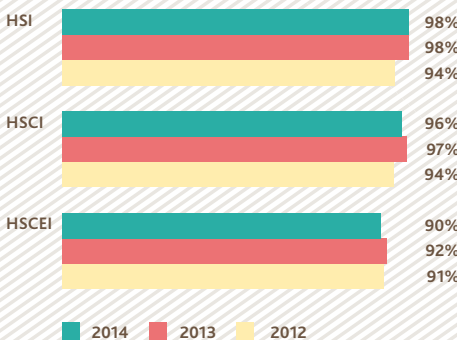
Q Is the company secretary an employee of the company? (Listing rule 3.28 & F.1.1 of the Code)
 公司秘書是否公司僱員? (《上市規則》3.28 及《守則》F.1.1)

Fig 9a



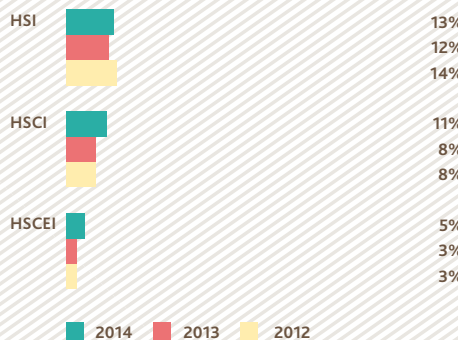
Q Is there a nomination committee? (A.5.1 of the Code)
 公司有否設立提名委員會? (《守則》A.5.1)

Fig 9b



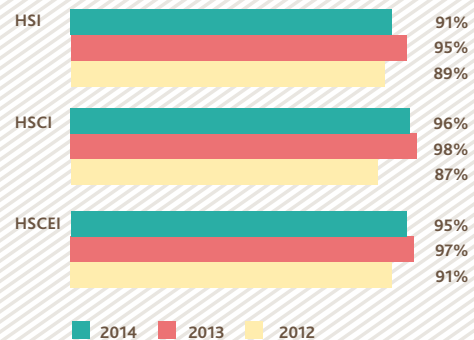
Q Are the majority of members INEDs? (A.5.1 of the Code)
 提名委員會內是否大部分成員為獨立非執行董事? (《守則》A.5.1)

Fig 9c



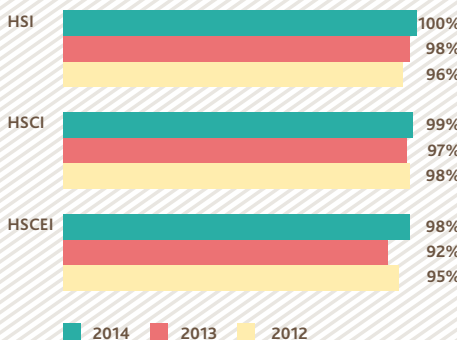
Q Are all the members INEDs?
 提名委員會內是否均為獨立非執行董事?

Fig 10



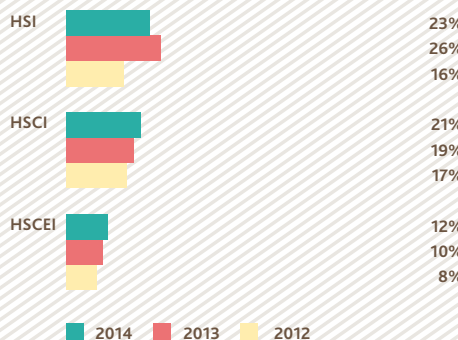
Q Is the nomination committee chaired by an INED or the chairman of the board? (A.5.1 of the Code)
 公司提名委員會主席是否由獨立非執行董事或董事會主席出任? (《守則》A.5.1)

Fig 11a



Q Are the majority of remuneration committee members INEDs? (Listing rules 3.25 & 3.26)
 薪酬委員會的大部分成員是否為獨立非執行董事? (《上市規則》3.25 及 3.26)

Fig 11b



Q Are all the members INEDs?
 薪酬委員會內是否均為獨立非執行董事?

The importance of having an independent audit committee is well understood by Hong Kong companies. Nearly every company satisfied the requirement of having at least three INEDs serving on their audit committee. However, disappointingly, we saw a decline in HSCEI companies, from 36% to 30%, having an all-INED committee, whereas the rate for HSCI and HSI companies remained relatively unchanged (Fig 12b).

In terms of the latest rules clarifying the board's assignment of responsibilities to committees, Hong Kong companies continued to improve their disclosure of the terms of reference for their audit, remuneration and nomination committees. HSI and HSCI companies made an improvement of 9% and 5% respectively over the previous year's rate, while the record of HSCEI companies remained largely static (Fig 15). Most companies who did comply indicated in their annual reports and on their websites that such terms of reference existed, but they did not state whether these were available for inspection.

Independence

The board is responsible for determining whether or not a director is independent. Across all three indices, with the exception of few HSCEI companies who provided no insight into their approach to director independence, all companies disclosed at least some indication of their definition of 'independent' (Fig 16). As in previous years, there was only a negligible change in the quality of disclosures by companies in the three indices on the consideration they had given to their directors' independence. Most companies offered a basic disclosure, noting they had assessed their directors' independence, yet few stated the criteria they applied during the process, and any compromised circumstances they had discovered.

The combined roles of the chairman and chief executive remained one of the most common reasons for non-compliance. Of the 148 companies who did not fully comply with the Code this year, 71 had vested the roles of chairman and chief executive in the same person or in two related family members. Of these, 59 companies had the same combined roles in previous years. It was disappointing to see a minimal decrease of 1%, 2% and 3% this year in the respective numbers of HSI, HSCI and HSCEI companies who had separate individuals exercised the roles of chairman and chief executive (Fig 18). Most companies explained the combined roles by saying they found the segregation of the roles of chairman and chief executive unnecessary, as the chief executive was the best-qualified person to act as the chairman, and to provide the board with the best leadership in prevailing circumstances. Others erroneously stated that the combined roles simply suited their business model. In several instances, the roles of chairman and chief executive were not combined, but the chairman held executive authority and was actively running the business. While technically this was not a breach of compliance, it suggested that the chairman was the chief executive in all but name. Without dividing responsibilities at the head of the company between the running of the board and the running of the business, there is little assurance that the board is adequately fulfilling its duty of overseeing the company's management.

As for the presence of several family members on the board, there has been an improvement in the rate across all indices except the HSCEI, with 29% of companies in both HSI and HSCI, and none of the HSCEI having family members on the board (Fig 19). The number of members with close ties to each other can affect perceptions about the independence of a company's board. Companies that feel they cannot avoid such a situation should perhaps make extra efforts to increase the presence of INEDs on their board.

香港公司已經充分意識到設立獨立審核委員會的重要性。幾乎所有公司均符合審核委員會成員當中至少有三名獨立非執行董事的要求。然而，令人失望的是，審核委員會所有成員均由獨立非執行董事出任的合規比率，恒生中國企業指數成分股公司由36%降至30%，而恒生綜合指數成分股公司和恒生指數成分股公司的比率則保持平穩 (Fig 12b)。

就釐清董事會對委員會的責任分配的最新規定而言，在審核委員會、薪酬委員會和提名委員會的職權範圍披露方面，香港公司表現持續改善。恒生指數成分股公司和恒生綜合指數成分股公司的合規率分別較去年上升9%和5%，而恒生中國企業指數成分股公司則大致不變 (Fig 15)。大部分合規的公司均在年報及網站中表示設有相關職權範圍，但並無說明有關資料是否可供查閱。

獨立性

董事會有責任釐定董事的獨立性。在三大指數成分股公司當中，除少數恒生中國企業指數成分股公司未有深入闡述實踐董事獨立性的計劃外，所有公司均至少披露其對於「獨立性」的定義 (Fig 16)。一如既往，在董事獨立性方面，三大指數成分股公司的披露質素改變微乎其微。大部分公司僅作出基本披露，只表明已評估董事的獨立性，但當中甚少闡述評估過程採納的標準，以及發生重大事情時對董事獨立性有何影響。

公司最普遍不合規的地方，仍是主席及行政總裁由同一人士兼任。本年度的研究表示，有148家公司未完全遵守《守則》的條例，但當中有71家公司委任同一人士或有親屬關係的兩名人士分別擔任主席和行政總裁職位，其中59家於過去更一直由同一人士兼任兩職。而本年度由不同人士擔任主席和行政總裁兩職的恒生指數成分股公司、恒生綜合指數成分股公司和恒生中國企業指數成分股公司分別輕微減少1%、2%和3%，情況令人失望 (Fig 18)。大部分主席及行政總裁由同一人士兼任的公司表示，沒有必要將主席和行政總裁兩個職位分開，行政總裁是主席的最佳人選，在多數情況下可以較好地履行領導董事會的職責。另外，亦有部分公司錯誤地認為，這不過是適合其商業模式的一種做法。在一些個案中，雖然主席和行政總裁並非由同一人兼任，但主席具有行政權力，並積極營運業務。這在技術上並非違規，但卻表示主席在職銜以外方面均與行政總裁無異。如果公司沒有對運作董事會的主管及運作業務的主管作職權分立，則難以保證董事會充分履行監督公司管理層的職責。

至於多名家族成員擔任董事會成員的情況，除恒生中國企業指數外，其他指數的成分股公司均有改善，29%的恒生指數成分股公司及恒生綜合指數成分股公司均有家族成員擔任董事會成員，而恒生中國企業指數成分股公司則沒有多名家族成員擔任董事會成員 (Fig 19)。董事會有多名親屬成員會影響公司董事會獨立性的觀感。公司如認為這種情況不可避免，便應加倍努力，增加董事會當中獨立非執行董事的比例。

Fig 12a

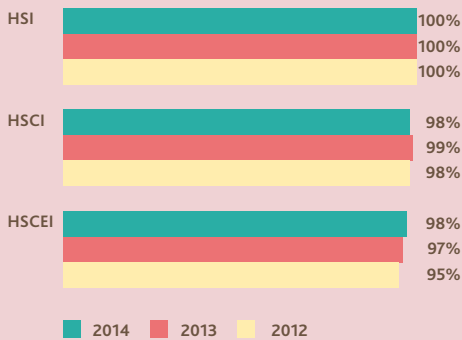


Fig 12b

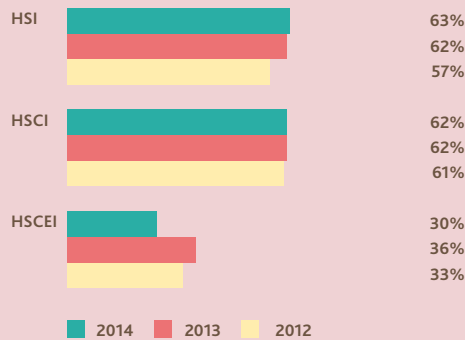
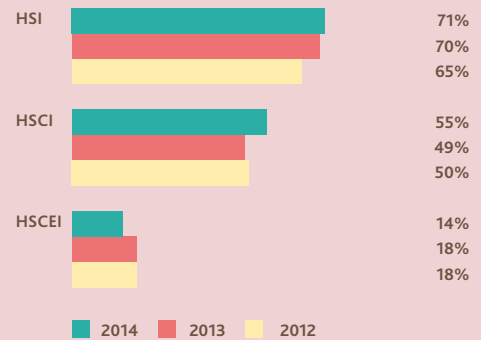


Fig 13



Q Does the audit committee have at least three members, and are most of them INEDs? (Chapter 3.21 of the LR)
 審核委員會是否擁有至少三名成員，且其中獨立非執行董事是否佔大多數？(《上市規則》3.21章)

Q Are all the members INEDs?
 審核委員會內是否均為獨立非執行董事？

Q Is there a specific statement made to the board's responsibility to conduct an annual review of the adequacy of staff qualifications and experience of the accounting and financial reporting function, with a view to ensuring an effective internal control system? (C.2.2 of the Code)
 有否明確陳述如何就董事會的職能，每年檢討財務申報人員是否具備相關資格和經驗，以確保內部監控系統有效？(《守則》C.2.2)

Fig 14

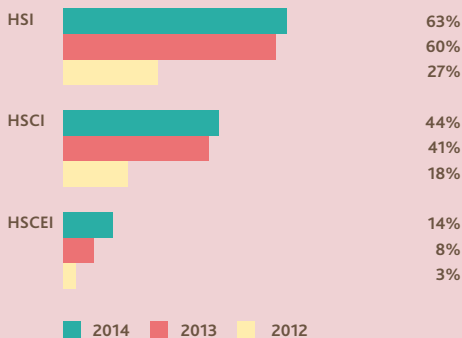


Fig 15

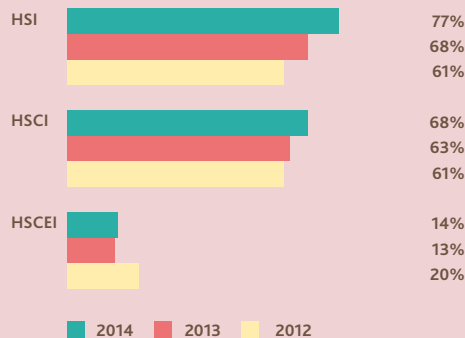
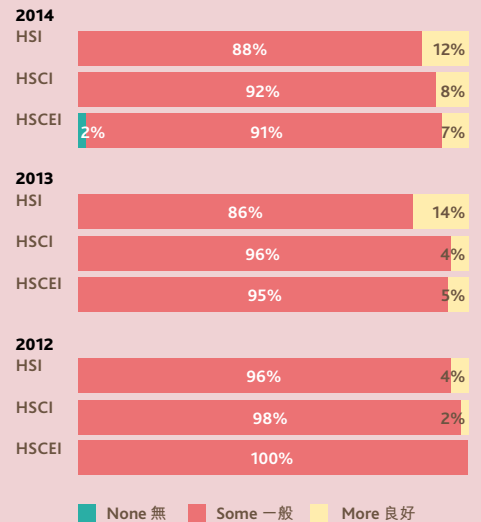


Fig 16



Q Is there disclosure that the board receives monthly updates on company performance and current financial position? (C.1.2 of the Code)
 有否披露公司每月向董事會提供公司的表現和最新財務狀況？(《守則》C.1.2)

Q Are terms of reference for audit, remuneration and nomination committees (if they exist) available for inspection? (A.5.2, B.1.2 & C.3.3 of the Code)
 審核委員會、薪酬委員會及提名委員會(如設立)有否公開其職權範圍以備查閱？(《守則》A.5.2, B.1.2及C.3.3)

Q How well do companies describe the consideration of their INEDs independence?
 對於闡述如何檢討獨立非執行董事的獨立性，公司的表現如何？

Board appointments

The recent elevation to provision status by the Exchange of the recommendation about the establishment of a nomination committee suggests that it recognises the existence of an independent nomination committee as a component of effective governance. The quality of nomination committee reporting was faced with challenges this year as more companies provided no insight on the nomination and appointment procedures used for admitting directors – an increment of 2% and 6% amongst the HSCI and HSCEI companies respectively (Fig 20). Of the companies that provided some form of disclosure, almost every company gave a description of their nomination committee's work (Fig 21). We also saw a small improvement in the quality of disclosure about the procedures used to appoint directors in the annual reports of HSI and HSCI companies from 26% and 22% to 27% and 24% respectively (Fig 20). The most informative disclosures in relation to board appointments included clear objectives and a formal and transparent description of the process for assessing the expertise of candidates. Some companies also commented on the requirements of the roles to be filled, and the methods used to identify the best nominees. Those companies that provided only minimal disclosure about the subject often disclosed only a brief comment on appointments and did not have a formal procedure in place to ensure that NEDs were appropriately appointed. If that is so, it could conflict with the significant roles they play on the board.

The importance of directors in overseeing a company's strategy and management includes the disclosure of information concerning directorship changes. In this respect, although such disclosures remained largely unchanged amongst HSCI and HSCEI companies, there was a 4% decline amongst HSI companies that chose not to disclose whether any directorship changes took place during the year (Fig 22a). Of the companies that stated a change in directorship, 49%, 42%, and 51% of HSI, HSCI and HSCEI companies respectively provided informative disclosure about them (Fig 22b). This was a slow rate on improvement and companies should be mindful that stakeholders deserve to know why they took place, and whether they involved issues relating to misconduct, fraud or other designated activities.

Evaluation

Evaluations of the board, its committees and individual directors remain a recommended best practice following recent Code revisions concerning directorships. Disclosure of performance evaluations by companies in all three indices improved this year, with now 41%, 33% and 70% of HSI, HSCI and HSCEI companies providing at least some disclosure, representing a rise of 9%, 5%, and 6% respectively (Fig 23). Those that chose not to provide insight perhaps still have reservations about discussing the outcomes of evaluations and future action plans. The vast majority of these companies did not submit themselves to independent evaluation of their board's performance. The companies who described the process for evaluating their board's performance in their annual reports also disclosed that they used customised questionnaires and interviews and evaluation criteria linked to financial and operational performance for this purpose, as well as the objectives set for the board and committees for the current year. However, none of these companies opted for the services of an independent facilitator who ultimately would provide value added and quality disclosure to their reporting. Based on our review of the companies' annual reports, even though some companies took initiatives to incorporate the evaluation of board performance into their board processes, they have a long way to go to providing meaningful disclosures in this area.

董事會的委任

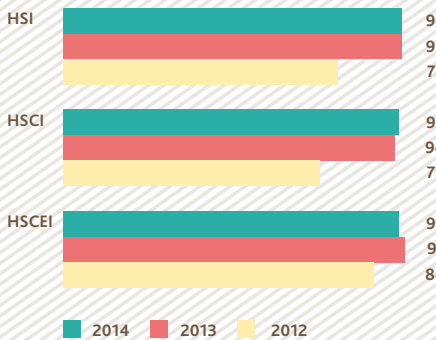
最近，交易所將設立提名委員會的建議升級為條文。這表明交易所已經意識到，獨立提名委員會是構成有效管治的重要一環。今年提名委員會報告的質素有所下降，選擇不闡述委任董事所採用的提名及委任程序的公司數量增加——恒生綜合指數成分股公司及恒生中國企業指數成分股公司分別增加2%及6% (Fig 20)。在作出披露的公司當中，幾乎所有公司均描述了提名委員會的工作 (Fig 21)。恒生指數成分股公司及恒生綜合指數成分股公司有關董事委任程序的披露質素輕微上升，分別由去年的26%及22%上升至27%及24% (Fig 20)。有關董事會委任最詳盡的披露，包括闡述明確的目標，並對候選人專業技能的評估程序作出正式及透明的描述。部分公司亦有提供意見，闡明職位要求及甄選最佳候選人的方法。而就作出基本披露的公司，通常只是簡述委任，而並無制定正式程序以確保委任合適的非執行董事。如果屬實，此舉會與非執行董事在董事會擔當重要職責的原意互相矛盾。

董事在監督公司策略及管理方面的重要性，當中包括就董事人事變動作出披露。在這方面，儘管恒生綜合指數成分股公司及恒生中國企業指數成分股公司的披露比率大致不變，但選擇不披露年內董事人事變動的恒生指數成分股公司比率下降4% (Fig 22a)。表示有董事人事變動的公司當中，分別有49%、42%及51%的恒生指數成分股公司、恒生綜合指數成分股公司及恒生中國企業指數成分股公司就此作出詳盡披露 (Fig 22b)。結果顯示這方面的改善速度較慢，公司應明白，企業有關人士有權了解變動的原因，以及變動是否涉及不當行為、欺詐及其他特定行為有關的不尋常事件。

評核

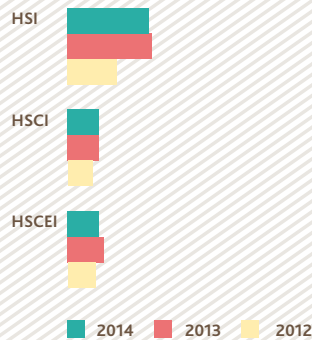
《守則》中有關董事資格的部分最近經修訂後，對董事會、委員會和個別董事進行評核仍然屬於建議最佳常規。今年三大指數公司的表現評核披露均有改善，分別有41%、33%及70%的恒生指數成分股公司、恒生綜合指數成分股公司及恒生中國企業指數成分股公司至少作出了一定程度的披露，分別上升9%、5%及6% (Fig 23)。選擇不作出詳盡披露的公司或許對討論評核結果和未來執行計劃仍然有所保留。另一方面大部分公司並無進行獨立董事會表現評核。在年報中說明董事會表現評估程序的公司，亦進一步披露評估所採取的方式，包括專門的調查問卷、訪問、與財務及營運表現相關的評估準則，以及為董事會及委員會設立的年度目標。然而，這些公司均無選擇讓獨立人士參與。其實獨立人士的參與可提升公司報告的價值及披露質素。根據我們對公司年報的檢討，儘管已有一些公司將董事會表現評核納入董事會程序，但距離實質披露依然相去甚遠。

Fig 17a



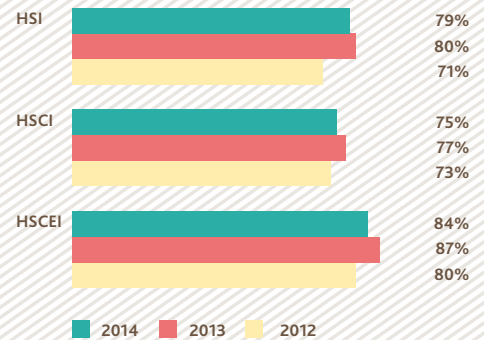
Q Is at least one third of the board comprised of INEDs? (Listing rule 3.10A)
獨立非執行董事是否佔董事會成員人數至少三分之一? (《上市規則》3.10A)

Fig 17b



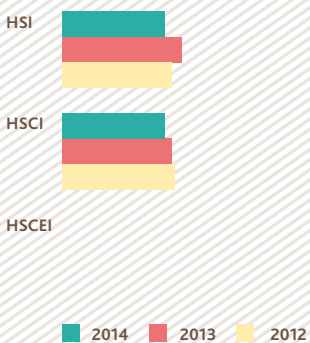
Q Is the majority of the board INEDs?
董事會是否以獨立非執行董事佔大多數?

Fig 18



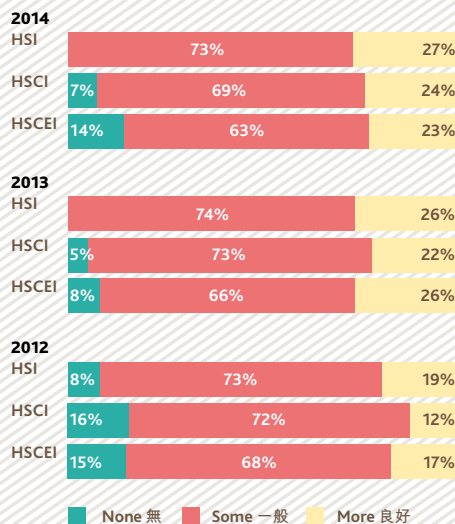
Q Are the roles of the chairman and chief executive exercised by different individuals? (A.2.1 of the Code)
主席與行政總裁是否由不同人士擔任? (《守則》A.2.1)

Fig 19



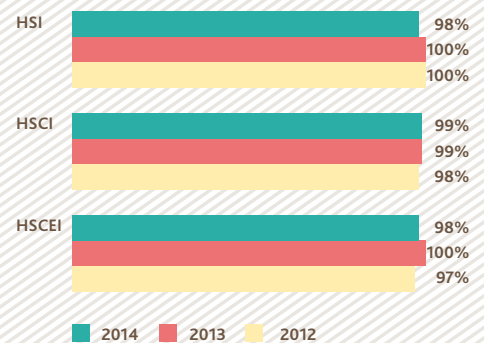
Q Are there family members on the board? (Appendix 14 I(h) of the LR)
董事會中是否有家屬成員? (《上市規則》附錄十四 I(h))

Fig 20



Q How well do companies disclose their nomination and appointment procedures used for admitting directors? (Appendix 14 L(d)(ii) of the LR)
有否披露有關董事會任命非執行董事的條款及條件? (《上市規則》附錄十四 L(d)(ii))

Fig 21



Q Is the nomination committee's work described? (A.5.2&3 of the Code & Appendix 14 L(d)(ii) of the LR)
有否說明提名委員會的工作? (《守則》A.5.2及3, 《上市規則》附錄十四 L(d)(ii))

Information and support

The quality of reporting on the number of companies whose managements provided directors with monthly accounts and updates about their performance and position continued to improve this year. The compliance rates increased from 60%, 41% and 8% to 63%, 44%, and 14% for HSI, HSCI, and HSCEI companies respectively (Fig 14). Some of the best companies went as far as explaining the type of information brought before the board, including comparisons between projections and actual results, forecasts, and other relevant internal financial statements broken down into management accounts. This suggests that boards see the need for the management to supply them with such information in order to understand the company's performance and current position better, thus enabling them to make decisions based on company performance, position and prospects.

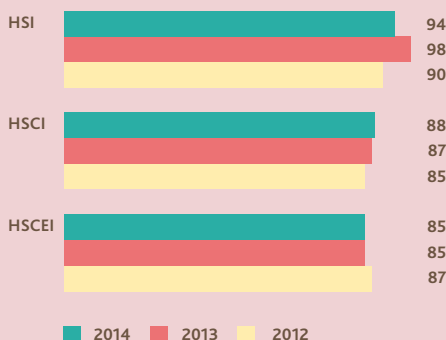
The establishment of a corporate governance function enables directors to embed corporate governance into the heart of their organisational culture. Although an increase of 7% of both HSI and HSCI companies created a structure to oversee the corporate governance practice, overall, companies have been relatively slow in establishing such a structure (Fig 25). Effective governance continues to attract great attention with each passing year, and given that the economic, commercial and regulatory environments continue to change, companies must keep up with governance practice and guidance.

信息及支援

報告顯示，今年在管理層每月向董事提供公司賬目及有關公司表現及狀況的最新信息方面，報告質素持續得到改善。恒生指數成分股公司、恒生綜合指數成分股公司及恒生中國企業指數成分股公司的合規率分別由60%、41%及8%上升至63%、44%及14% (Fig 14)。部分表現出色的公司甚至提供向董事會提供的信息類別，包括推算與實際結果的比較、預測及其他編製為管理賬目的相關內部財務報表。這結果反映董事會認為管理層需要提供相關信息，以深入了解公司表現和目前狀況，使他們能夠根據公司的表現、狀況及前景作出決策。

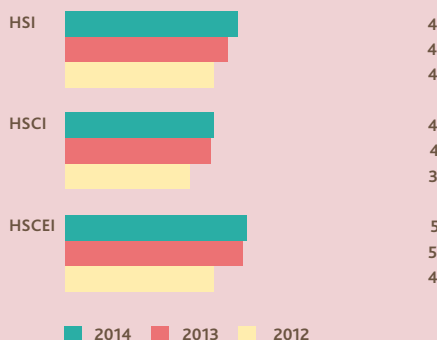
確立企業管治職能，讓董事能夠將企業管治融入企業文化的核心。雖然在恒生指數成分股公司及恒生綜合指數成分股公司當中，已建立企業管治監督架構的公司數目增加7%，但整體而言，公司建立該架構的進展較慢 (Fig 25)。公司對有效管治的關注逐年上升，而隨著經濟、商業及監管情況持續變化，公司須密切跟進管治常規及指引。

Fig 22a



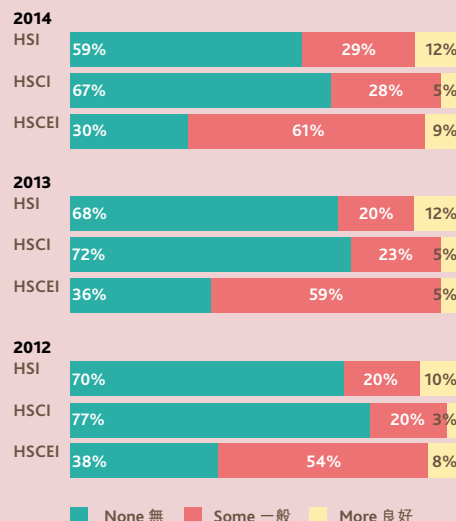
Q Is there disclosure on whether there were any directorship changes? (Listing rule 13.51)
有否披露公司任何董事人事變動信息？(《上市規則》13.51)

Fig 22b



Q If so, is there a statement of reason for such changes? (Listing rule 13.51)
如有，有否陳述變動原因？(《上市規則》13.51)

Fig 23



Q How well do companies disclose the manner in which performance of its board and committees are formally evaluated every year?
對於評核董事會及其屬下委員會的年度表現，公司在披露上表現如何？

ACCOUNTABILITY

Audit committee

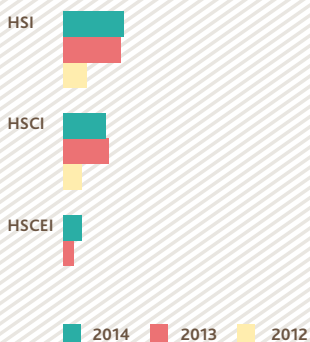
This year, all audit committees continued to meet the membership requirement of being composed of a majority of INED members (Fig 12a). This reflects the fact that the benefits of having an audit committee are well understood by Hong Kong companies. Every company has consistently described the work of its committee in previous years. To strengthen the significant role of audit committees further, the Consultation Paper on Risk Management and Internal Control (Consultation Paper) published in June 2014 proposes to expand the audit committee's responsibilities to incorporate risk management in its terms of reference. We anticipate this may pose a challenge, as many businesses still struggle to articulate the rationale behind their own risk management frameworks. While it is encouraging that most companies now have a process in place to manage the significant risks they face, in order to ensure effective governance, companies need to be clear on which responsibilities are retained by the board and which are delegated to the audit committee and management.

問責

審核委員會

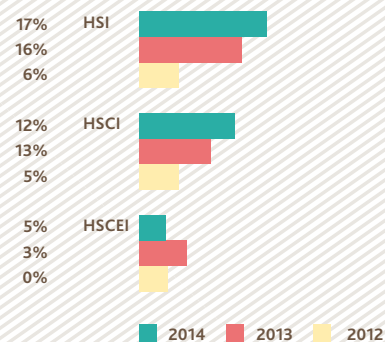
今年所有審核委員會都由獨立非執行董事取得大多數席位，繼續遵守委員會成員方面的要求 (Fig 12a)，反映香港公司深切明白設立審核委員會的好處。過去數年，所有公司均闡述其委員會的工作。為進一步加強審核委員會的重要角色，2014年6月發佈的《風險管理及內部監控諮詢文件》(下稱《諮詢文件》)建議增加審核委員會的責任，將風險管理納入其職權範圍。由於許多公司仍在努力制定風險管理框架的依據，預期這項建議可能會為企業帶來挑戰。大部分公司目前已推行重大風險管理程序，以確保有效管治，情況令人鼓舞，但公司需要釐清仍屬董事的職責，以及授予審核委員會及管理層的職責。

Fig 24



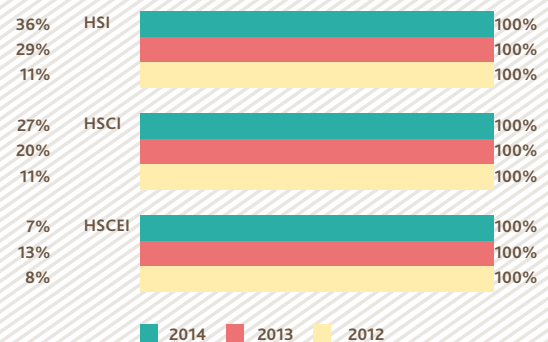
Q Is there a corporate governance committee?
公司有否設立企業管治委員會?

Fig 25



Q If no, is there an alternate committee responsible for overseeing corporate governance practices, compliance with laws and regulations, etc?
如沒有，公司有沒有其他委員會負責監督企業管治工作，及法規和條例合規情况等?

Fig 26



Q Are the role and functions of the remuneration committee (if established) disclosed? (B.1.3 of the Code)
有否披露薪酬委員會(如設立)的角色及職能? (《守則》B.1.3)

The audit committee is responsible for appointing the external auditor and verifying whether the auditor's independence and objectivity comply with applicable standards, and whether any additional work the auditor performs might impair its objectivity and independence. The number of companies whose auditor performed additional non-audit-related work and who disclosed the process increased by 17% and 16% among HSI and HSCEI companies respectively (**Fig 29**). Increasing scrutiny of the provision of non-audit services by external auditors leads us to expect to see more details about how this concern is being addressed.

Risk management and internal controls

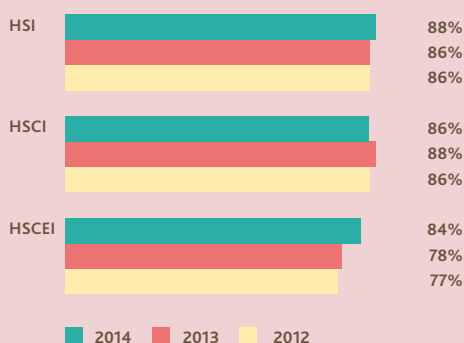
With the increasing focus on awareness of risks, more stakeholders wish to see the use of risk management as a mitigation mechanism and a link to internal control systems. The recently published Consultation Paper highlights risk management as an integral part of internal control, and proposes strengthening the oversight and transparency of the risk management and internal control systems review.

審核委員會負責委任外聘核數師，核實核數師的獨立性及客觀性是否符合標準，以及核數師負責其他工作會否減低其客觀性及獨立性。恒生指數成分公司及恒生中國企業指數成分股公司當中，聘用核數師同時進行非核數工作，並披露有關程序，分別增加17%及16% (**Fig 29**)。隨著外聘核數師提供的非核數服務漸受關注，我們期待在公司的披露中看到更多處理方法的細節。

風險管理及內部監控

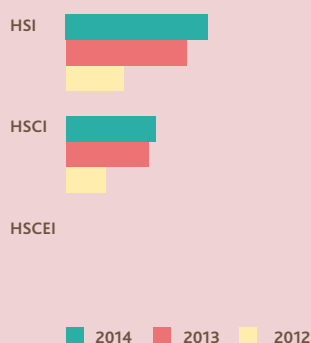
隨著風險問題日益受到關注，更多企業的有關人士視風險管理為緩衝機制，以及藉此與內部監控系統建立聯繫。最新發佈的《諮詢文件》強調風險管理是內部監控的重要部分，並建議加強監督並提升風險管理及內部監控系統檢討的透明度。

Fig 27



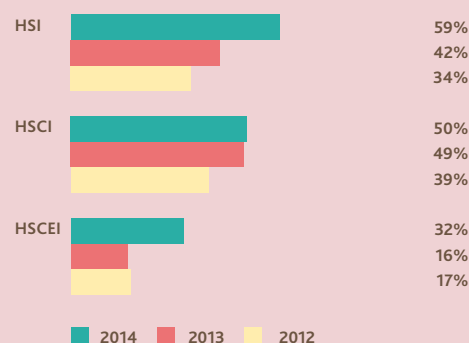
Q Does the board (or shareholders where required) decide the remuneration paid to NED's? (B.1.2(d) of the Code & Listing rule 13.68)
董事會（或股東（如要求））有否設定非執行董事的薪酬？（《守則》B.1.2(d) 及《上市規則》13.68）

Fig 28



Q Do companies have a whistleblowing policy in place? (C.3.8 of the Code)
公司是否設有舉報政策？（《守則》C.3.8）

Fig 29

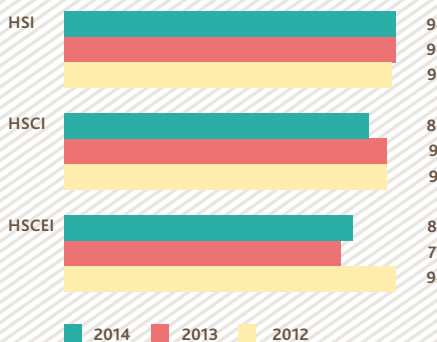


Q If the external auditor provides nonaudit services, do companies disclose how the external auditor's objectivity and independence are ensured? (C.3.3 of the Code & Appendix 14 M of the LR)
若外聘核數師提供非核數服務，公司有否披露如何確保外聘核數師獨立客觀？（《守則》C.3.3，《上市規則》附錄十四M）

This year, it is disappointing to see an increase in non-compliance in the area of internal control review. While a majority of companies did undertake the annual review of internal control systems, there has been no progress from the previous year, with 94% and 88% of HSCI and HSCEI companies disclosing a statement of review, a decline of 2% and 4% from the previous year respectively (Fig 31). The quality of disclosure of internal control review arrangements has also worsened, with 42% of HSCI companies omitting information on board or committee measures on the effectiveness of internal control system (Fig 34). As for HSI and HSCEI companies, only 81% and 60% of them respectively chose to disclose such information, with only 38% and 23% of them providing informative explanations (Fig 34). Similarly, as fewer companies assessed the effectiveness of their internal controls, they offered less insight about the subject in their report. Only 60% of HSCEI companies referred to a review of their financial, operational and compliance controls and risk management systems, while the same number of HSCI companies from last year failed to comply (Fig 33). In the absence of real insight, the extent and depth of such reviews remains unclear. Perhaps if the proposed revised guidance is finalised by the regulator, this would pressurise companies into making the depth and scope of such reviews much clearer.

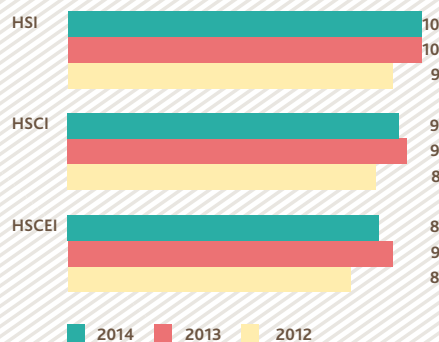
今年內部監控檢討方面的不合規情況有所上升，表現遜色。雖然大部分公司確實已對內部監控系統展開年度檢討，但與往年相比並無進展，94%的恒生綜合指數成分股公司及88%的恒生中國企業指數成分股公司披露檢討報告，分別較去年減少2%及4% (Fig 31)。內部監控檢討安排的披露質素亦轉差，42%的恒生綜合指數成分股公司並無提供董事會或委員會衡量內部監控系統成效的資料 (Fig 34)。就恒生指數成分股公司及恒生中國企業指數成分股公司而言，分別僅有81%及60%的公司選擇披露有關資料，當中分別僅有38%及23%的公司能夠作出充分的解釋 (Fig 34)。同樣，評估內部監控成效的公司數目減少，同時他們並未在報告中深入闡述內部監控的成效。只有60%的恒生中國企業指數成分股公司提及財務、營運及合規監控及風險管理系統的檢討，而未合規的恒生綜合指數成分股公司的比率則維持不變 (Fig 33)。在缺少真正深入闡述的情況下，有關檢討的範圍和深度依然模糊。若監管機構完成建議修訂指引，或許可推動公司制定更清晰的檢討深度和範圍。

Fig 30



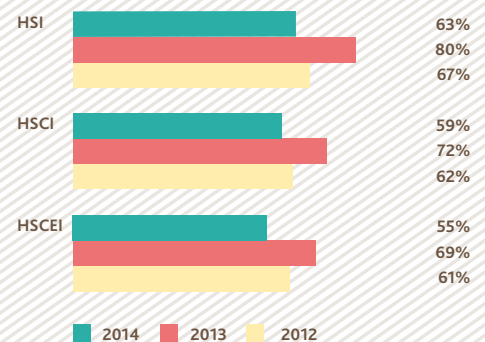
Q Does the audit committee monitor and review the effectiveness of internal audit activities? (C.3.3 of the Code)
審核委員會是否監察及檢討內部核數功能的有效性? (《守則》C.3.3)

Fig 31



Q Is there a statement that a review of the effectiveness of the group's internal controls has been undertaken at least annually? (C.2.1 of the Code & Appendix 14 S(a) of the LR)
是否有說明要求最少每年檢討一次集團內部監控的有效性? (《守則》C.2.1 及《上市規則》附錄十四 S(a))

Fig 32

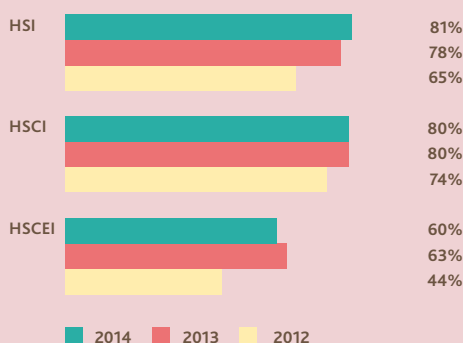


Q If yes, is there a concluding statement about the effectiveness and adequacy of the company's internal control systems? (Appendix 14 S(a)(vi) of the LR)
如有，是否有任何有關公司的內部監控系統的有效性及其適當性的總結陳述? (《上市規則》附錄十四 S(a)(vi))

When it comes to providing more details on companies' risk processes, although improving with 87%, 69%, and 60% of HSI, HSCI and HSCEI providing a statement of their risk management process, the majority did not provide details on their risk management framework, and how the company manages and mitigates risks (Fig 36). We also noted companies rolling forward risk management and internal control disclosures from previous years without updating them. With the new proposed guidance, companies would have to state more than just that they have reviewed control effectiveness by giving real insight into their risk management and control practices. More positively, the best companies refined their disclosures with descriptions of their processes covering the risk management system, its roles and responsibilities, their assessment methodology and system for monitoring and reporting the mitigation of risks. Additionally, more companies have established separate risk committees, rather than addressing risks via the audit committee and board, even though the existence of a risk committee does not absolve the board from its responsibilities concerning risk and ultimate decision making.

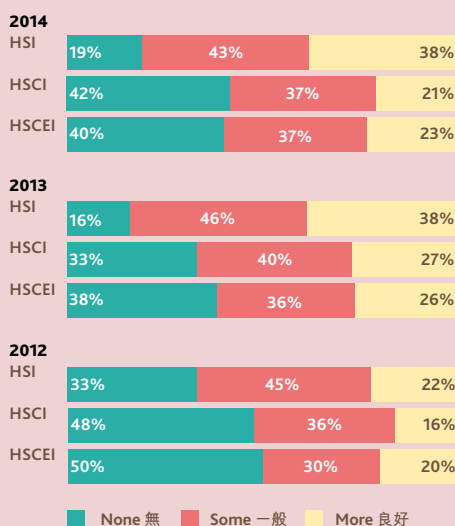
此外在詳細披露公司風險程序方面有所改善，分別有 87%、69% 及 60% 的恒生指數成分股公司、恒生綜合指數成分股公司及恒生中國企業指數成分股公司報告了他們的風險管理程序，但當中大部分並未披露風險管理框架的詳情，亦未有披露公司如何管理及降低風險 (Fig 36)。我們亦發現，多間公司重複往年的風險管理及內部監控披露資料而不作任何更新。根據新的建議指引，公司將須披露更多資料，深入闡述風險管理及監控常規，而非僅僅表示已檢討監控成效。報告亦顯示，表現最佳的公司則較為積極，對風險管理的系統、角色和責任、評估方法和緩減風險的監控及報告制度均作出披露說明。此外，儘管風險管理委員會的存在並沒卸除董事會對風險及最終決策所承擔的責任，但更多公司已成立獨立風險管理委員會，而非透過審核委員會及董事會處理風險。

Fig 33



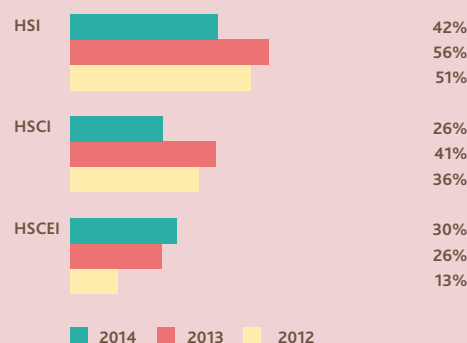
Q If a review of the effectiveness of the group's internal controls has been performed, is there a statement that the review covers all material controls including financial, operational and compliance controls, and risk management systems? (C.2.1 of the Code & Appendix 14 S(a) of the LR)
 檢討集團內部監控的有效性時，是否有說明有關檢討涵蓋所有重要監控方面，包括財務、運作及合規監控系統，以及風險管理系統？(《守則》C.2.1 及《上市規則》附錄十四 S(a))

Fig 34



Q Is there a disclosure of the process the board and committees applied when they reviewed the effectiveness of the internal control system? (C.2.4.d&e of the Code)
 董事會及委員會有否披露用以檢討內部監控系統的有效性所採取的程序？(《守則》C.2.4(d) 及 (e))

Fig 35



Q Are there disclosures about the procedures and internal controls for the handling and dissemination of price sensitive information? (Appendix 14 S(a)(ii) of the LR)
 有否披露任何關於處理及散播股價敏感資料的程序及內部監控措施？(《上市規則》附錄十四 S(a)(ii))

Disclosure of control weaknesses

The Code requires companies to disclose remedial actions taken to address significant or material weaknesses. Only three companies disclosed significant control weaknesses with 78 companies disclosing they had none. Of the remaining 157 companies, 143 companies make no reference to control weaknesses and the remaining 14 companies only made a basic statement that any weaknesses would be remedied (Fig 37). It is understandable that disclosing such information puts companies at a competitive disadvantage; however, stakeholders deserve at least meaningful information signalling that the internal control system is effective to identify and address any significant failings.

Internal audit

The fact that companies across all three indices have an internal audit function signifies that they believe internal audits play a valuable role in supporting risk management and ensuring an effective internal control system (Fig 38). Of the companies that have an internal audit function, over half disclosed whether it was outsourced, in-house or co-sourced, with the others failing to provide sufficient information to determine the type of function. With the increasing attention given to internal audits, we hope to see more information pertaining to the type and focus of this important function.

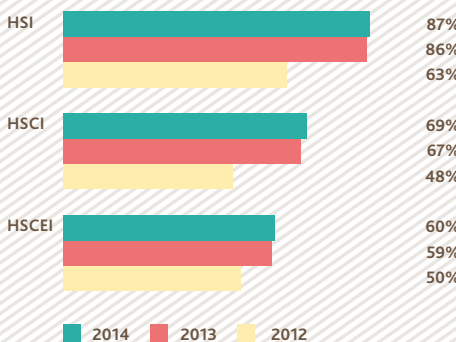
監控不足的披露

《守則》要求公司披露針對嚴重或重大不足採取的補救措施。僅三間公司披露存在重大監控不足，另有78間公司披露不存在監控不足。在其餘157間公司當中，有143間公司並未提及監控不足，其餘14間公司僅表示如有任何不足會進行補救 (Fig 37)。我們理解，披露有關資料將置公司於競爭劣勢；然而，至少企業有關人士有權獲得有意義的信息，以了解內部監控制度能否有效發現及處理任何重大失誤。

內部審核

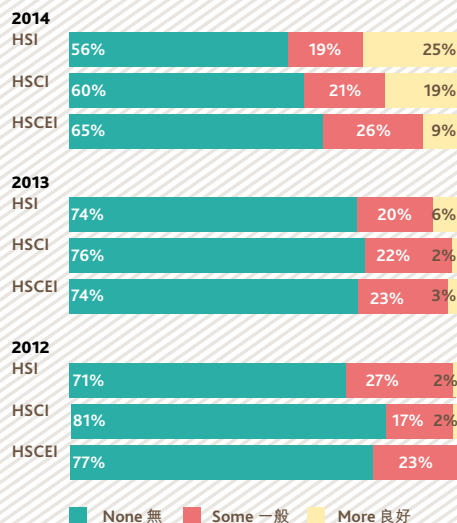
三大指數公司均設有內部審核功能，這表明他們認為內部審核在支持風險管理，及確保有效內部監控制度中扮演重要的角色 (Fig 38)。超過一半設有內部審核功能的公司披露是否採用外聘、內部或合聘安排，而其餘公司則未能提供足夠資料以確定內部審核功能的類別。隨著內部審核日益受到關注，我們希望公司提供更多有關這項重要職能的類別及其重點。

Fig 36



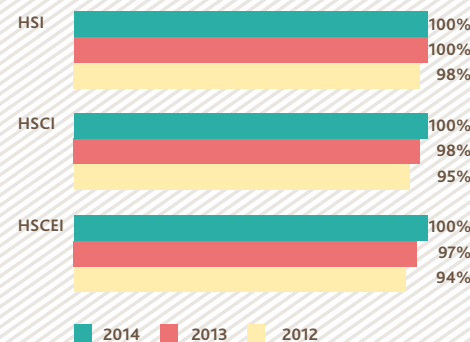
Q Is there a statement of the process applied for identifying, evaluating and managing the significant risks faced by the company? (C.2.3(a) of the Code)
有否說明公司用於辨認缺失、評估和管理重大風險的程序？(《守則》C.2.3(a))

Fig 37



Q Does the company disclose whether any necessary actions have been or are being taken to remedy any significant failings or weaknesses? (Appendix 14 S(a)(ix) of the LR)
公司有否披露為補救任何重大失誤或不足之處而已經或正在採取的必要措施？(《上市規則》附錄十四 S(a)(ix))

Fig 38



Q Do they have an internal audit function or equivalent? (C.2.5 of the Code)
公司是否設有內部核數功能或同等功能？(《守則》C.2.5)

REMUNERATION COMMITTEE

Executive remuneration remains a sensitive and high-profile issue in the public eye. It is unsurprising, therefore, that all companies continued to describe their committee's roles and functions, with over at least 90% of companies across all three indices confirming that a significant portion of the remuneration of their executive directors was linked to corporate and individual performance (**Fig 39**). This year saw more companies providing clarity about the link as well as informative disclosure and transparency about the procedures for developing policies on executive and non-executive remuneration, and for determining the remuneration packages of individual directors. Moreover, the sensitivity surrounding executive and non-executive rewards is attracting increasing attention to the role of remuneration committees. The public will continue to keep an eye on companies that do not have a formal and transparent procedure for developing a policy on executive remuneration and do not have a fixed remuneration package for each director, as no director should be involved in deciding his or her own remuneration.

SHAREHOLDER RELATIONS

The success of the 'comply or explain' principle relies on shareholders' active engagement in influencing standards of corporate governance. There continues to be improvement in company disclosures on the periodic update of their shareholder policy. This year, although improving, only small increases were noted in companies, from 22% and 18% to 31% and 19%, among HSI and HSCI companies that had carried out reviews of this policy respectively (**Fig 40**). Additionally, companies appeared to be slower in disclosing their interactions with shareholders and paying less attention to their relationships with them, as the number of companies offering basic information about the steps their boards had taken to understand the views of their shareholders and communicate with them remained static. There is still more room for companies to enhance the quality of their disclosures and strengthen their relationships with shareholders.

One of the most commonly reported forms of non-compliance continued to be the failure of a company's chairman and committee chairmen to attend annual general meetings. The participation of the chairman in an annual general meeting represents the company's recognition of the importance of shareholder relations. As heads of the board and board committees, they play vital roles in promoting corporate governance. Moreover, external auditors are also encouraged to attend general meetings. Our review suggests that external auditors were seldom given the opportunity to do so. There continues to be a disparity between HSI and HSCEI companies in this regard. Only 7% of HSCEI companies attended their annual general meetings, compared to 54% of HSI companies, while HSCI companies reported a rate of 36% (**Fig 44**).

薪酬委員會

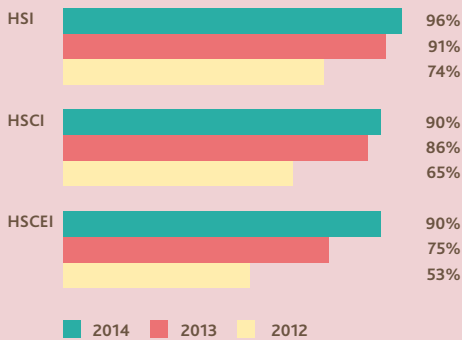
在公眾眼裡，執行董事薪酬依然是既敏感又引人關注的事項。因此，正如預期，所有公司均繼續闡述其委員會角色和職能，超過至少90%的三大指數公司確認，執行董事的大部分薪酬與企業及個人表現掛鉤 (**Fig 39**)。今年，更多公司就董事薪酬與個人表現掛鉤作出明確披露，而在制定執行董事及非執行董事薪酬的政策，及釐定董事薪酬的程序方面，作出詳盡披露，並且提高透明度。此外，執行董事及非執行董事的酬謝獎勵變得敏感，讓人愈來愈關注薪酬委員會的角色。另外董事不應參與釐定其本人的薪酬，對於缺乏正式而透明的程序，以制訂執行董事薪酬政策及制訂董事薪酬的公司，公眾將繼續密切注視。

股東關係

「不遵守就解釋」這項原則能否成功，有賴股東是否積極參與制定企業管治的標準。報告指出，公司在定期更新股東政策的披露方面持續改善。儘管這方面有所改善，但對該政策進行檢討的恒生指數成分股公司及恒生綜合指數成分股公司僅輕微上升，分別由22%及18%增至31%及19% (**Fig 40**)。此外，作出基本信息披露，說明董事會為了解股東意見及與股東溝通所採取的措施的公司數目不變，表明公司似乎在披露與股東溝通方面進展較慢，且對股東關係的重視程度亦有所下降。公司在提高披露質素和加強與股東的關係方面仍有改善空間。

另一方面，最常見的不合規情形之一仍是公司主席及委員會主席未能出席股東週年大會。主席參與股東週年大會，可體現公司認同與股東保持良好關係的重要性。作為董事會及董事委員會的主管，他們在推動企業管治方面擔當重要角色。此外，新指引亦鼓勵外聘核數師參加股東週年大會。我們的檢討顯示，外聘核數師極少有機會參加股東週年大會。恒生指數成分股公司與恒生中國企業指數成分股公司在這方面仍有差距。相對於54%的恒生指數成分股公司，只有7%的恒生中國企業指數成分股公司的外聘核數師參加股東週年大會，而恒生綜合指數成分股公司的比率則為36% (**Fig 44**)。

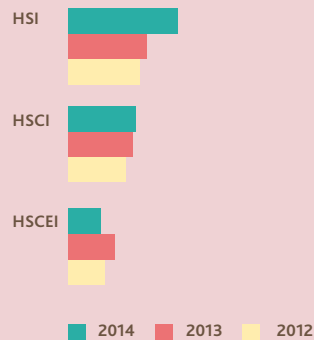
Fig 39



Q If information is provided on performance related elements, is it mentioned whether a significant proportion of executive directors' remuneration is structured in a way that links rewards to corporate and individual performances? (B.1.7 of the Code)

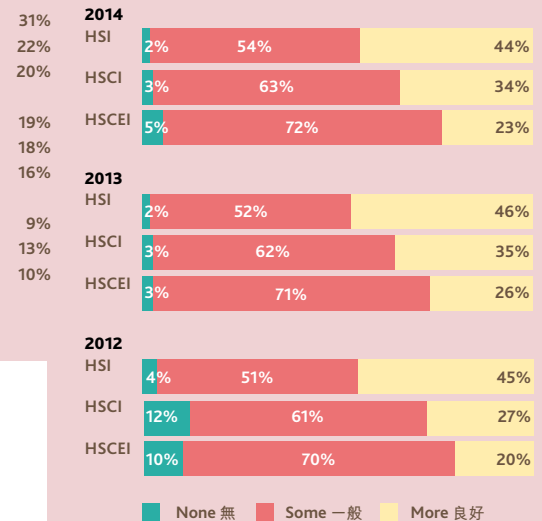
如有與表現相關的薪酬制度，執行董事的大部分薪酬是否與公司及個人表現掛鉤？（《守則》B.1.7）

Fig 40



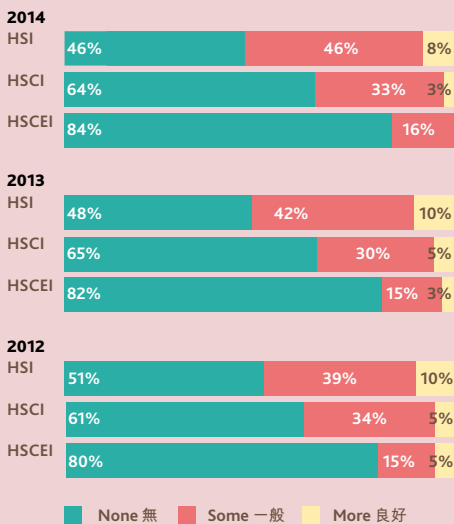
Q Is it disclosed whether the shareholders' communication policy is reviewed on a regular basis? (E.1.4 of the Code)
有否披露公司會定期檢討股東通訊政策？（《守則》E.1.4）

Fig 41



Q Is there disclosure about what steps the board took to understand the views of shareholders? (A.6.7 & E.1 of the Code)
有否披露董事會為了瞭解整體股東意見而採取的措施？（《守則》A.6.7 及 E.1）

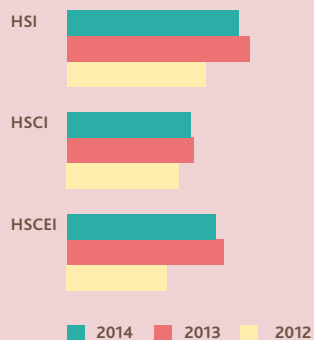
Fig 42



Q How well is the disclosure about the methods the company uses to inform shareholders regularly about the procedures for voting by poll; and its complying with the voting by poll requirements contained in the Listing Rules and the issuer's constitutional documents? (E.2.1 of the Code)

對於定期通知股東以投票方式表決的程序，並確保符合上市規則及上市發行人的憲法文件有關以投票方式表決的規定，有關的披露表現如何？（《守則》E.2.1）

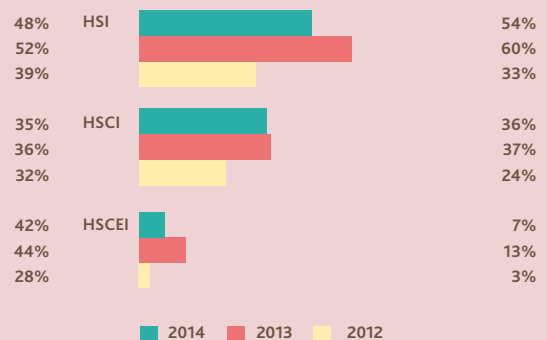
Fig 43



Q Is there disclosure of an advance notification period for annual general meetings and other general meetings of 20 or 10 days, whichever appropriate, given to shareholders? (E.1.3 of the Code)

有否向股東披露股東周年大會及其他股東大會的通知期為20天或10天，以適用者為準？（《守則》E.1.3）

Fig 44



Q Is there disclosure that the external auditor has attended the annual general meeting? (E.1.2 of the Code)
有否披露外聘核數師有沒有出席股東週年大會？（《守則》E.1.2）

CORPORATE SOCIAL RESPONSIBILITY / SOCIAL ENVIRONMENTAL AND ETHICAL MATTERS

A growing number of internationally recognised bodies, including the Exchange, have issued guidance in the past year to assist companies in adopting appropriate sustainability practices and to report on these. The guide on sustainability reporting was introduced in the hope that it will allow Hong Kong companies to address this subject efficiently and effectively.

There was a disappointing overall decline in the number of companies who made informative disclosures. There was an 11% decrease, from 66% to 55%, in the number of HSCI companies who made informative disclosures, while the rates for HSI and HSCEI companies also largely decreased to 81% and 49% respectively (**Fig 46**). Similarly, we have also seen a significant drop in reporting by companies in all three indices about the impact their business activities have had on the environment, in terms of issues such as energy consumption and waste production. Only 85%, 58%, and 60% of HSI, HSCI and HSCEI companies made such disclosures, a decline of 7% for both HSI and HSCI companies and 14% for HSCEI companies (**Fig 47a**). Overall, this year's results for corporate social responsibility (CSR) performance revealed that most Hong Kong companies still have a long way to go to aligning their sustainability reporting to that of international standards. Much effort is needed to establish dedicated governance structures to oversee CSR strategies, objectives and implementation. Given CSR is now undergoing a transformation in terms of its importance for internal management and for external disclosure, we hope this trend of increasing importance of environmental and social performance disclosure will reflect in companies' CSR reporting next year.

企業社會責任 / 社會環境及道德問題

去年，愈來愈多國際知名機構（包括交易所）發佈指引以協助公司採納適當的可持續常規及作出相關報告。可持續報告的指引旨在協助香港公司迅速和有效地應對這個問題。

本年度分析顯示，作出詳盡披露的公司整體數目下降，情況令人失望。作出詳盡披露的恒生綜合指數成分股公司由 66% 減少 11% 至 55%，而恒生指數成分股公司及恒生中國企業指數成分股公司的比率亦分別大大減少至 81% 及 49% (**Fig 46**)。同樣，我們亦發現，披露進行業務活動對環境造成影響（例如能源消耗和廢物產生）的三大指數公司大幅減少。分別僅有 85%、58% 及 60% 的恒生指數成分股公司、恒生綜合指數成分股公司及恒生中國企業指數成分股公司作出相關披露，恒生指數成分股公司及恒生綜合指數成分股公司均減少 7%，而恒生中國企業指數成分股公司則減少 14% (**Fig 47a**)。整體而言，本年度企業社會責任表現檢討結果顯示，大部分香港公司的可持續報告距離國際標準依然相去甚遠。企業須繼續努力，建立專責的管治架構監督企業制定社會責任策略、目標，以及如何履行社會責任。就內部管理及外部披露重要性而言，企業社會責任正在發生轉變。環境及社會表現披露的重要性與日俱增，我們期待來年企業社會責任報告將反映這個趨勢。



Fig 45

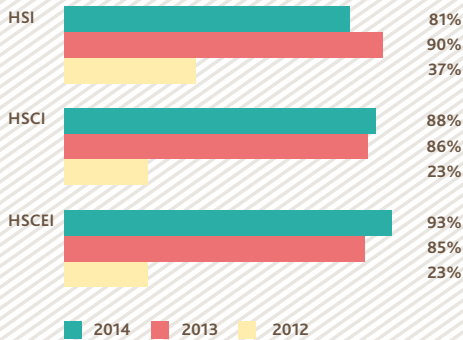


Fig 46

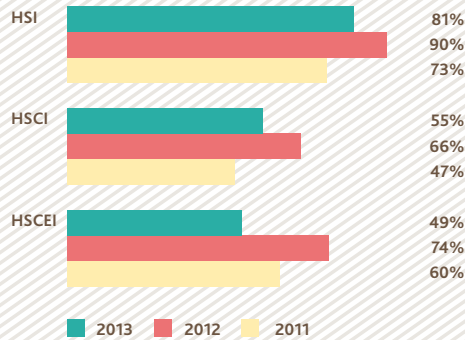
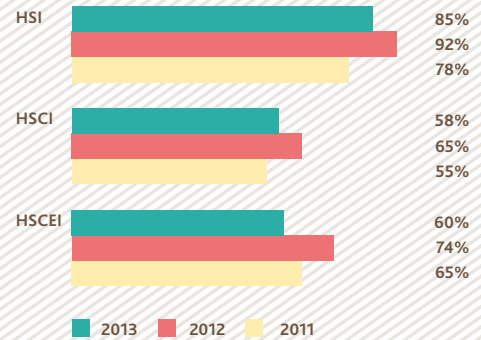


Fig 47a



Q Are there disclosures on how shareholders can convene an extraordinary general meeting and how enquiries may be put to the board together with sufficient contact details? (Appendix 14 O of the LR)
 有否披露股東如何參加特別股東大會及如何向董事會提交查詢與聯絡方式? (《上市守則》附錄十四O)

Q Do they disclose in the annual report whether they have established dedicated structures and processes to direct and monitor the company's wider social environment and ethical performance, and is this reported to the board regularly?
 公司有否披露是否設立專責部門及程序以指導及定期監管該公司廣泛的社會環境及道德表現，並在年度報告中匯報?

Q Are there disclosures of company policy regarding issues such as energy consumption, employment, recycling, carbon emissions, water/electricity consumption etc?
 有否披露該公司有關能源的政策，包括消耗、採用、循環利用、二氧化碳排放量、水和電消耗等各方面?

Fig 47b

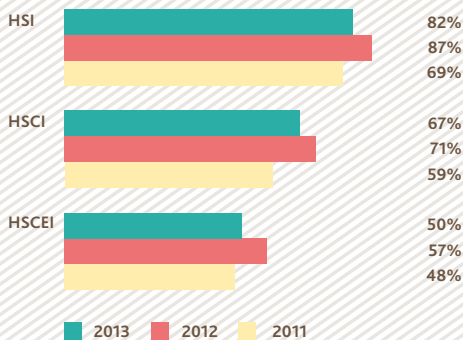
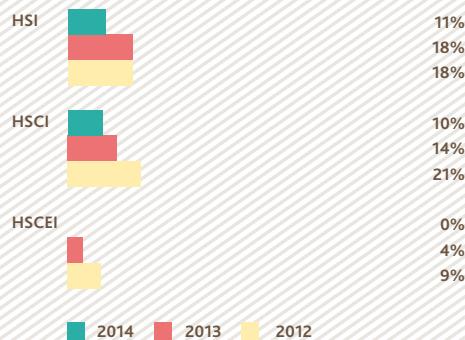


Fig 48



Q If so, are such objectives and quantifiable results of such policies stated?
 如有，有否列出該政策目標的量化結果?

Q Are disclosures made verified either internally (internal audit) or externally?
 該等披露有否經過內部(內部核數)或外部核實?

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關於立信德豪

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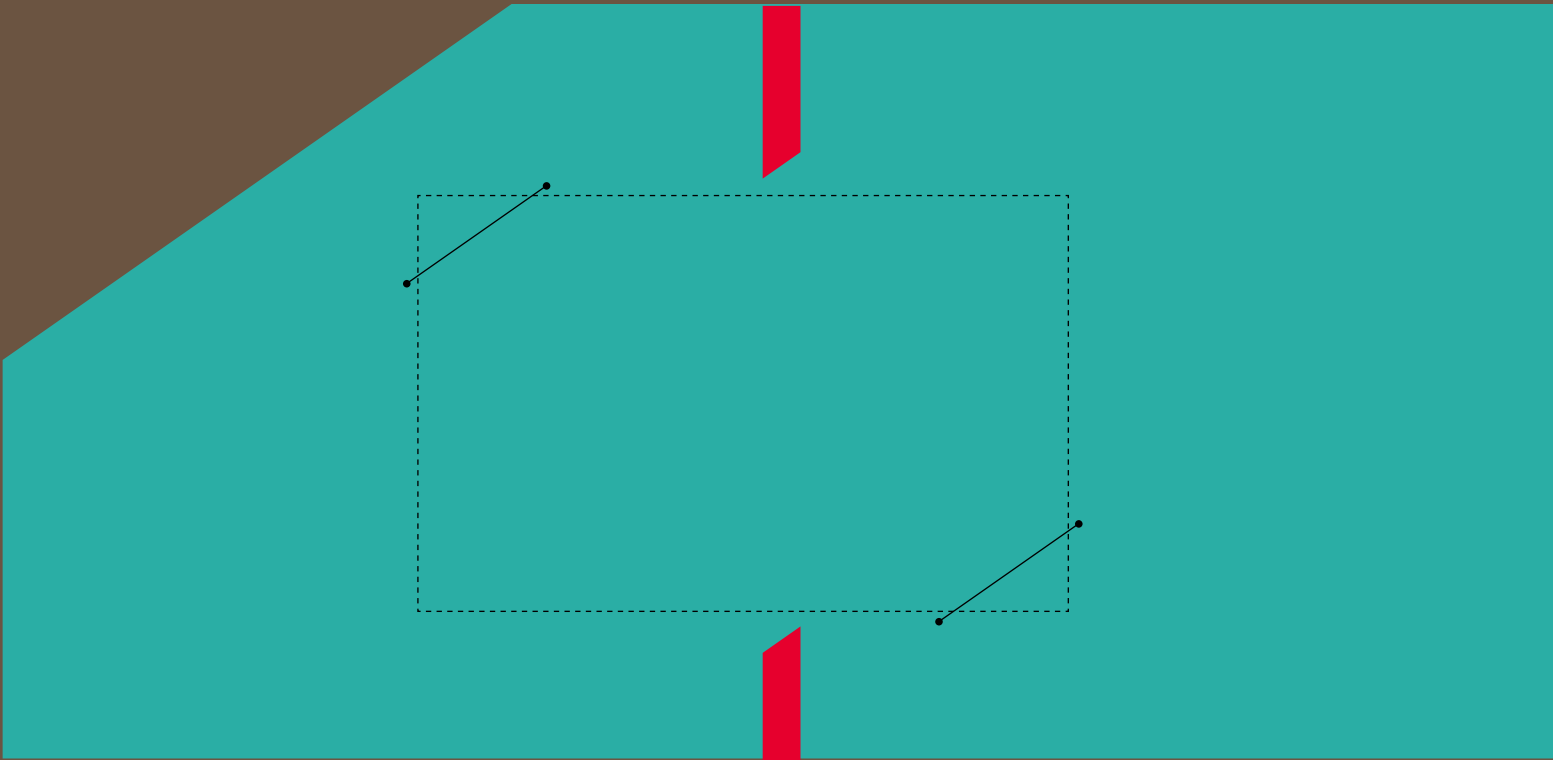
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