

# Taking the temperature

The state of corporate governance practices  
in Hong Kong and the Mainland



## Acknowledgement

The Hong Kong Institute of Chartered Secretaries (the Institute) is an independent professional body representing Chartered Secretaries and Chartered Governance Professionals in Hong Kong and the Mainland. From February to April 2019, a survey entitled State of Governance was distributed by the Institute to its members in Hong Kong and the Mainland and saw 419 responses. The survey was conducted with overall oversight from the Institute's Technical Consultation Panel (TCP) under the chairmanship of April Chan FCIS FCS.

The survey itself was designed by collaboration between the TCP, Institute Senior Director & Head of Technical and Research Mohan Datwani FCIS FCS(PE), Institute Vice-President Dr Gao Wei FCIS FCS(PE), Tommy Tong and Peter Greenwood FCIS FCS. The conduct of the survey was carried out by Institute Chief Operating Officer and Director, Professional Development Ken Yiu ACIS ACS(PE). This report was written by Peter Greenwood with input and advice from Mohan Datwani, and with overall support from Institute Chief Executive Samantha Suen FCIS FCS(PE). The Institute is most grateful to all respondents who contributed to this survey.

The Hong Kong Institute of Chartered Secretaries  
October 2019



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## Foreword

The Hong Kong Institute of Chartered Secretaries (the Institute) is pleased to present this latest report on corporate governance practices, policies and attitudes. We have called this report 'taking the temperature' because it is precisely that – an exercise in assessing the current state of corporate governance in the companies within which our members are engaged. In this respect, the survey on which the report is based has two particular values. Firstly, it represents a wide range of responses (well over 400) covering a wide variety of companies in Hong Kong and the Mainland. Secondly, these come from Institute members who by the nature of their qualification, expertise and duties are at the heart of current corporate governance practices and developments.

The findings of the survey are summarised in the Executive Summary which follows, and then presented and analysed in greater detail in the main body of the report. For my part, it was heartening to observe the broad view of our fellow members that Hong Kong and the Mainland are performing well in the sphere of corporate governance. This matters – the survey showed clear recognition of the importance of good corporate governance to thorough risk management and enhanced operational efficiencies. However, I also noted that in corporate governance the emphasis is still heavily on compliance rather than an expression of genuine commitment. In addition, there was overwhelming agreement amongst our members that corporate governance requirements will become stricter and more demanding over the next five years. Our survey also confirmed that in corporate governance the tone is set at the top.

Pulling these strands together, it is clear that to both fully extract the benefits of good corporate governance and to meet the strengthening requirements of the coming years will need a reinforced and wholehearted commitment from the top – by chairmen, boards and CEOs. Our members, as governance professionals, are well-placed and well-equipped to support all of these chairmen, boards and CEOs – both in developing strong governance culture and in its effective daily implementation.

For its part, the Institute will continue to do all it can to ensure that our members continue to excel in the application and implementation of corporate governance standards which meet and, where appropriate, are better than those found in other markets in our region and across the world. Through reports such as this, we will also continue to measure and report upon the outcome of their efforts and of all those who are working to ensure that corporate governance in Hong Kong and the Mainland meets the needs and serves the interests of the communities in which we live and work.

The temperature of corporate governance in our market is healthy, but together we have much work ahead in ensuring that this remains the case.

David Fu FCIS FCS(PE)  
President  
The Hong Kong Institute of Chartered Secretaries



# Executive Summary

From February to April 2019, the Institute conducted a survey entitled *State of Governance* seeking insights from its members into current corporate governance practices, policies and attitudes. 419 responses were received although not every respondent answered every question. The detailed results of the survey and an analysis of those results is set out in the following pages<sup>1</sup>. The key insights include those highlighted below.

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*The Institute has long held the view that corporate governance is a journey, not a destination*

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- An effective corporate governance regime is set by the 'tone at the top', in particular by the chairman and the board.
- The benefits of good corporate governance are perceived to lie in better risk management and operational efficiencies – not in a premium on share price.
- The company secretary is central to the implementation of governance duties and regulations, and in fulfilling compliance obligations.
- There was a high level of confidence in the quality of codes of conduct, the implementation of financial controls, anti-bribery and corruption measures, and the respect for high ethical standards.
- There may be more work to be done in bringing issues of diversity, inclusion, anti-sexual harassment and whistleblowing effectively within corporate governance systems.
- There was an assessment that the quality of corporate governance in the companies where our respondents worked measured well, not only against Hong Kong counterparts but companies in the region and further afield.
- Excellence in corporate governance is still driven more by an obligation of compliance than by a wholehearted commitment.
- Corporate governance requirements are expected to increase substantially in the next five years.

The Institute has long held the view that corporate governance is a journey, not a destination. In other words, there will not come a point where the regulation of corporate governance, compliance with that regulation, and companies' own drive towards self-improvement ceases to strengthen and develop. This was a key element of the messages we took away from the survey. Our members clearly felt that they and the other key participants in implementing good corporate governance were all playing their part in promoting high standards of governance in both Hong Kong and the Mainland, which the Institute has steadfastly done. At the same time, those standards do vary between companies and between different aspects of governance. There is much work to be done in moving towards uniformity of excellence across all companies and across all aspects of governance – and yet more work in pursuing the even-higher standards which almost all of our colleagues expect will be required of us in the coming years.

<sup>1</sup> It should be noted that while a survey, as this one, can only provide a limited snapshot of the governance practices of those respondents responding to the survey - and the references to Mainland companies and companies based in the Mainland throughout this report should be understood accordingly – nevertheless it is of value to illustrate the business practices of listed companies with both Hong Kong and Mainland connections.



# Report findings

## 1 Who are the 'Influencers'?



Appendix A provides background information of the survey

The first question we asked was intended to discover who, amongst the various actors in a company's corporate governance regime, influenced the company's day-to-day corporate governance practices. Taking the overall survey findings, we learned that all of the participants who we would expect to see contributing to effective corporate governance practices are perceived as 'very influential', namely (from top down to external influencers):

- the chairman
- the board
- independent non-executive directors (INEDs)
- the audit committee
- the chief executive officer (CEO)
- the chief financial officer (CFO)
- general counsel
- company secretary
- controlling shareholders, and
- regulators

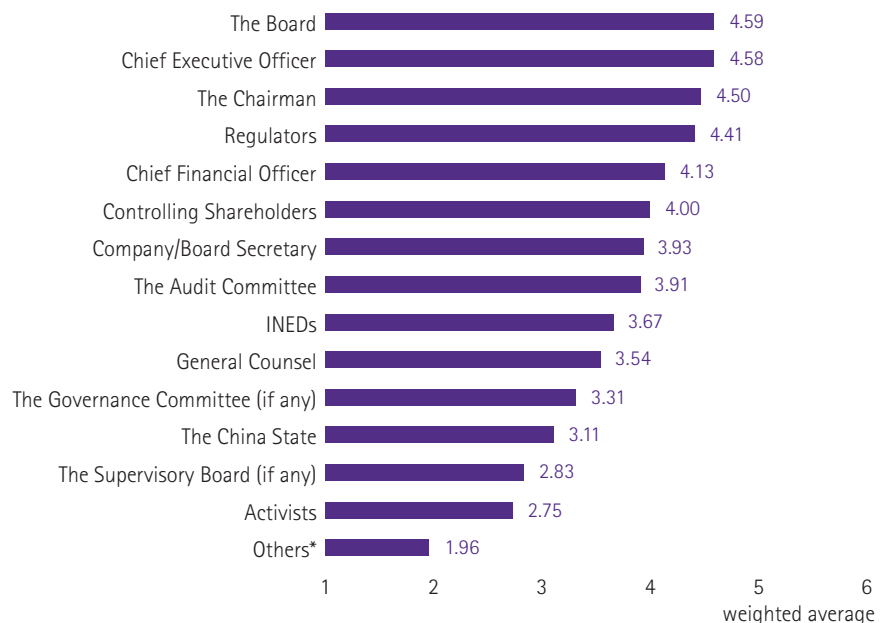


Appendix B provides the survey data

This was encouraging in the sense that it suggests that the responsibility for good corporate governance is both widely shared and widely fulfilled.

Aside from regulators, external influence on governance practices appeared less significant with only 9% of respondents identifying activists as being very influential in this area. This indicates that, compared to experience in say Europe and the US, the intervention of activists or non-governmental organisations, civil society or minority shareholders remains of limited scope.

## Overall





Whilst noting the contributions of a broad range of corporate players to governance practices, it was particularly interesting to note who was considered to be the most influential. Setting aside the involvement of regulators themselves, the three most important figures or entities were:

Hong Kong	The Mainland
The chairman (22%)	The chairman (67%)
The board (21%)	The board (54%)
The CEO (17%)	The CEO (46%)

In both cases, the responses illustrated that corporate governance practices, even on a day-to-day basis, are influenced from the top – the chairman and the board. However, a clear distinction between Hong Kong and the Mainland was the overwhelming importance in the Mainland of the rule of the chairman.

Within Hong Kong, only 7% of respondents identified the INEDs as most influential on day-to-day corporate governance practices. We take this to mean, not that INEDs are of lesser influence, but that they exercise that influence through the board as a whole, rather than as a distinct subgroup in the board.

Within the Mainland, a much higher proportion of responses identified the company/ board secretary as having the most influence on corporate governance practices (25%) as compared to Hong Kong (7%). At first glance this might imply that company secretaries are of limited influence in Hong Kong. However, a further 58% of respondents classed the company secretary in Hong Kong as being either moderately or very influential in day-to-day governance practices – whilst the tone is set at the top, the company secretary is highly active, within senior management and working with the board, in carrying through the overall governance environment to effective daily implementation.



*‘An important role of The Stock Exchange of Hong Kong Limited (the Exchange) is to promote good corporate governance amongst listed issuers, and at the centre of good governance is an effective board. We are pleased to see that issuers recognise the importance of instilling a strong corporate governance culture from the top. While the Listing Rules and Corporate Governance Code provide a framework within which issuers should operate, it takes the true commitment of issuers, their directors and senior management to achieve a standard of corporate governance that is in line with international best practices. Company secretaries play an important role in this regard and we welcome the continuous effort of The Hong Kong Institute of Chartered Secretaries in the promotion of corporate governance. The Exchange will continue to review and enhance our corporate governance framework, and provide guidance and training to the market.’*

**David Graham**  
 Head of Listing  
 Hong Kong Exchanges and Clearing Limited

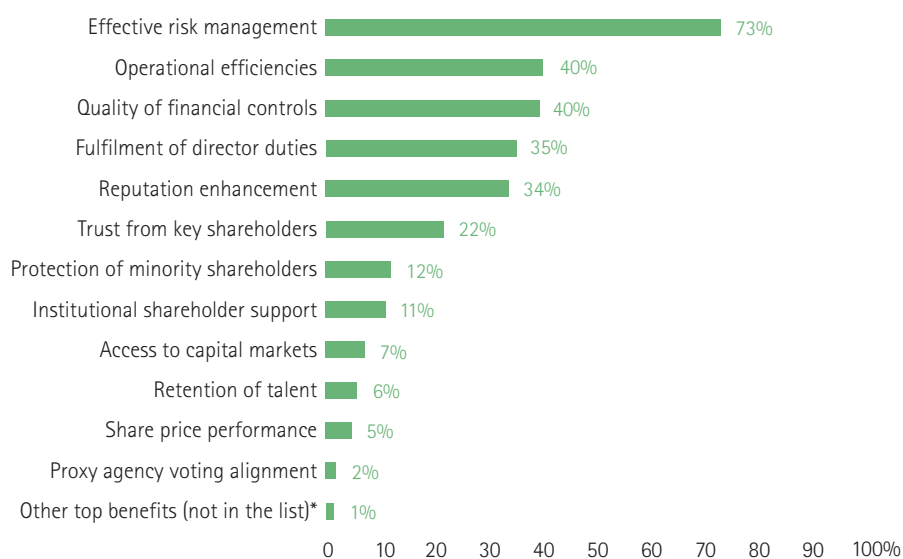
## 2 What are the benefits of good corporate governance?

We asked survey contributors to identify the top three benefits perceived by their company from the adoption of good corporate governance practices. The results were clear.

### Overall



### Hong Kong





## The Mainland



*75% of respondents identified effective risk management as being one of the foremost benefits [of good corporate governance]*

The results were also surprising in one sense. It is commonly suggested that investors are prepared to pay a premium for shares in well-governed companies. This was certainly not the perception amongst our respondents. Overall, only 4% of these ranked share price performance as even being in the first three perceived benefits of good corporate governance practices.

On the contrary, 75% of respondents identified effective risk management as being one of the foremost benefits. This suggests that good governance is considered to be of major importance in the effective management of downside risk, rather than a direct contributor to positive share price enhancement.

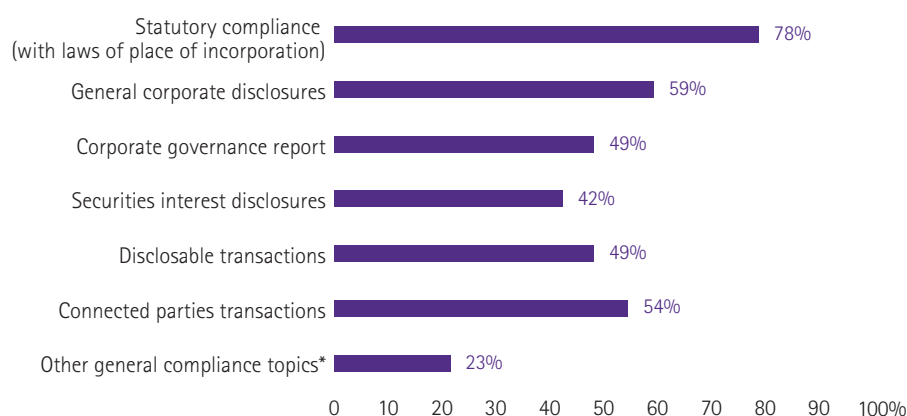
Both Hong Kong and Mainland companies perceived operational efficiencies and the quality of financial controls as substantial advantages of good governance – even if these outcomes ranked significantly lower than risk management. Looking beyond these three benefits, there was a notable difference in the respective importance attached to two other benefits. Hong Kong respondents (35%) identified the fulfilment of directors' duties as a top three benefit of good corporate governance, compared to only 15% in the Mainland – possibly suggesting a greater awareness of safeguarding the liabilities and discharging the responsibilities of directors in the Hong Kong context. Conversely, Mainland respondents (35%) attached much greater weight to promoting access to capital markets as a benefit of good governance than did their Hong Kong counterparts (7%). This may reflect a difference in the pace of the history of Mainland and Hong Kong companies in accessing the capital markets through initial listings and follow-on share issues. This interpretation is supported by the difference which Hong Kong companies attach to the importance of reputational enhancement as one of the top three benefits of good corporate governance practices (34%), compared to only 15% amongst Mainland companies. In other words, Hong Kong companies tend to see good governance as preserving their reputation amongst existing capital providers, whereas Mainland companies tend to consider this a valuable tool in the search for new capital sources.

At first glance it might seem surprising that only 22% of respondents selected trust from key shareholders as a major benefit of good governance (and the ranking was remarkably similar in both Hong Kong and the Mainland). This may be due to the fact that, as we have previously explained, the chairman, board and CEO are the major influencers over governance practices. Since the controlling shareholders are heavily involved, directly or indirectly, in the appointment of all three of these elements, their trust in the company is achieved through the exercise of those powers, rather than through good governance in an overall sense.

### 3 The company secretary and the implementation of corporate governance

We asked about the extent to which the company secretary (which includes the board secretary where applicable) is regularly consulted in governance related matters. The overall findings demonstrate that the company secretary is indeed at the heart of the implementation of a wide range of key corporate governance duties and obligations. As we might expect, that role is dominated by the responsibility for advising upon and ensuring statutory compliance, even if other aspects of governance clearly form a part of the company secretary's regular workload.

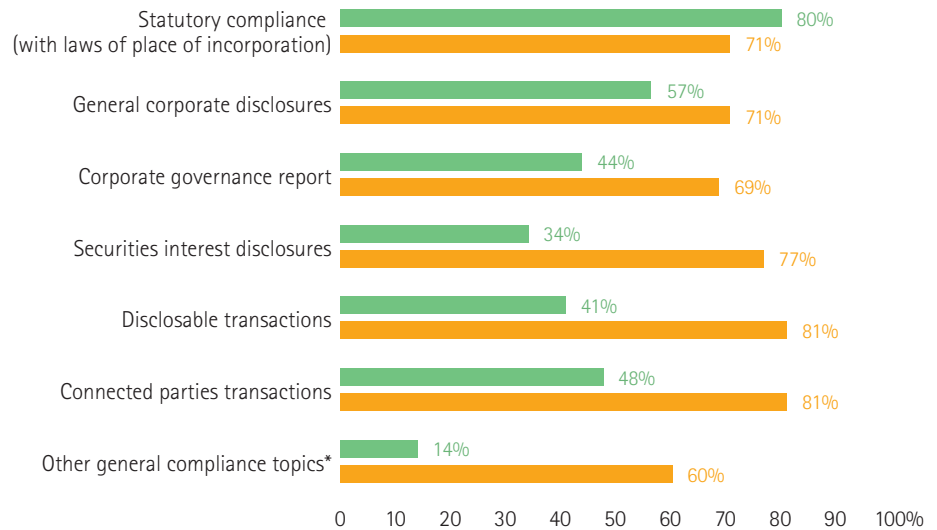
## Overall



There were some notable differences between the weighting attached by our Hong Kong and our Mainland members to aspects of their role beyond broad statutory compliance.



## Hong Kong & The Mainland



These variations are less likely to result from differing perceptions of the role of a company secretary and more from the underlying nature of the respective characteristics, in a general sense, of the listed entities based in the Mainland as compared to Hong Kong. For example, the two most important and frequent matters to cross the desk of a Mainland company secretary were shown to be disclosable transactions and connected party transactions (almost twice as frequently as for a Hong Kong counterpart). This is probably due to a fairly common situation where a Mainland company is the listed vehicle within a much larger state-owned enterprise, or group of state-owned enterprises. Given the linkages that exist in such circumstances, including in terms of business, ownership and board representation, it is not surprising that the proper implementation of the governance implications of disclosable transactions and connected party transactions is a core element of a company secretary's daily duties.



*'The report provides a timely snapshot of where we are in terms of governance in Hong Kong and the Mainland. From my experience, governance is now as much an art as applied business practices. Stakeholders globally increasingly demand that governance issues should be addressed. Accordingly, the report is of international relevance and shows the Institute's thought leadership in this area.'*

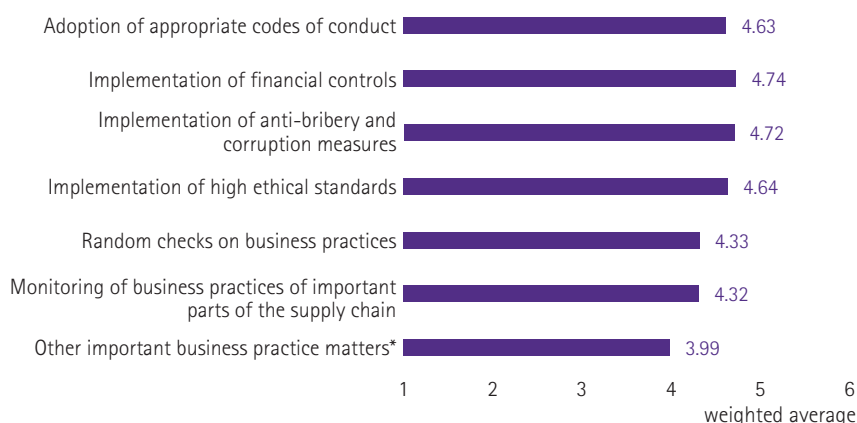
Edith Shih FCIS FCS(PE)  
International President of The Chartered Governance Institute and Institute Past President  
Executive Director and Company Secretary of CK Hutchison Holdings Limited

## 4 The strengths and weaknesses of corporate governance practices

In a series of questions, we asked respondents to express their opinion on the quality of their corporate governance, both in isolation and by comparison with other companies. These were tough questions – requiring our members both to be resolutely objective and to be aware of best corporate governance standards, not only as practised within their own companies but in other companies, including in other jurisdictions.

In the first of these questions, we asked respondents for their thoughts on how weak or strong their company was in terms of best governance practices in a number of key areas. The overall picture was clear in two regards.

### Overall



Firstly, there were either no or very few colleagues who considered their companies were weak (or worse) in the four core areas of the adoption of appropriate codes of conduct and the implementation of financial controls, anti-bribery and corruption measure, and high ethical standards.

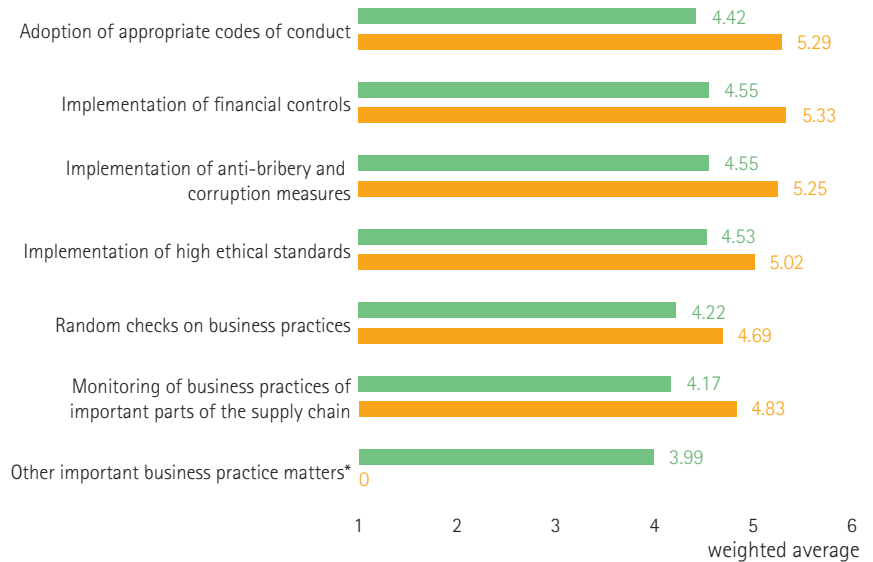
Secondly, to the limited extent that weakness or below average performance was admitted, this tended to lie in the more detailed areas of random checks on business practices within the company itself and the monitoring of such practices elsewhere in the supply chain.

It is probably fair to bear in mind that, in analysing the responses to this question, the respondents will have constituted a sample group who as individuals are likely to have a more heightened awareness of best governance practices than their peers in general and, possibly, in turn to be engaged within companies whose governance practices are of a higher standard than the general average. We should probably also take account of the fact that, whilst the survey was anonymous, not every respondent will have felt disposed to highlight reservations about the quality of corporate governance in his or her company.

Within the overall picture, there were some notable differences between the views of our Hong Kong and Mainland members.



## Hong Kong & The Mainland



A particularly striking difference is to be found in the proportion of respondents who rated their companies' performance as 'very strong' – especially with respect to codes of conduct, financial controls, anti-bribery and corruption measures and high ethical standards. In each of these categories, our Mainland respondents were three to four times more likely to rank their company highly than were their Hong Kong counterparts. This might indicate an unwillingness to admit anything lower than outstanding performance amongst certain respondents.

It is also appropriate to observe that each individual respondent is expressing his or her own view of what constitutes best corporate governance practices against which his or her company is measured. Encouragingly, if those subjective variations in appreciation are reduced by grouping together the 'above average', 'strong' and 'very strong' assessments of individual corporate performance against best governance standards, the overwhelming majority of our survey group, both in Hong Kong and the Mainland, expressed a positive view of the manner in which their company is measuring up to best governance practices.



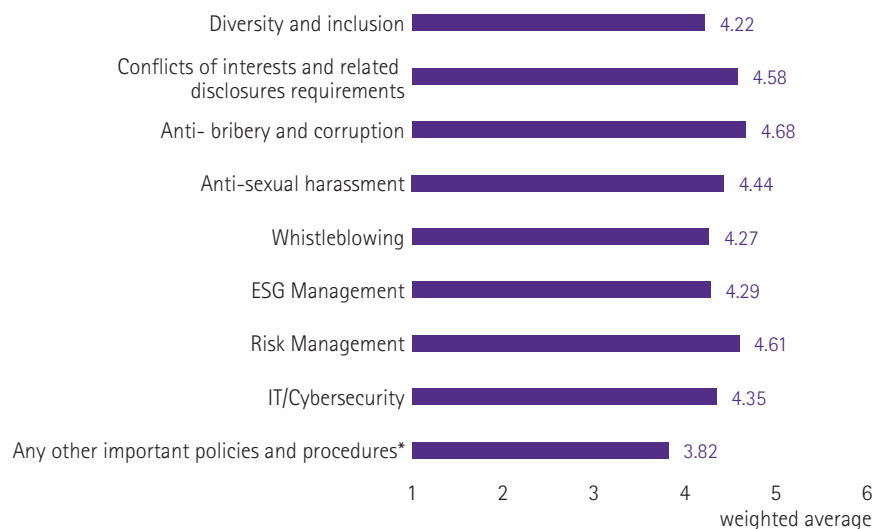
*'This is a very comprehensive and informative report. While corporate governance is still seen as a compliance issue it is clear from the report that there is a shift towards corporate governance being considered a strategic issue related to long-term value creation. This is positive for the future of Hong Kong as a key global capital market.'*

Pru Bennett  
Senior Advisor  
Brunswick Group Limited

## 5 The quality of policies and procedures

We invited respondents to express their views on the strengths and weaknesses of their company's policies and procedures on key matters, when measured against best possible governance practices. Over 200 respondents answered this question (of whom 48 came from the Mainland) the picture emerged as set out below.

### Overall



*Diversity and inclusion, anti-sexual harassment and whistleblowing are all issues where perceptions of the quality of policies and procedures are lower than matters such as conflicts of interest, and anti-bribery and corruption measures*

The first point which comes out is that on every matter a great majority of respondents considered their company to be above average or even better. This may be a particular illustration of the Lake Wobegon Effect (named after a fictional school in a radio series where all children were ranked above average) – the individual tendency to overestimate one's positive qualities and capabilities, and to underestimate one's negative qualities, relative to others.

The best way to see through this potential bias is to accept its presence and look at the individual findings on some matters compared to those on others. If we do that, then the levels of confidence in the quality of policies and procedures on matters relating to human, social and relationship management and interaction are lower than those in other areas. That is to say, diversity and inclusion, anti-sexual harassment and whistleblowing are all issues where perceptions of the quality of policies and procedures are lower than matters such as conflicts of interest, and anti-bribery and corruption measures.

It may be that these latter subjects lend themselves more readily to 'hard' regulation, where both compliance and breaches are easier to recognise and define. In comparison, matters such as diversity, inclusion and anti-sexual harassment may have a greater 'behavioural' character, and be less easy to identify, define and enforce. Be that as it may, there seems to be more work needed on these matters. We also note that, in its Analysis of Corporate Governance Practice Disclosure of November 2018, The Stock Exchange of Hong Kong (the Exchange) noted that there was room



for improvement in the disclosures of board diversity. If diversity at board level is a matter for attention, it is perhaps to be expected that diversity more generally within a company is a work in progress.

Mainland respondents displayed a strikingly greater level of satisfaction with the quality of their company's policies and procedures on every single issue than did their Hong Kong peers. Here are the respective figures for the two categories' ranking of their own company's performance as very strong.

	Hong Kong	The Mainland
Diversity and inclusion	5%	27%
Conflicts of interest and related disclosures requirements	12%	42%
Anti-bribery and corruption	14%	42%
Anti-sexual harassment	6%	44%
Whistleblowing	5%	33%
ESG management	6%	46%
Risk management	10%	35%
IT/cybersecurity	6%	23%

Unless one accepts a significant difference in the quality of governance policies and procedures, the inference is that Hong Kong companies may presently be more critical of themselves than are those in the Mainland.

As regards Hong Kong companies, their assessment of their policies and procedures in the area of ESG management was interesting, given the emphasis placed on this issue by the Exchange in recent years.

Very weak	Weak	Below average	Above average	Strong	Very strong
3%	4%	17%	47%	23%	6%

Whilst sample bias may have pushed the findings towards a view which, in overall terms, was positive on the quality of ESG policies and procedures, there was an identifiable awareness both of a level of below average performance and that, as yet, few companies were very strong in this area.

## 6 Delivery effectiveness in corporate governance

We asked our members to give their views on the effectiveness of the chairman, the board, the INEDs and the company secretary in contributing to good corporate governance. We also asked about the quality of one of the outputs of good governance – the effectiveness of communication with a company's shareholders and other stakeholders. The overall picture is that our respondents have positive views on all those matters.

### Overall



However, the breakdown between the answers given by our Hong Kong and by our Mainland members was more nuanced and therefore potentially more revealing.

### Hong Kong & The Mainland





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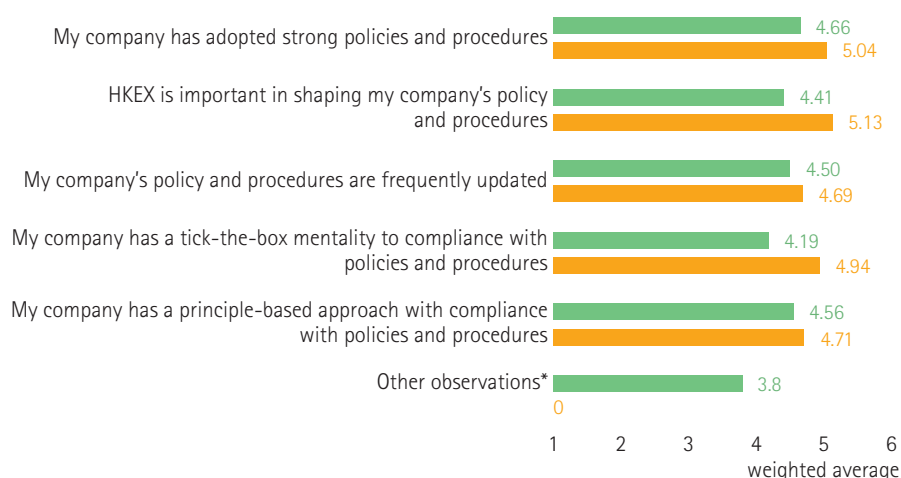
Compared with Hong Kong, three times the proportion of replies from the Mainland strongly agreed with the statement that the chairman of their company was effective in shaping the overall governance of that company. In that regard, the answer was aligned with that given by them to the first question (see page 6) where, by a considerable margin, they identified the chairman as the most influential person in the company's overall day-to-day corporate governance practices.

In contrast to our Mainland members, our Hong Kong colleagues had a more even view of the contribution made by the chairman, the board, the INEDs, and the company secretary in discharging their roles in ensuring good corporate governance. Although notably fewer strongly agreed with the effectiveness of their contributions, there was still broad agreement over the value that these governance participants brought to their companies. That said, there was a note of disapproval expressed by a minority of respondents about the effectiveness of the chairman, the board, and the INEDs. In each case, more than 10% of respondents (around 15% in the case of the chairman and the INEDs) disagreed, with varying force, that these individuals were actually effective in fulfilling components of their governance roles. Almost 8% of our respondents either disagreed or strongly disagreed that the chairman of their company was effective in shaping the overall governance of their company.

It was also slightly surprising to note that both within Hong Kong and the Mainland there was widespread agreement with an assessment that their company communicates effectively with its shareholders on governance related matters – overall, 68% of our contributors agreed or strongly agreed that this was the case. This can be contrasted with the findings of a survey of 413 companies undertaken by the Institute in April 2016 and analysed in our report - Shareholder Communications for Listed Issuers, published in September 2016. In that survey, only 16% of issuers felt that shareholder communications were adequate. One can set aside the unlikely scenario of a massive improvement in the effectiveness of communications with shareholders over the past three years. A more likely explanation is that companies are more effective in communicating with their shareholders on purely governance-related matters than on the wider span of financial, social and environmental performance and outlook.

7 The approach to governance-related policies and procedures

We asked our members for their views about the approach adopted by their company to the formulation and adoption of governance related policies and procedures. There were significant variations between the views expressed by Hong Kong and the Mainland respondents.



As with the answers to previous questions, our Mainland respondents generally expressed a firmer and more positive view of the quality of their governance approach. Most notably, 40% of Mainland respondents strongly agreed that their company had adopted strong policies and procedures, compared to 16% of their Hong Kong peers. There was also a conspicuous difference in the assessment of the importance of Hong Kong Exchanges and Clearing Ltd (HKEX) in shaping their company's policies and procedures, with 42% of replies from the Mainland strongly agreeing that this was the case, as against only 16% in Hong Kong – suggesting that Hong Kong companies exercise a greater degree of autonomy or their own judgement in formulating their governance policies and procedures.

A substantial majority of all respondents agreed that their company had both a 'tick the box' mentality and a principle-based approach to compliance with policies and procedures. These responses, at first glance, appear contradictory or, at the least, somewhat difficult to reconcile. Perhaps the best interpretation is that companies are indeed doing both – approaching corporate governance policies and procedures from the perspective of what, in principle, serves the interests of their company and its shareholders, whilst carefully ensuring that all regulatory requirements are duly satisfied.

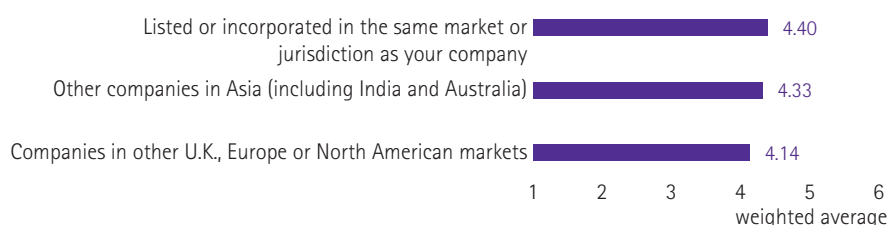
One area which caught the eye was the frequency with which governance policies and procedures are updated. 12% of Hong Kong members strongly agreed that they were frequently updated. Given the importance of stability and consistency in the application of governance policies and procedures, as opposed to constant changes, this was probably a healthy response. On the other hand, the fact that 13% of Hong Kong companies disagree to varying degrees that they are updating their policies may suggest that these do not receive the attention they require to ensure that they are always relevant and up-to-date.



## 8 Corporate governance benchmarking

### Overall

Our members provided their opinions on how well the overall corporate governance of their company compared with other companies, both within the same market or jurisdiction, or on a wider basis. The overall responses are illustrated in the charts.



As mentioned earlier, it was not necessarily surprising that an overwhelming majority of respondents (83%) judged their company's governance to be above average or better when compared with others listed or incorporated in the same market or jurisdiction. At least part of this will reflect the natural tendency to overestimate the quality of one's own governance relative to others.

In part it will also reflect the fact that the respondents to this survey will be subject to a degree of sample bias – being individuals with a greater interest in corporate governance and, as such, more likely to be working for companies that share their values.

Looking beyond home markets, there was some degree of recognition that Hong Kong and Mainland companies may measure up less well in corporate governance compared to companies elsewhere, in particular those incorporated in UK, European or North American markets. 24% of respondents ranked their own company as below average or worse when its governance was compared with companies in those overseas markets.

Nonetheless, the overall finding was that Hong Kong and Mainland companies believe that the quality of their overall corporate governance now stacks up favourably against their counterparts in other markets. In an investment climate characterised by global competition for capital, this was a welcome expression of confidence.



*'This is a timely and penetrating report and provides a good snapshot of the governance landscape. As a leading international finance centre, it is vital that governance is seen as a major driver and indicator of a quality capital market and business environment.'*

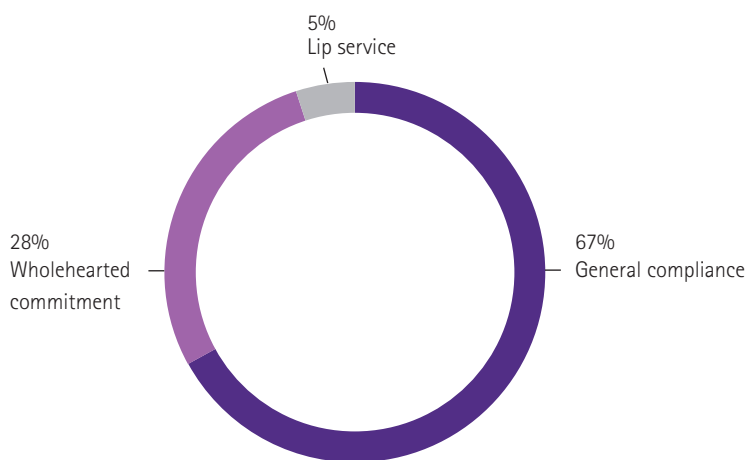
**Andrew Weir**

Regional Senior Partner, Hong Kong/Vice Chairman  
KPMG China

## 9 Commitment to corporate governance

This was our simplest question. We asked our members to assess their company's commitment to corporate governance. The overall response is shown in the chart.

### Overall



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*Enduring excellence in corporate governance requires standards that regard compliance only as a floor and not a ceiling*

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It was encouraging to note that less than 5% of respondents described their company's governance commitment as nothing more than 'lip service'.

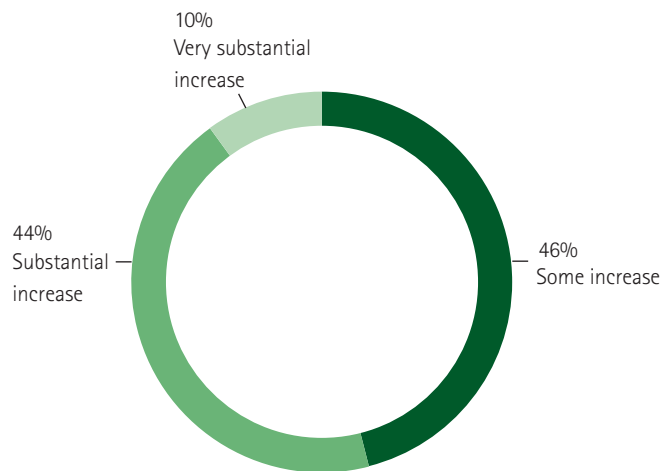
It was also encouraging that more than one quarter of replies talked of a 'wholehearted commitment' to corporate governance. It will be interesting to monitor the evaluation of views in this sense over the coming years, since enduring excellence in corporate governance requires standards that regard compliance only as a floor and not a ceiling. This will ultimately come about through a genuine, self-generated and sustained commitment to good governance that drives standards above simple compliance. The future movement into this category of the two-thirds of respondents who presently assess their company's commitment to corporate governance as motivated by 'general compliance' would be a positive development. It would mean that companies were no longer relying only on the regulators to improve governance standards. That this is presently the case is shown by the Exchange's most recent Analysis of Corporate Governance Practice Disclosure. This found that 94% of the issuers who were examined complied with 75% or more Corporate Governance Code Provisions (out of 78). 100% of issuers disclosed compliance with 70 Code Provisions.

Until and unless corporate governance goes beyond compliance and becomes an expression of each company's own principles, standards and practices, corporate governance will be only an expression, or a result, of legislative and regulatory requirements. If measured only against compliance, all companies will look the same. Individual companies' commitments to corporate governance, beyond mere compliance, would help shareholders and other stakeholders to differentiate more easily between different companies' standards of governance. This is because these would no longer be concentrated around the one single, identical reference level of compliance with regulation.

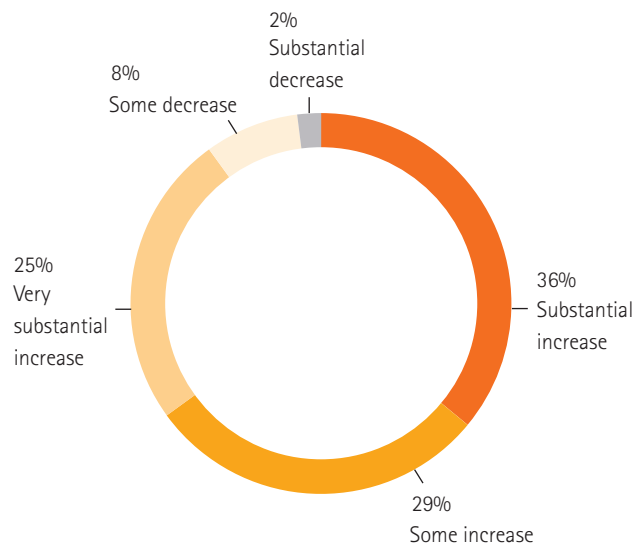
## 10 The direction of corporate governance

In our final question, we asked our members to look ahead and give us their thoughts on whether corporate governance requirements would increase or decrease over the next five years. The answers from both Hong Kong and the Mainland painted a clear picture.

### Hong Kong



### The Mainland



Of the almost 200 replies we received overall to this question, only four respondents foresaw any decrease in corporate governance requirements. 98% of our members expect an increase in these requirements and 56% believe this increase will be substantial or very substantial.

It is most definitely the view of our members that, as mentioned earlier, corporate governance is a journey, not a destination.



# Corporate governance – The Hong Kong Institute of Chartered Secretaries and the way ahead

*This report underlines the importance of corporate governance and the responsibility of company secretaries and fellow governance professionals in contributing to high standards of governance both in Hong Kong and the Mainland*

This year the Institute is celebrating a double anniversary – 70 years of The Chartered Governance Institute (CGI) formerly known as The Institute of Chartered Secretaries and Administrators (ICSA) in Hong Kong and 25 years since the creation of The Hong Kong Institute of Chartered Secretaries as an independent local professional body. During these past decades our profession has witnessed immense changes in the role of the company secretary and the demands and expectations placed on our individual members.

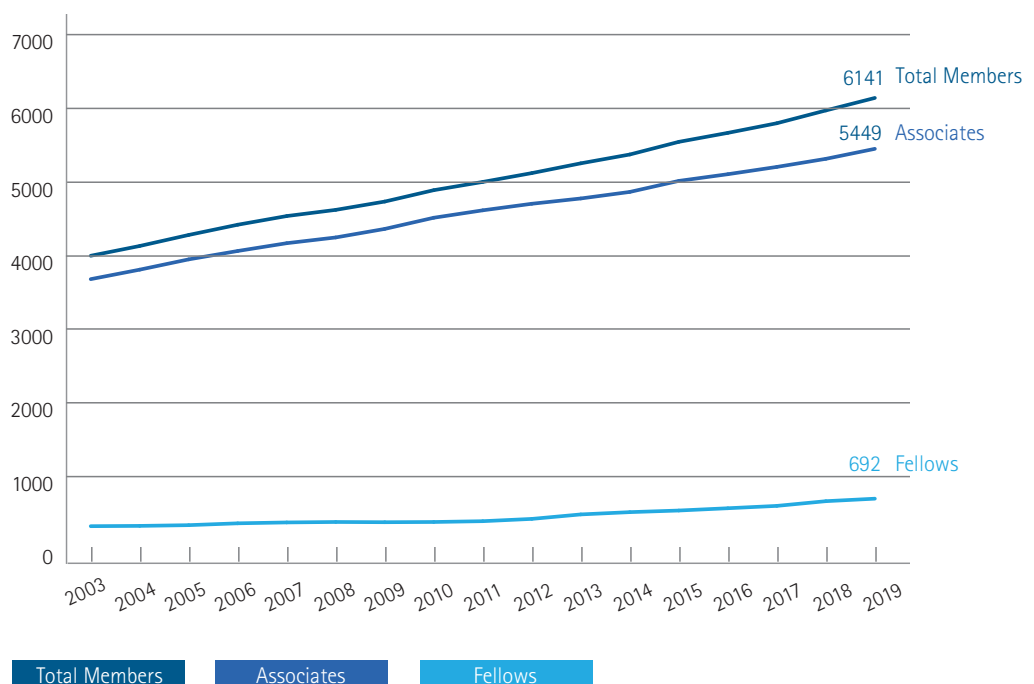
This report underlines the importance of corporate governance and the responsibility of company secretaries and fellow governance professionals in contributing to high standards of governance both in Hong Kong and the Mainland. The report also evidences the widespread and firm belief that corporate governance requirements will strengthen and increase in the coming years.

The Institute is determined to accompany its members along the corporate governance journey and to continue to play a major role in encouraging and enabling excellence in governance. To do this, we aim to build on our strong foundations and to reinforce the qualities and capabilities that have given the Institute and its members a strong reputation in the field of governance.

This means that we must be representative, influential, forward-looking and enabling.

**Representative** – the Institute now has over 6,000 members. As the following chart shows, our membership has increased substantially over the past years, in line with the growing recognition of the importance of our profession.

## Members



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**Influential** – we value our constructive relationship with the HKSAR Government, legislators and regulators and, for that matter, with all the key stakeholders in our profession. Over the last five years, we have participated in 50 general consultations on legal and regulatory change, in addition to our engagement in less formal processes of soft consultation and experience-sharing. The Institute is represented on many consultation bodies, steering groups and the like, as a voice of our profession and promoter of excellence in governance.

**Forward-looking** – since regulation, legislation and practical governance constantly evolve, we must look forward to emerging trends and ideas that will impact our members. Since 1998, our biennial Corporate Governance Conference has become a leading regional forum for debate and discussion on new developments in governance. Through reports such as this and in our monthly journal CSj (which has a readership of over 10,000) we provide frequent insights into current and pending issues affecting our profession.

**Enabling** – our members need and expect high standards of education and professional training to equip them to meet their responsibilities. The Institute presently has over 3,500 students undergoing professional education. Our qualifying education and examination programmes are presently being updated and reshaped to include an added emphasis on areas such as boardroom dynamics and risk management. We recognise that professional development training is now a career-long process – last year we held over 90 seminars and workshops with a total attendance of over 17,000 attendees. Our 20th Annual Corporate and Regulatory Update Conference (ACRU), held on 5 June 2019, which has grown steadily in importance, was attended by 2,000 delegates.

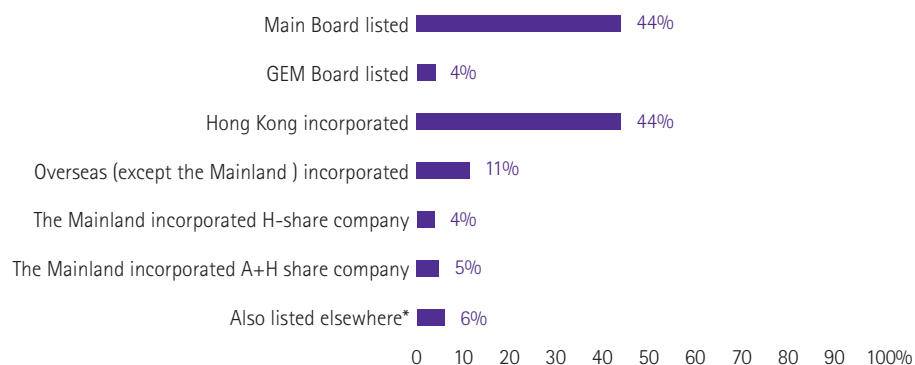
Finally, the Institute must always remain relevant to its members, to the businesses and organisations which employ them and to the wider community we serve. As governance has grown in scope, responsibility and importance, it has extended beyond the domain of company secretaries alone. There is no doubt that our Institute now embraces a much wider range of governance professionals, such as lawyers, accountants, directors, managers and many others. We welcome anyone who has an interest in supporting the standards of corporate governance practices, policies and attitudes described in this report, and in taking those standards to new levels in Hong Kong and the Mainland.

# Appendix A – survey background

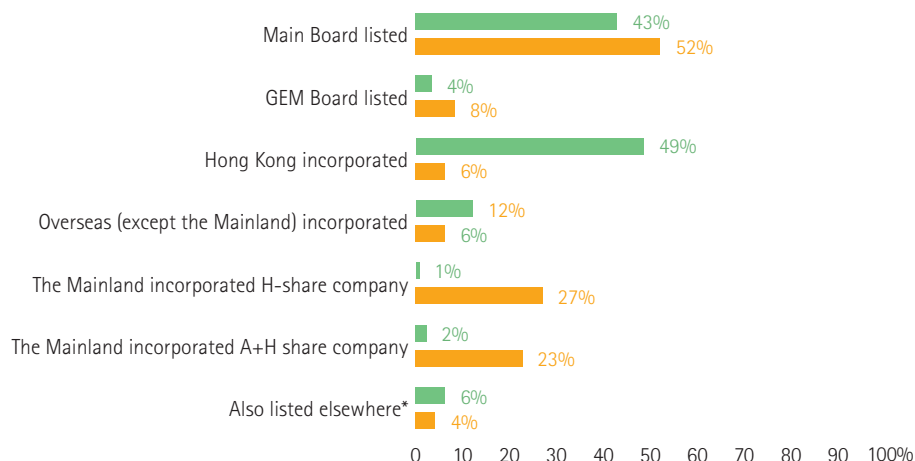
In February 2019, The Hong Kong Institute of Chartered Secretaries (the Institute) initiated a survey of its members. The Institute sought responses to 10 questions regarding the policies, practices, attitude and standards of corporate governance of companies listed on the Hong Kong, Shenzhen and/or Shanghai Stock Exchanges. By the close of the survey in April 2019, the Institute had received 419 responses (although not every respondent answered every question). A description of the companies covered by the survey group is set out in the following paragraphs.

## Place of listing and incorporation

### Overall



### Hong Kong & The Mainland



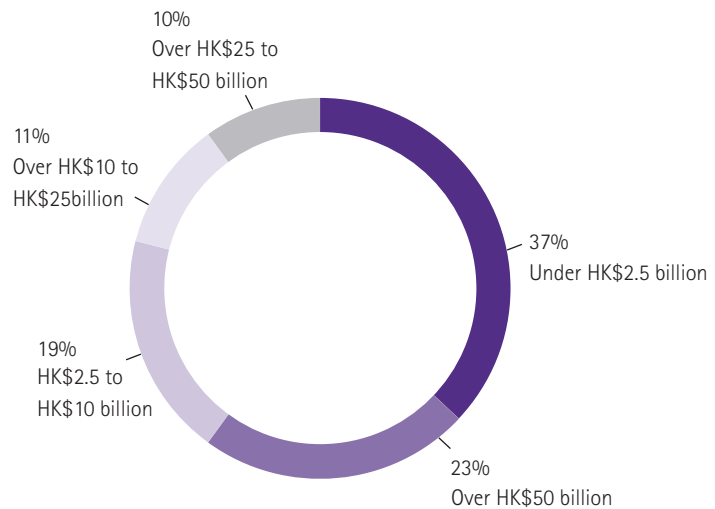
Almost half the companies engaged in this survey were listed on the Main Board or GEM Board in Hong Kong. We identified 48 responses as coming from companies based in the Mainland. Of these just over half were Main Board listed, and the other half both Hong Kong and the Mainland listed as A+H share companies.



## Overall

### Market capitalisation

Our respondents provided information on corporate governance within companies covering a wide range of market values, from less than HK\$2.5 billion to over HK\$50 billion.

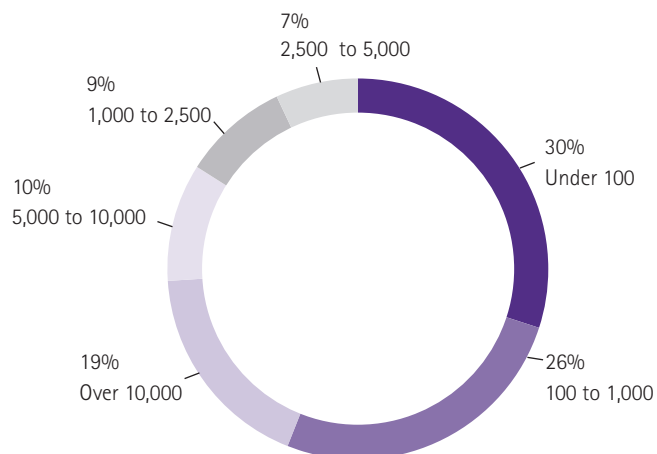


Almost a quarter of the companies whose corporate governance practices are reviewed in the survey were those with a market capitalisation exceeding HK\$50 billion. Over 40% had a market capitalisation of more than HK\$10 billion.

### Employees

The respondents to the survey worked in companies with workforces varying from less than 100 to over 10,000 people.

## Overall

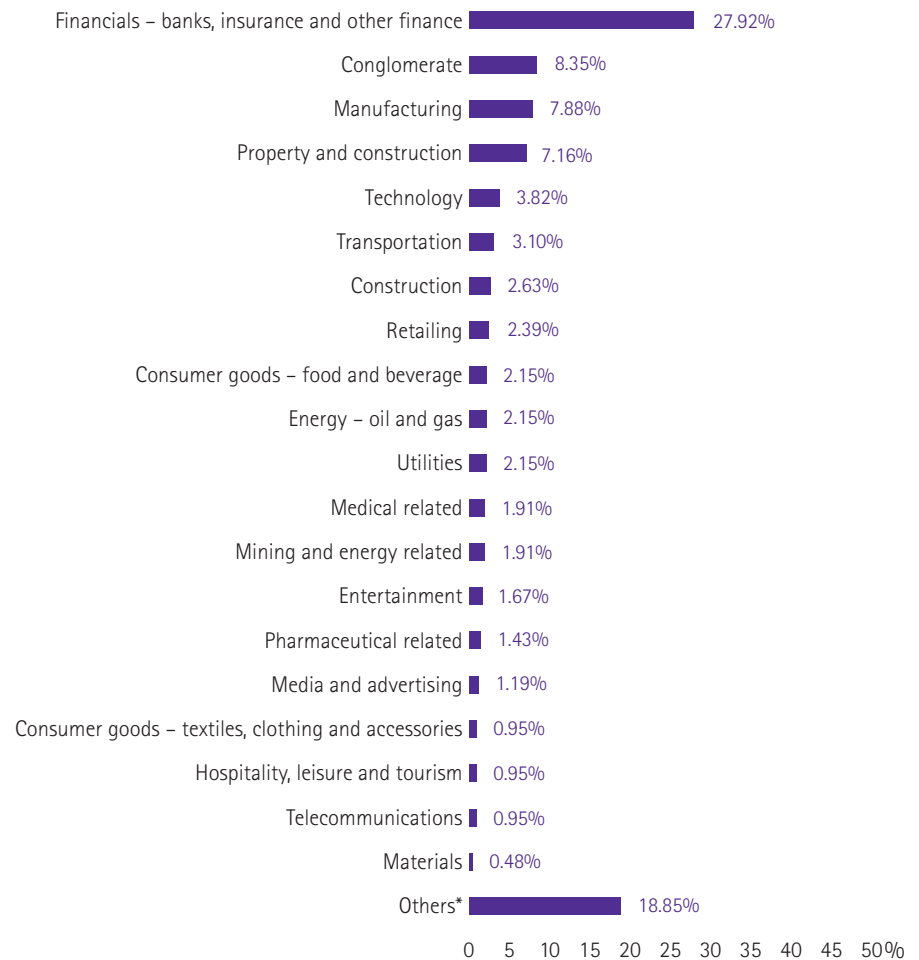


Almost 20% of our respondents came from companies employing over 10,000 people.

## Overall

### Company profiles

The survey provided insights into the corporate governance practices of companies from an extremely wide range of business sectors.



There was hardly any business sector whose views were not represented in the survey findings.

# Appendix B – survey data

Overall      Hong Kong      The Mainland

## Q1. Who are the 'Influencers'?

	NOT INFLUENTIAL AT ALL/NOT APPLICABLE. PLEASE MENTION IN OTHERS* (BELOW) IF NOT APPLICABLE. (0)	SLIGHTLY INFLUENTIAL (1)	SOMEWHAT INFLUENTIAL (2)	MODERATELY INFLUENTIAL (3)	VERY INFLUENTIAL (4)	MOST INFLUENTIAL (SELECT ONE ONLY) (5)	TOTAL	WEIGHTED AVERAGE
The Chairman	5.60% 14	6.80% 17	12.00% 30	14.00% 35	31.20% 78	30.40% 76	250	4.50
The Board	2.39% 6	5.58% 14	10.36% 26	20.72% 52	33.86% 85	27.09% 68	251	4.59
INEDs	16.33% 40	7.35% 18	15.10% 37	23.67% 58	28.98% 71	8.57% 21	245	3.67
The Governance Committee (if any)	29.20% 66	5.31% 12	10.18% 23	24.34% 55	22.12% 50	8.85% 20	226	3.31
The Audit Committee	10.66% 26	7.79% 19	13.52% 33	25.00% 61	33.61% 82	9.43% 23	244	3.91
The Supervisory Board (if any)	41.18% 91	5.88% 13	10.41% 23	19.46% 43	17.19% 38	5.88% 13	221	2.83
Chief Executive Officer	4.86% 12	4.05% 10	7.29% 18	17.81% 44	43.72% 108	22.27% 55	247	4.58
Chief Financial Officer	5.69% 14	7.32% 18	12.60% 31	26.42% 65	38.62% 95	9.35% 23	246	4.13
General Counsel	15.64% 38	8.64% 21	14.81% 36	31.69% 77	25.10% 61	4.12% 10	243	3.54
Company/Board Secretary	4.44% 11	13.31% 33	15.32% 38	29.44% 73	27.02% 67	10.48% 26	248	3.93
The China State	31.22% 74	8.02% 19	16.03% 38	17.30% 41	17.72% 42	9.70% 23	237	3.11
Controlling Shareholders	8.91% 22	11.34% 28	16.19% 40	17.00% 42	27.53% 68	19.03% 47	247	4.00
Activists	30.00% 72	14.58% 35	20.00% 48	23.75% 57	8.75% 21	2.92% 7	240	2.75
Regulators	5.62% 14	6.83% 17	10.04% 25	20.88% 52	31.33% 78	25.30% 63	249	4.41
Others*	62.60% 82	3.82% 5	17.56% 23	9.92% 13	3.05% 4	3.05% 4	131	1.96
*Please specify:							23	
Answered: 251								
Skipped: 168								



## Q1. Who are the 'Influencers'?

	NOT INFLUENTIAL AT ALL/NOT APPLICABLE. PLEASE MENTION IN OTHERS* (BELOW) IF NOT APPLICABLE. (1)	SLIGHTLY INFLUENTIAL (2)	SOMEWHAT INFLUENTIAL (3)	MODERATELY INFLUENTIAL (4)	VERY INFLUENTIAL (5)	MOST INFLUENTIAL (SELECT ONE ONLY) (6)	TOTAL	WEIGHTED AVERAGE
The Chairman	6.93% 14	7.43% 15	14.36% 29	15.35% 31	34.16% 69	21.78% 44	202	4.28
The Board	2.96% 6	5.91% 12	12.32% 25	22.17% 45	35.96% 73	20.69% 42	203	4.44
INEDs	18.69% 37	9.09% 18	16.67% 33	20.71% 41	27.78% 55	7.07% 14	198	3.51
The Governance Committee (if any)	34.62% 63	6.04% 11	8.79% 16	21.43% 39	21.98% 40	7.14% 13	182	3.12
The Audit Committee	12.76% 25	9.18% 18	13.78% 27	23.98% 47	33.67% 66	6.63% 13	196	3.77
The Supervisory Board (if any)	46.29% 81	6.29% 11	7.43% 13	18.86% 33	16.00% 28	5.14% 9	175	2.67
Chief Executive Officer	6.03% 12	4.52% 9	9.05% 18	17.09% 34	46.73% 93	16.58% 33	199	4.44
Chief Financial Officer	7.07% 14	8.59% 17	12.63% 25	27.27% 54	37.37% 74	7.07% 14	198	4.01
General Counsel	17.86% 35	9.18% 18	15.82% 31	30.61% 60	23.98% 47	2.55% 5	196	3.41
Company/Board Secretary	5.50% 11	14.00% 28	16.00% 32	29.00% 58	28.50% 57	7.00% 14	200	3.82
The China State	36.84% 70	8.95% 17	15.79% 30	17.37% 33	16.32% 31	4.74% 9	190	2.82
Controlling Shareholders	10.50% 21	14.00% 28	18.00% 36	18.00% 36	28.00% 56	11.50% 23	200	3.74
Activists	35.90% 70	15.90% 31	21.03% 41	20.00% 39	6.15% 12	1.03% 2	195	2.48
Regulators	6.47% 13	7.96% 16	11.44% 23	21.89% 44	31.34% 63	20.90% 42	201	4.26
Others*	62.60% 82	3.82% 5	17.56% 23	9.92% 13	3.05% 4	3.05% 4	131	1.96

\*Please specify:

21

Answered: 203

Skipped: 168

## Q1. Who are the 'Influencers'?

	NOT INFLUENTIAL AT ALL/NOT APPLICABLE. PLEASE MENTION IN OTHERS* (BELOW) IF NOT APPLICABLE. (1)	SLIGHTLY INFLUENTIAL (2)	SOMEWHAT INFLUENTIAL (3)	MODERATELY INFLUENTIAL (4)	VERY INFLUENTIAL (5)	MOST INFLUENTIAL (SELECT ONE ONLY) (6)	TOTAL	WEIGHTED AVERAGE
The Chairman	0% 0	4.17% 2	2.08% 1	8.33% 4	18.75% 9	66.67% 32	48	5.42
The Board	0% 0	4.17% 2	2.08% 1	14.58% 7	25.00% 12	54.17% 26	48	5.23
INEDs	6.38% 3	0% 0	8.51% 4	36.17% 17	34.04% 16	14.89% 7	47	4.36
The Governance Committee (if any)	6.82% 3	2.27% 1	15.91% 7	36.36% 16	22.73% 10	15.91% 7	44	4.14
The Audit Committee	2.08% 1	2.08% 1	12.50% 6	29.17% 14	33.33% 16	20.83% 10	48	4.52
The Supervisory Board (if any)	21.74% 10	4.35% 2	21.74% 10	21.74% 10	21.74% 10	8.70% 4	46	3.43
Chief Executive Officer	0% 0	2.08% 1	0% 0	20.83% 10	31.25% 15	45.83% 22	48	5.19
Chief Financial Officer	0% 0	2.08% 1	12.50% 6	22.92% 11	43.75% 21	18.75% 9	48	4.65
General Counsel	6.38% 3	6.38% 3	10.64% 5	36.17% 17	29.79% 14	10.64% 5	47	4.09
Company/Board Secretary	0% 0	10.42% 5	12.50% 6	31.25% 15	20.83% 10	25.00% 12	48	4.38
The China State	8.51% 4	4.26% 2	17.02% 8	17.02% 8	23.40% 11	29.79% 14	47	4.32
Controlling Shareholders	2.13% 1	0% 0	8.51% 4	12.77% 6	25.53% 12	51.06% 24	47	5.13
Activists	4.44% 2	8.89% 4	15.56% 7	40.00% 18	20.00% 9	11.11% 5	45	3.96
Regulators	2.08% 1	2.08% 1	4.17% 2	16.67% 8	31.25% 15	43.75% 21	48	5.04
Others*	0% 0	0% 0	0% 0	0% 0	0% 0	0% 0	0	0
*Please specify:							2	
Answered: 48								
Skipped: 0								

## Q.2 What are the benefits of good corporate governance?

ANSWER CHOICES	RESPONSES	
Operational efficiencies	43.14%	110
Effective risk management	74.90%	191
Quality of financial controls	39.22%	100
Share price performance	4.31%	11
Reputation enhancement	30.20%	77
Access to capital markets	12.55%	32
Fulfilment of director duties	31.37%	80
Protection of minority shareholders	14.12%	36
Retention of talent	4.71%	12
Proxy agency voting alignment	1.57%	4
Institutional shareholder support	10.20%	26
Trust from key shareholders	21.57%	55
Other top benefits (not in the list)*	1.96%	5
*Please specify:		8
Answered: 255		
Skipped: 164		

ANSWER CHOICES	RESPONSES	
Operational efficiencies	40.10%	83
Effective risk management	72.95%	151
Quality of financial controls	39.61%	82
Share price performance	4.83%	10
Reputation enhancement	33.82%	70
Access to capital markets	7.25%	15
Fulfilment of director duties	35.27%	73
Protection of minority shareholders	12.08%	25
Retention of talent	5.80%	12
Proxy agency voting alignment	1.93%	4
Institutional shareholder support	11.11%	23
Trust from key shareholders	21.74%	45
Other top benefits (not in the list)*	1.45%	3
*Please specify:		5
Answered: 207		
Skipped: 164		

ANSWER CHOICES	RESPONSES	
Operational efficiencies	56.25%	27
Effective risk management	83.33%	40
Quality of financial controls	37.50%	18
Share price performance	2.08%	1
Reputation enhancement	14.58%	7
Access to capital markets	35.42%	17
Fulfilment of director duties	14.58%	7
Protection of minority shareholders	22.92%	11
Retention of talent	0%	0
Proxy agency voting alignment	0%	0
Institutional shareholder support	6.25%	3
Trust from key shareholders	20.83%	10
Other top benefits (not in the list)*	4.17%	2
*Please specify:		3
Answered: 48		
Skipped: 0		



### Q3. The company secretary and the implementation of corporate governance

ANSWER CHOICES	RESPONSES	
Statutory compliance (with laws of place of incorporation)	78.43%	200
General corporate disclosures	59.22%	151
Corporate governance report	48.63%	124
Securities interest disclosures	42.35%	108
Disclosable transactions	48.63%	124
Connected parties transactions	54.12%	138
Other general compliance topics*	22.75%	58
*Please specify:		6
Answered: 255		
Skipped: 164		

ANSWER CHOICES	RESPONSES	
Statutory compliance (with laws of place of incorporation)	80.19%	166
General corporate disclosures	56.52%	117
Corporate governance report	43.96%	91
Securities interest disclosures	34.30%	71
Disclosable transactions	41.06%	85
Connected parties transactions	47.83%	99
Other general compliance topics*	14.01%	29
*Please specify:		4
Answered: 207		
Skipped: 164		

ANSWER CHOICES	RESPONSES	
Statutory compliance (with laws of place of incorporation)	70.83%	34
General corporate disclosures	70.83%	34
Corporate governance report	68.75%	33
Securities interest disclosures	77.08%	37
Disclosable transactions	81.25%	39
Connected parties transactions	81.25%	39
Other general compliance topics*	60.42%	29
*Please specify:		2
Answered: 48		
Skipped: 0		

#### Q4. The strengths and weaknesses of corporate governance practices

	VERY WEAK (1)	WEAK (2)	BELOW AVERAGE (3)	ABOVE AVERAGE (4)	STRONG (5)	VERY STRONG (6)	TOTAL	WEIGHTED AVERAGE
Adoption of appropriate codes of conduct	1.00% 2	2.00% 4	8.50% 17	33.00% 66	32.50% 65	23.00% 46	200	4.63
Implementation of financial controls	0% 0	0.50% 1	5.94% 12	36.14% 73	34.16% 69	23.27% 47	202	4.74
Implementation of anti-bribery and corruption measures	0% 0	1.98% 4	7.43% 15	29.70% 60	38.61% 78	22.28% 45	202	4.72
Implementation of high ethical standards	0.50% 1	0.50% 1	8.91% 18	32.67% 66	39.11% 79	18.32% 37	202	4.64
Random checks on business practices	0% 0	2.49% 5	12.94% 26	44.28% 89	29.35% 59	10.95% 22	201	4.33
Monitoring of business practices of important parts of the supply chain	0.50% 1	3.47% 7	12.38% 25	43.56% 88	27.23% 55	12.87% 26	202	4.32
Other important business practice matters*	6.86% 7	1.96% 2	9.80% 10	51.96% 53	25.49% 26	3.92% 4	102	3.99
*Please specify:							19	
Answered: 203								
Skipped: 216								

	VERY WEAK (1)	WEAK (2)	BELOW AVERAGE (3)	ABOVE AVERAGE (4)	STRONG (5)	VERY STRONG (6)	TOTAL	WEIGHTED AVERAGE
Adoption of appropriate codes of conduct	1.32% 2	2.63% 4	9.87% 15	37.50% 57	36.18% 55	12.50% 19	152	4.42
Implementation of financial controls	0% 0	0.65% 1	7.14% 11	42.86% 66	35.06% 54	14.29% 22	154	4.55
Implementation of anti-bribery and corruption measures	0% 0	2.60% 4	9.09% 14	34.42% 53	38.31% 59	15.58% 24	154	4.55
Implementation of high ethical standards	0.65% 1	0.65% 1	9.74% 15	35.71% 55	40.91% 63	12.34% 19	154	4.53
Random checks on business practices	0% 0	2.61% 4	14.38% 22	48.37% 74	27.45% 42	7.19% 11	153	4.22
Monitoring of business practices of important parts of the supply chain	0.65% 1	3.23% 5	13.55% 21	49.68% 77	27.10% 42	5.81% 9	155	4.17
Other important business practice matters*	6.86% 7	1.96% 2	9.80% 10	51.96% 53	25.49% 26	3.92% 4	102	3.99
*Please specify:							17	
Answered: 155								
Skipped: 216								

#### Q4. The strengths and weaknesses of corporate governance practices

	VERY WEAK (1)	WEAK (2)	BELOW AVERAGE (3)	ABOVE AVERAGE (4)	STRONG (5)	VERY STRONG (6)	TOTAL	WEIGHTED AVERAGE
Adoption of appropriate codes of conduct	0%	0%	4.17%	18.75%	20.83%	56.25%	48	5.29
	0	0	2	9	10	27		
Implementation of financial controls	0%	0%	2.08%	14.58%	31.25%	52.08%	48	5.33
	0	0	1	7	15	25		
Implementation of anti-bribery and corruption measures	0%	0%	2.08%	14.58%	39.58%	43.75%	48	5.25
	0	0	1	7	19	21		
Implementation of high ethical standards	0%	0%	6.25%	22.92%	33.33%	37.50%	48	5.02
	0	0	3	11	16	18		
Random checks on business practices	0%	2.08%	8.33%	31.25%	35.42%	22.92%	48	4.69
	0	1	4	15	17	11		
Monitoring of business practices of important parts of the supply chain	0%	4.26%	8.51%	23.40%	27.66%	36.17%	47	4.83
	0	2	4	11	13	17		
Other important business practice matters*	0%	0%	0%	0%	0%	0%	0	0
	0	0	0	0	0	0		

\*Please specify:

2

Answered: 48

Skipped: 0

#### Q5. The quality of policies and procedures

	VERY WEAK (1)	WEAK (2)	BELOW AVERAGE (3)	ABOVE AVERAGE (4)	STRONG (5)	VERY STRONG (6)	TOTAL	WEIGHTED AVERAGE
Diversity and inclusion	1.00%	3.98%	16.42%	38.81%	29.85%	9.95%	201	4.22
	2	8	33	78	60	20		
Conflicts of interests and related disclosures requirements	0.99%	1.49%	6.93%	38.12%	33.66%	18.81%	202	4.58
	2	3	14	77	68	38		
Anti- bribery and corruption	0.50%	1.49%	7.43%	31.68%	38.12%	20.79%	202	4.68
	1	3	15	64	77	42		
Anti-sexual harassment	0.50%	1.98%	12.87%	37.62%	32.18%	14.85%	202	4.44
	1	4	26	76	65	30		
Whistleblowing	1.98%	4.95%	10.89%	40.59%	29.70%	11.88%	202	4.27
	4	10	22	82	60	24		
ESG Management	1.98%	2.97%	14.36%	41.09%	23.76%	15.84%	202	4.29
	4	6	29	83	48	32		
Risk Management	0%	1.48%	6.40%	38.42%	37.44%	16.26%	203	4.61
	0	3	13	78	76	33		
IT/Cybersecurity	0.99%	2.48%	11.39%	41.09%	33.66%	10.40%	202	4.35
	2	5	23	83	68	21		
Any other important policies and procedures*	10.89%	5.94%	8.91%	43.56%	25.74%	4.95%	101	3.82
	11	6	9	44	26	5		

\*Please specify:

17

Answered: 203

Skipped: 216

## Q5. The quality of policies and procedures

	VERY WEAK (1)	WEAK (2)	BELOW AVERAGE (3)	ABOVE AVERAGE (4)	STRONG (5)	VERY STRONG (6)	TOTAL	WEIGHTED AVERAGE
Diversity and inclusion	1.31% 2	4.58% 7	18.95% 29	42.48% 65	28.10% 43	4.58% 7	153	4.05
Conflicts of interests and related disclosures requirements	1.30% 2	1.30% 2	9.09% 14	42.86% 66	33.77% 52	11.69% 18	154	4.42
Anti- bribery and corruption	0.65% 1	1.30% 2	9.09% 14	38.31% 59	36.36% 56	14.29% 22	154	4.51
Anti-sexual harassment	0.65% 1	1.30% 2	14.94% 23	44.81% 69	32.47% 50	5.84% 9	154	4.25
Whistleblowing	1.95% 3	6.49% 10	12.34% 19	44.16% 68	29.87% 46	5.19% 8	154	4.09
ESG Management	2.60% 4	3.90% 6	16.88% 26	46.75% 72	23.38% 36	6.49% 10	154	4.04
Risk Management	0% 0	1.94% 3	7.74% 12	43.87% 68	36.13% 56	10.32% 16	155	4.45
IT/Cybersecurity	1.30% 2	3.25% 5	13.64% 21	44.81% 69	30.52% 47	6.49% 10	154	4.19
Any other important policies and procedures*	10.89% 11	5.94% 6	8.91% 9	43.56% 44	25.74% 26	4.95% 5	101	3.82
*Please specify:							15	
Answered: 155								
Skipped: 216								

## Q5. The quality of policies and procedures

	VERY WEAK (1)	WEAK (2)	BELOW AVERAGE (3)	ABOVE AVERAGE (4)	STRONG (5)	VERY STRONG (6)	TOTAL	WEIGHTED AVERAGE
Diversity and inclusion	0% 0	2.08% 1	8.33% 4	27.08% 13	35.42% 17	27.08% 13	48	4.77
Conflicts of interests and related disclosures requirements	0% 0	2.08% 1	0% 0	22.92% 11	33.33% 16	41.67% 20	48	5.13
Anti- bribery and corruption	0% 0	2.08% 1	2.08% 1	10.42% 5	43.75% 21	41.67% 20	48	5.21
Anti-sexual harassment	0% 0	4.17% 2	6.25% 3	14.58% 7	31.25% 15	43.75% 21	48	5.04
Whistleblowing	2.08% 1	0% 0	6.25% 3	29.17% 14	29.17% 14	33.33% 16	48	4.83
ESG Management	0% 0	0% 0	6.25% 3	22.92% 11	25.00% 12	45.83% 22	48	5.1
Risk Management	0% 0	0% 0	2.08% 1	20.83% 10	41.67% 20	35.42% 17	48	5.1
IT/Cybersecurity	0% 0	0% 0	4.17% 2	29.17% 14	43.75% 21	22.92% 11	48	4.85
Any other important policies and procedures*	0% 0	0% 0	0% 0	0% 0	0% 0	0% 0	0	0
*Please specify:							2	
Answered: 48								
Skipped: 0								



## Q6. Delivery effectiveness in corporate governance

	STRONGLY DISAGREE (1)	DISAGREE (2)	SLIGHTLY DISAGREE (3)	SLIGHTLY AGREE (4)	AGREE (5)	STRONGLY AGREE (6)	TOTAL	WEIGHTED AVERAGE
The Chairman of my company is effective in shaping the overall governance of our company	1.49% 3	4.48% 9	6.97% 14	21.39% 43	35.82% 72	29.85% 60	201	4.75
The Board of my company is effective in day-to-day implementation of governance practice/oversight	0% 0	3.48% 7	5.97% 12	27.36% 55	40.30% 81	22.89% 46	201	4.73
The INEDs are effective in providing checks-and-balance as part of the internal controls to the Chairman and the Board	2.99% 6	3.48% 7	6.97% 14	25.37% 51	41.29% 83	19.90% 40	201	4.58
The company/board secretary provides effective support to the Chairman and Board/INEDs of my company	1.00% 2	1.99% 4	5.47% 11	16.92% 34	49.25% 99	25.37% 51	201	4.88
The company communicates effectively with its shareholders on governance related matters	0% 0	1.99% 4	5.97% 12	23.38% 47	52.74% 106	15.92% 32	201	4.75
The company communicates effectively with its other stakeholders on governance related matters	0% 0	3.48% 7	7.46% 15	30.85% 62	46.77% 94	11.44% 23	201	4.55
Answered: 201								
Skipped: 218								

	STRONGLY DISAGREE (1)	DISAGREE (2)	SLIGHTLY DISAGREE (3)	SLIGHTLY AGREE (4)	AGREE (5)	STRONGLY AGREE (6)	TOTAL	WEIGHTED AVERAGE
The Chairman of my company is effective in shaping the overall governance of our company	1.96% 3	5.88% 9	7.19% 11	26.14% 40	39.87% 61	18.95% 29	153	4.53
The Board of my company is effective in day-to-day implementation of governance practice/oversight	0% 0	4.58% 7	5.88% 9	30.07% 46	45.75% 70	13.73% 21	153	4.58
The INEDs are effective in providing checks-and-balance as part of the internal controls to the Chairman and the Board	3.27% 5	4.58% 7	6.54% 10	28.76% 44	43.79% 67	13.07% 20	153	4.44
The company/board secretary provides effective support to the Chairman and Board/INEDs of my company	1.31% 2	1.96% 3	6.54% 10	18.95% 29	51.63% 79	19.61% 30	153	4.76
The company communicates effectively with its shareholders on governance related matters	0% 0	1.96% 3	7.19% 11	26.14% 40	53.59% 82	11.11% 17	153	4.65
The company communicates effectively with its other stakeholders on governance related matters	0% 0	3.92% 6	8.50% 13	34.64% 53	44.44% 68	8.50% 13	153	4.45
Answered: 153								
Skipped: 218								

## Q6. Delivery effectiveness in corporate governance

	STRONGLY DISAGREE (1)	DISAGREE (2)	SLIGHTLY DISAGREE (3)	SLIGHTLY AGREE (4)	AGREE (5)	STRONGLY AGREE (6)	TOTAL	WEIGHTED AVERAGE
The Chairman of my company is effective in shaping the overall governance of our company	0% 0	0% 0	6.25% 3	6.25% 3	22.92% 11	64.58% 31	48	5.46
The Board of my company is effective in day-to-day implementation of governance practice/oversight	0% 0	0% 0	6.25% 3	18.75% 9	22.92% 11	52.08% 25	48	5.21
The INEDs are effective in providing checks-and-balance as part of the internal controls to the Chairman and the Board	2.08% 1	0% 0	8.33% 4	14.58% 7	33.33% 16	41.67% 20	48	5.02
The company/board secretary provides effective support to the Chairman and Board/INEDs of my company	0% 0	2.08% 1	2.08% 1	10.42% 5	41.67% 20	43.75% 21	48	5.23
The company communicates effectively with its shareholders on governance related matters	0% 0	2.08% 1	2.08% 1	14.58% 7	50.00% 24	31.25% 15	48	5.06
The company communicates effectively with its other stakeholders on governance related matters	0% 0	2.08% 1	4.17% 2	18.75% 9	54.17% 26	20.83% 10	48	4.88
Answered: 48								
Skipped: 0								

## Q7. The approach to governance-related policies and procedures

	STRONGLY DISAGREE (1)	DISAGREE (2)	SLIGHTLY DISAGREE (3)	SLIGHTLY AGREE (4)	AGREE (5)	STRONGLY AGREE (6)	TOTAL	WEIGHTED AVERAGE
My company has adopted strong policies and procedures	0.51% 1	3.03% 6	5.05% 10	25.25% 50	44.44% 88	21.72% 43	198	4.75
HKEX is important in shaping my company's policy and procedures	5.10% 10	3.57% 7	6.12% 12	20.41% 40	42.86% 84	21.94% 43	196	4.58
My company's policy and procedures are frequently updated	0.51% 1	3.55% 7	10.15% 20	28.43% 56	41.62% 82	15.74% 31	197	4.54
My company has a tick-the-box mentality to compliance with policies and procedures	2.03% 4	6.09% 12	12.18% 24	24.87% 49	41.62% 82	13.20% 26	197	4.38
My company has a principle-based approach with compliance with policies and procedures	0.51% 1	4.57% 9	7.11% 14	25.38% 50	47.72% 94	14.72% 29	197	4.59
Other observations*	17.53% 17	3.09% 3	5.15% 5	34.02% 33	36.08% 35	4.12% 4	97	3.80
*Please specify:							18	
Answered: 198								
Skipped: 221								

## Q7. The approach to governance-related policies and procedures

	STRONGLY DISAGREE (1)	DISAGREE (2)	SLIGHTLY DISAGREE (3)	SLIGHTLY AGREE (4)	AGREE (5)	STRONGLY AGREE (6)	TOTAL	WEIGHTED AVERAGE	
My company has adopted strong policies and procedures	0.67% 1	4.00% 6	4.67% 7	26.00% 39	48.67% 73	16.00% 24	150	4.66	
HKEX is important in shaping my company's policy and procedures	6.76% 10	4.73% 7	5.41% 8	22.97% 34	44.59% 66	15.54% 23	148	4.41	
My company's policy and procedures are frequently updated	0.67% 1	4.03% 6	8.72% 13	30.20% 45	44.30% 66	12.08% 18	149	4.5	
My company has a tick-the-box mentality to compliance with policies and procedures	2.68% 4	7.38% 11	14.09% 21	26.17% 39	42.95% 64	6.71% 10	149	4.19	
My company has a principle-based approach with compliance with policies and procedures	0% 0	4.03% 6	6.71% 10	26.85% 40	54.36% 81	8.05% 12	149	4.56	
Other observations*	17.53% 17	3.09% 3	5.15% 5	34.02% 33	36.08% 35	4.12% 4	97	3.8	
*Please specify:							15		
Answered: 150									
Skipped: 221									

	STRONGLY DISAGREE (1)	DISAGREE (2)	SLIGHTLY DISAGREE (3)	SLIGHTLY AGREE (4)	AGREE (5)	STRONGLY AGREE (6)	TOTAL	WEIGHTED AVERAGE	
My company has adopted strong policies and procedures	0% 0	0% 0	6.25% 3	22.92% 11	31.25% 15	39.58% 19	48	5.04	
HKEX is important in shaping my company's policy and procedures	0% 0	0% 0	8.33% 4	12.50% 6	37.50% 18	41.67% 20	48	5.13	
My company's policy and procedures are frequently updated	0% 0	2.08% 1	14.58% 7	22.92% 11	33.33% 16	27.08% 13	48	4.69	
My company has a tick-the-box mentality to compliance with policies and procedures	0% 0	2.08% 1	6.25% 3	20.83% 10	37.50% 18	33.33% 16	48	4.94	
My company has a principle-based approach with compliance with policies and procedures	2.08% 1	6.25% 3	8.33% 4	20.83% 10	27.08% 13	35.42% 17	48	4.71	
Other observations*	0% 0	0% 0	0% 0	0% 0	0% 0	0% 0	0	0	
*Please specify:							3		
Answered: 48									
Skipped: 0									

## Q8. Corporate governance benchmarking

	VERY POOR (1)	POOR (2)	BELOW AVERAGE (3)	ABOVE AVERAGE (4)	FAVOURABLY (5)	VERY FAVOURABLY (6)	TOTAL	WEIGHTED AVERAGE
Listed or incorporated in the same market or jurisdiction as your company	1.01% 2	3.52% 7	12.06% 24	34.67% 69	35.18% 70	13.57% 27	199	4.40
Other companies in Asia (including India and Australia)	1.01% 2	2.01% 4	13.07% 26	39.20% 78	36.68% 73	8.04% 16	199	4.33
Companies in other U.K., Europe or North American markets	1.51% 3	2.51% 5	19.60% 39	39.70% 79	30.15% 60	6.53% 13	199	4.14
Answered: 199								
Skipped: 220								

	VERY POOR (1)	POOR (2)	BELOW AVERAGE (3)	ABOVE AVERAGE (4)	FAVOURABLY (5)	VERY FAVOURABLY (6)	TOTAL	WEIGHTED AVERAGE
Listed or incorporated in the same market or jurisdiction as your company	0.66% 1	3.97% 6	13.25% 20	42.38% 64	33.77% 51	5.96% 9	151	4.23
Other companies in Asia (including India and Australia)	0.66% 1	1.99% 3	15.89% 24	43.05% 65	34.44% 52	3.97% 6	151	4.21
Companies in other U.K., Europe or North American markets	1.32% 2	1.99% 3	23.84% 36	42.38% 64	27.81% 42	2.65% 4	151	4.01
Answered: 151								
Skipped: 220								

	VERY POOR (1)	POOR (2)	BELOW AVERAGE (3)	ABOVE AVERAGE (4)	FAVOURABLY (5)	VERY FAVOURABLY (6)	TOTAL	WEIGHTED AVERAGE
Listed or incorporated in the same market or jurisdiction as your company	2.08% 1	2.08% 1	8.33% 4	10.42% 5	39.58% 19	37.50% 18	48	4.96
Other companies in Asia (including India and Australia)	2.08% 1	2.08% 1	4.17% 2	27.08% 13	43.75% 21	20.83% 10	48	4.71
Companies in other U.K., Europe or North American markets	2.08% 1	4.17% 2	6.25% 3	31.25% 15	37.50% 18	18.75% 9	48	4.54
Answered: 48								
Skipped: 0								

## Q9. Commitment to corporate governance

ANSWER CHOICES	RESPONSES	
Lip service	4.52%	9
General compliance	67.34%	134
Wholehearted commitment	28.14%	56
Answered: 199		
Skipped: 220		

ANSWER CHOICES	RESPONSES	
Lip service	4.64%	7
General compliance	72.19%	109
Wholehearted commitment	23.18%	35
Answered: 151		
Skipped: 220		

ANSWER CHOICES	RESPONSES	
Lip service	4.17%	2
General compliance	52.08%	25
Wholehearted commitment	43.75%	21
Answered: 48		
Skipped: 0		

## Q10. The direction of corporate governance

	VERY SUBSTANTIAL DECREASE (1)	SUBSTANTIAL DECREASE (2)	SOME DECREASE (3)	SOME INCREASE (4)	SUBSTANTIAL INCREASE (5)	VERY SUBSTANTIAL INCREASE (6)	TOTAL	WEIGHTED AVERAGE
	0%	0.50%	2.01%	41.71%	42.21%	13.57%	199	4.66
	0	1	4	83	84	27		

\*Please specify:

7

Answered: 199

Skipped: 220

	VERY SUBSTANTIAL DECREASE (1)	SUBSTANTIAL DECREASE (2)	SOME DECREASE (3)	SOME INCREASE (4)	SUBSTANTIAL INCREASE (5)	VERY SUBSTANTIAL INCREASE (6)	TOTAL	WEIGHTED AVERAGE
	0%	0%	0%	45.70%	44.37%	9.93%	151	4.64
	0	0	0	69	67	15		

\*Please specify:

5

Answered: 151

Skipped: 220



## Q10. The direction of corporate governance

	VERY SUBSTANTIAL DECREASE (1)	SUBSTANTIAL DECREASE (2)	SOME DECREASE (3)	SOME INCREASE (4)	SUBSTANTIAL INCREASE (5)	VERY SUBSTANTIAL INCREASE (6)	TOTAL	WEIGHTED AVERAGE
	0%	2.08%	8.33%	29.17%	35.42%	25.00%	48	4.73
	0	1	4	14	17	12		
*Please specify:							2	
Answered: 48								
Skipped: 0								

## Survey Background: Place of listing and incorporation

ANSWER CHOICES	RESPONSES	
Main Board listed	43.91%	184
GEM Board listed	4.06%	17
Hong Kong incorporated	43.68%	183
Overseas (except the Mainland) incorporated	11.46%	48
The Mainland incorporated H-share company	3.82%	16
The Mainland incorporated A+H share company	4.77%	20
Also listed elsewhere*	5.97%	25
*Please specify:		31
Answered: 419		
Skipped: 0		

ANSWER CHOICES	RESPONSES	
Main Board listed	42.86%	159
GEM Board listed	3.50%	13
Hong Kong incorporated	48.52%	180
Overseas (except the Mainland) incorporated	12.13%	45
The Mainland incorporated H-share company	0.81%	3
The Mainland incorporated A+H share company	2.43%	9
Also listed elsewhere*	6.20%	23
*Please specify:		28
Answered: 371		
Skipped: 0		

ANSWER CHOICES	RESPONSES	
Main Board listed	52.08%	25
GEM Board listed	8.33%	4
Hong Kong incorporated	6.25%	3
Overseas (except the Mainland) incorporated	6.25%	3
The Mainland incorporated H-share company	27.08%	13
The Mainland incorporated A+H share company	22.92%	11
Also listed elsewhere*	4.17%	2
*Please specify:		3
Answered: 48		
Skipped: 0		

## Survey Background: Market capitalisation

	OVER HK\$50 BILLION	OVER HK\$25 TO HK\$50 BILLION	OVER HK\$10 TO HK\$25 BILLION	HK\$2.5 TO HK\$10 BILLION	UNDER HK\$2.5 BILLION	TOTAL	WEIGHTED AVERAGE
	23.39%	10.26%	10.74%	18.62%	36.99%	419	3.36
	98	43	45	78	155		
Answered: 419							
Skipped: 0							

	OVER HK\$50 BILLION	OVER HK\$25 TO HK\$50 BILLION	OVER HK\$10 TO HK\$25 BILLION	HK\$2.5 TO HK\$10 BILLION	UNDER HK\$2.5 BILLION	TOTAL	WEIGHTED AVERAGE
	22.37%	9.70%	10.24%	18.33%	39.35%	371	3.43
	83	36	38	68	146		
Answered: 371							
Skipped: 0							

	OVER HK\$50 BILLION	OVER HK\$25 TO HK\$50 BILLION	OVER HK\$10 TO HK\$25 BILLION	HK\$2.5 TO HK\$10 BILLION	UNDER HK\$2.5 BILLION	TOTAL	WEIGHTED AVERAGE
	31.25%	14.58%	14.58%	20.83%	18.75%	48	2.81
	15	7	7	10	9		
Answered: 48							
Skipped: 0							

## Survey Background: Employees

	OVER 10,000	5,000 TO 10,000	2,500 TO 5,000	1,000 TO 2,500	100 TO 1,000	UNDER 100	TOTAL	WEIGHTED AVERAGE
	18.62%	9.55%	6.92%	9.31%	25.54%	30.07%	419	4.04
	78	40	29	39	107	126		
Answered: 419								
Skipped: 0								

## Survey Background: Employees

	OVER 10,000	5,000 TO 10,000	2,500 TO 5,000	1,000 TO 2,500	100 TO 1,000	UNDER 100	TOTAL	WEIGHTED AVERAGE
	15.90%	8.63%	7.01%	8.09%	26.95%	33.42%	371	4.22
	59	32	26	30	100	124		
Answered: 371								
Skipped: 0								

	OVER 10,000	5,000 TO 10,000	2,500 TO 5,000	1,000 TO 2,500	100 TO 1,000	UNDER 100	TOTAL	WEIGHTED AVERAGE
	39.58%	16.67%	6.25%	18.75%	14.58%	4.17%	48	2.65
	19	8	3	9	7	2		
Answered: 48								
Skipped: 0								

## Survey Background: Company profiles

ANSWER CHOICES	RESPONSES
Conglomerate	8.35% 35
Construction	2.63% 11
Consumer goods – food and beverage	2.15% 9
Consumer goods – textiles, clothing and accessories	0.95% 4
Energy – oil and gas	2.15% 9
Entertainment	1.67% 7
Financials – banks, insurance and other finance	27.92% 117
Hospitality, leisure and tourism	0.95% 4
Manufacturing	7.88% 33
Materials	0.48% 2
Media and advertising	1.19% 5
Medical related	1.91% 8
Mining and energy related	1.91% 8
Pharmaceutical related	1.43% 6
Property and construction	7.16% 30
Retailing	2.39% 10
Transportation	3.10% 13
Telecommunications	0.95% 4
Technology	3.82% 16
Utilities	2.15% 9
Others*	18.85% 79
*Please specify:	80
Answered: 419	
Skipped: 0	

## Survey Background: Company profiles

ANSWER CHOICES	RESPONSES	
Conglomerate	8.09%	30
Construction	2.16%	8
Consumer goods – food and beverage	2.16%	8
Consumer goods – textiles, clothing and accessories	1.08%	4
Energy – oil and gas	1.62%	6
Entertainment	1.62%	6
Financials – banks, insurance and other finance	28.84%	107
Hospitality, leisure and tourism	1.08%	4
Manufacturing	7.01%	26
Materials	0.54%	2
Media and advertising	1.35%	5
Medical related	1.62%	6
Mining and energy related	0.81%	3
Pharmaceutical related	1.62%	6
Property and construction	7.82%	29
Retailing	2.43%	9
Transportation	2.7%	10
Telecommunications	1.08%	4
Technology	4.31%	16
Utilities	2.16%	8
Others*	19.95%	74
*Please specify:		77
Answered: 371		
Skipped: 0		

ANSWER CHOICES	RESPONSES	
Conglomerate	10.42%	5
Construction	6.25%	3
Consumer goods – food and beverage	2.08%	1
Consumer goods – textiles, clothing and accessories	0%	0
Energy – oil and gas	6.25%	3
Entertainment	2.08%	1
Financials – banks, insurance and other finance	20.83%	10
Hospitality, leisure and tourism	0%	0
Manufacturing	14.58%	7
Materials	0%	0
Media and advertising	0%	0
Medical related	4.17%	2
Mining and energy related	10.42%	5
Pharmaceutical related	0%	0
Property and construction	2.08%	1
Retailing	2.08%	1
Transportation	6.25%	3
Telecommunications	0%	0
Technology	0%	0
Utilities	2.08%	1
Others*	10.42%	5
*Please specify:		3
Answered: 48		
Skipped: 0		

Note: Due to rounding, some totals may not correspond with the sum of the separate figures.





## The Hong Kong Institute of Chartered Secretaries 香港特許秘書公會

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