

Corporate Governance

Chartered Governance Qualifying Programme

Syllabus

The Hong Kong Chartered Governance Institute

Chartered Governance Qualifying Programme

Corporate Governance

Part One Programme

Total study time: 200 hours

Introduction

The aim of this module is to provide advanced knowledge and key skills necessary for the company secretary or governance professional to act as chief adviser to the board and other stakeholders on best practice in corporate governance, and as the facilitator for systematic application of good governance across a wide range of organisations.

Learning outcomes

After successful completion of this module you should be able to:

1. Research and critically apply the growing global, regional and local information sources on corporate governance.
2. Advise on the duties of directors as well as the role, membership, composition and effectiveness of the board within legal and regulatory frameworks and ethical standards.
3. Apply the concepts of disclosure (including accountability, audit and transparency), corporate social responsibility and stakeholder engagement.
4. Critically appraise and apply corporate governance principles and best practices in risk management for the board in an employer or client organisation.
5. Exercise appropriate judgment in using professional knowledge and skills to resolve practical issues and problems in the proper governance of an organisation, including shareholder engagement and director's remunerations.

Module content

| Section A: Corporate governance – principles and issues | |
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| <i>25% - 50 learning hours</i> | |
| <p>LO.1: Research and critically apply the growing global, regional and local information sources on corporate governance</p> <p>LO.5: Exercise appropriate judgment in using professional knowledge and skills to resolve practical issues and problems in the proper governance of an organisation, including shareholder engagement and director’s remunerations</p> | |
| Topic area | Learning areas |
| <p>Definitions and issues in corporate governance</p> | <ul style="list-style-type: none"> • Origins of the term corporate governance • Definitions of corporate governance • Theories of corporate governance: <ul style="list-style-type: none"> • shareholder primacy theory • agency theory: <ul style="list-style-type: none"> - agency conflict - agency costs • stakeholder theory • Approaches to corporate governance: <ul style="list-style-type: none"> • shareholder value approach • stakeholder approach • inclusive stakeholder approach • enlightened shareholder value approach • convergence of approaches to corporate governance • distinction between soft law and hard law • Principles of corporate governance: <ul style="list-style-type: none"> • responsibility • accountability • transparency • fairness • Reputational management • The corporate governance framework: <ul style="list-style-type: none"> • applicable laws, regulations, standards and codes: <ul style="list-style-type: none"> - rules-based approach - principles-based approach - hybrid approach • concepts of ‘comply or else’, ‘comply or explain’, ‘apply or explain’ • an organisation’s constitution • structures • policies • procedures • Implementation of a governance framework: <ul style="list-style-type: none"> • an organisation’s purpose • assimilation of corporate governance practices • organisational success |

| Topic area | Learning areas |
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| Definitions and issues in corporate governance (<i>cont.</i>) | <ul style="list-style-type: none"> • The importance of adopting good corporate governance practices • Consequences of weak governance practices • Governance and management |
| Development of corporate governance | <ul style="list-style-type: none"> • History of corporate governance: <ul style="list-style-type: none"> • from the Cadbury Report to the Combined Code: <ul style="list-style-type: none"> - board of directors - non-executive directors - executive directors - audit committee - a 'going concern' statement - internal financial controls • UK Stewardship Code • relevance of historic corporate governance developments • Corporate governance and unlisted companies • Appendix 14 Corporate Governance Code and Corporate Governance Report of SEHK Listing Rules • SFC Principles of Responsible Ownership • HKEX Corporate Governance Guide for Boards and Directors |
| Role of the company secretary/ governance professional in governance | <ul style="list-style-type: none"> • The company secretary and corporate governance • Requirements for a company secretary: <ul style="list-style-type: none"> • Companies Ordinance (Cap 622) • Corporate Governance Code & Corporate Governance Report • CGI guidance on the corporate governance role of the company secretary • The role of the company secretary: <ul style="list-style-type: none"> • governance • statutory and regulatory compliance • advising the board and senior management • the board's communicator • additional responsibilities • The company secretary as the 'conscience of the company' • The Company Secretary: Building trust through governance • Qualifications and skills: <ul style="list-style-type: none"> • Companies Ordinance • interpersonal skills • commercial and business acumen • Position in the organisation: <ul style="list-style-type: none"> • reporting line • remuneration • evaluation |

| Topic area | Learning areas |
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| Role of the company secretary/ governance professional in governance (<i>cont.</i>) | <ul style="list-style-type: none"> • Independence of the company secretary <ul style="list-style-type: none"> • dual roles • Liability of the company secretary • In-house versus outsourced company secretary: <ul style="list-style-type: none"> • reasons to outsource • reasons not to outsource |
| Other governance issues | <ul style="list-style-type: none"> • Corporate governance in: <ul style="list-style-type: none"> • Australia • Germany • Japan • Mainland China • South Africa • the United Kingdom • the USA • Governance in other sectors: <ul style="list-style-type: none"> • governance in the public sector: <ul style="list-style-type: none"> - Nolan’s seven principles of public life • governance in the not-for-profit sector • Governance in family-controlled companies • Global principles of corporate governance: <ul style="list-style-type: none"> • G20/OECD Principles of Corporate Governance • Basel Corporate Governance Principles for Banks • International Corporate Governance Network (ICGN) principles • Key issues in corporate governance: <ul style="list-style-type: none"> • composition of boards • financial reporting • stakeholder relations • corporate culture • social responsibility and sustainability • sexual harassment in the workplace • remuneration of directors and senior executives • shareholder dialogue • performance of directors • risk management • tax planning • technology and information governance • Corporate governance issues in developing and emerging markets |

| Section B: The board of directors and leadership | |
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| <i>30% - 60 learning hours</i> | |
| LO.2: Advise on the duties of directors as well as the role, membership, composition and effectiveness of the board within legal and regulatory frameworks and ethical standards | |
| Topic area | Learning areas |
| Directors' duties and powers | <ul style="list-style-type: none"> • Powers of directors: <ul style="list-style-type: none"> • general management powers • special powers • power to delegate • shareholders' reserve power to give directions • General duties of directors: <ul style="list-style-type: none"> • common law and fiduciary duties • summary of the general duties • consequences of a breach of the general duties • Companies Ordinance • Companies Registry – A Guide on Director's Duties • Duty to act within powers and for proper purposes • Duty to exercise independent judgement • Duty to exercise skill, care and diligence • Duty to avoid conflicts of interest <ul style="list-style-type: none"> • managing conflicts of interest • Duty not to accept benefits from third parties • Duty to declare interests in transactions: <ul style="list-style-type: none"> • interests in proposed or existing transactions or arrangement • declarations of interest • related party transactions • Who can bring an action for a breach of general duties: <ul style="list-style-type: none"> • derivative actions • Fraudulent trading • Directors' and officers' insurance: <ul style="list-style-type: none"> • indemnities • funding of legal expenses |
| Role and membership of the board | <ul style="list-style-type: none"> • Role of the board: <ul style="list-style-type: none"> • governance role under the Corporate Governance Code • functions carried out through committees • critical management decisions • matters required by law • Matters reserved for the board • Composition of the board: <ul style="list-style-type: none"> • balance of executive and non-executive directors • reporting on board composition |

| Topic area | Learning areas |
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| <p>Role and membership of the board (<i>cont.</i>)</p> | <ul style="list-style-type: none"> • Role of the chairperson: <ul style="list-style-type: none"> • duties and powers of the chairperson under the law • the chairperson’s time commitments • appointment of the chairperson • Role of the chief executive officer (CEO) • Separation of the roles of chairperson and CEO • Role of other executive directors • Non-executive directors (NEDs) – role and independence: <ul style="list-style-type: none"> • role of NEDs in transactions • independent non-executive directors • NEDs – effectiveness: <ul style="list-style-type: none"> • time commitments • lack of effective challenge • delays in decision-making • Board committees and NEDs • Role of the company secretary: <ul style="list-style-type: none"> • governance role of the company secretary • appointment and removal of the secretary • reporting lines and remuneration |
| <p>Balance, composition and succession planning</p> | <ul style="list-style-type: none"> • Board size: <ul style="list-style-type: none"> • a balanced board and composition • servicing board committees • ability of the board to hold productive, constructive discussions and make prompt rational decisions • Balance of skills, knowledge and experience • Diversity: <ul style="list-style-type: none"> • gender diversity • ethnic diversity • recruiting non-executives from diverse backgrounds • reporting on diversity • diversity policy disclosures • Nomination committee: <ul style="list-style-type: none"> • membership of the nomination committee • role of the nomination committee • description of the work of the nomination committee in the annual report • Appointments to the board: <ul style="list-style-type: none"> • led by the nomination committee • appointment process • time commitments • inspection of service contracts and terms of appointment |

| Topic area | Learning areas |
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| Balance, composition and succession planning (<i>cont.</i>) | <ul style="list-style-type: none"> • Accepting an offer of appointment • Succession planning: <ul style="list-style-type: none"> • what succession plans should cover • overseeing the development of a diverse pipeline • reporting on succession planning • Refreshing board membership • Wates Corporate Governance Principles for Large Private Companies |
| Board effectiveness | <ul style="list-style-type: none"> • Regular meetings • Decision-making processes: <ul style="list-style-type: none"> • dynamics at board meetings • Supply of information: <ul style="list-style-type: none"> • board packs • other information • Board portals and electronic board papers and virtual meetings • Use of social media by boards • Corporate culture: <ul style="list-style-type: none"> • monitoring culture • values and culture • Business ethics • Role of the company secretary/governance professional in building ethical culture: <ul style="list-style-type: none"> • speaking out against bad governance and unethical behaviour • ensuring that the board sets standards of ethical business • developing a code of ethics: <ul style="list-style-type: none"> - contents of a code of ethics • communicating the expected standards of ethical behaviour • alerting the board and management to the professional ethical standards of advisers and others • ensuring that compliance with the values and the code of ethics is monitored and breaches are reported to the board • ensuring that ethical values and the code of ethics are reviewed from time to time • ensuring that the board approves and monitors implementation of whistleblowing policies and procedures • Independent professional advice: <ul style="list-style-type: none"> • independent advice for board committees |

| Topic area | Learning areas |
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| Board effectiveness (cont.) | <ul style="list-style-type: none"> • Performance evaluation: <ul style="list-style-type: none"> • general guidance • externally facilitated board evaluations • internal evaluations • what should be evaluated • role of the company secretary/governance professional • Induction and professional development: <ul style="list-style-type: none"> • CGI guidance on induction • HKCGI Guide on Directors' Induction • professional development • encouraging senior executives to take up non-executive posts |

| Section C: Disclosure, corporate social responsibility and stakeholders 25% - 50 learning hours | |
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| LO.3: Apply the concepts of disclosure (including accountability, audit and transparency), corporate social responsibility and stakeholder engagement | |
| Topic area | Learning areas |
| Financial reporting to shareholders and the external audit | <ul style="list-style-type: none"> • Financial and reporting • Requirements for financial reporting • Investor confidence in financial reporting • Role of the board in financial reporting • Role of the company secretary/governance professional in financial reporting • Audit committee requirements: <ul style="list-style-type: none"> • requirements for an audit committee • composition of the audit committee • Role and responsibility of the audit committee • Meetings of the audit committee • Audit committee relationship with the board • Audit committee relationship with shareholders • Audit committee report • Role of the company secretary/governance professional in relation to the audit committee • External auditor: <ul style="list-style-type: none"> • auditor's liability to third parties • criminal liability of auditors • Role of the external auditor • Auditor independence: <ul style="list-style-type: none"> • threats to auditor independence • measures to protect auditor independence • Non-audit services: <ul style="list-style-type: none"> • restrictions • role of the audit committee • Auditor rotation • Restoring trust in audit and corporate governance • Role of the company secretary/governance professional in relation to external auditors |
| Corporate social responsibility and stakeholders | <ul style="list-style-type: none"> • Definition of corporate social responsibility (CSR): <ul style="list-style-type: none"> • corporate citizenship defined • sustainability defined • ESG (environmental, social and governance) defined • History of CSR • Business case for CSR: <ul style="list-style-type: none"> • organisations • governments and bilateral organisations |

| Topic area | Learning areas |
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| <p>Corporate social responsibility and stakeholders (<i>cont.</i>)</p> | <ul style="list-style-type: none"> • investors • shareholder trade associations • ‘greenwashing’ • impact of the millennial generation • Categories of CSR activity: <ul style="list-style-type: none"> • creating CSR partnerships • CSR frameworks: <ul style="list-style-type: none"> • UN Guiding Principles on Business and Human Rights • UN Global Compact • SIGMA Project • Equator Principles • OECD Guidelines for Multinational Enterprises • Measuring CSR initiatives: <ul style="list-style-type: none"> • CSR and senior executive remuneration • sustainable development goals (SDGs) • CSR benchmarking: <ul style="list-style-type: none"> • Dow Jones Sustainability Indexes (DJSI) • FTSE4 Good Indexes • Business in the Community (BiTC) Corporate Responsibility Tracker • Integrated thinking • Advising the board on being socially responsible • Engagement with stakeholders: <ul style="list-style-type: none"> • ways to engage with stakeholders • engagement with the workforce • CGI and The Investment Association: The Stakeholder Voice in Board Decision Making • Wates Corporate Governance Principles for Large Private Companies • Impact of Section 172 to promote the success of the company on stakeholder engagement • Role of the company secretary/governance professional in stakeholder engagement: <ul style="list-style-type: none"> • explaining to the board the business case for stakeholder engagement • assisting the board with stakeholder engagement • advising the board on reporting on stakeholder engagement • alerting the board and/or management to opportunities and risks associated with stakeholder engagements • advising the board on the setting up of a committee responsible for stakeholder issues |

| Topic area | Learning areas |
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| <p>Reporting on non-financial issues, including corporate social responsibility reporting</p> | <ul style="list-style-type: none"> • Non-financial reporting: <ul style="list-style-type: none"> • narrative reporting • corporate governance report • strategic report • CSR reporting • Drivers for voluntary CSR reporting • Triple bottom line reporting • Integrated reporting: <ul style="list-style-type: none"> • the importance of integrated thinking • responding to stakeholder issues • difference between sustainability reports and integrated reports • Global Reporting Initiative (GRI): <ul style="list-style-type: none"> • GRI Universal Standards • topic-specific GRI Standards • Sustainability Accounting Standards Board (SASB) • International Integrated Reporting Council (IIRC) reporting framework • Corporate Reporting Dialogue • Climate change reporting • Moves to single reporting standard • External assurance • Environmental Profit & Loss Accounts (EP&L) • Environmental, Social and Governance (ESG) report • The company secretary/governance professional's role in CSR and ESG reporting |

Section D: Risk management and internal control

10% - 20 learning hours

LO.4: Critically appraise and apply corporate governance principles and best practices in risk management for the board in an employer or client organization

| Topic area | Learning areas |
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| Systems of risk management and internal control | <ul style="list-style-type: none"> • Corporate governance, risk and internal controls: <ul style="list-style-type: none"> • relevance of risk management and internal control systems for corporate governance • Corporate Governance Code requirements • Risk: <ul style="list-style-type: none"> • business risk versus governance risk • Internal controls: <ul style="list-style-type: none"> • internal control risks • Elements of a risk management and internal control system: <ul style="list-style-type: none"> • Committee of Sponsoring Organizations of the Treadway Commission (COSO) • Developing a risk management system: <ul style="list-style-type: none"> • risk identification • risk categories • methods of identifying risk • risk assessment • risk response • selecting a response • risk monitoring • risk reporting • Benefits of risk management • Role of the board in risk management and internal control • Common failure of boards • Corporate sustainability • Advising the board on planning for sustainability |
| Risk structures, policies, procedures and compliance | <ul style="list-style-type: none"> • Structures: <ul style="list-style-type: none"> • board committees • risk management committee • internal audit • Governance players: <ul style="list-style-type: none"> • company secretary/governance professional role • CEO role • chief risk officer (CRO) role • internal auditors' role |

| Topic area | Learning areas |
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| Risk structures, policies, procedures and compliance (<i>cont.</i>) | <ul style="list-style-type: none"> • Policies and procedures: <ul style="list-style-type: none"> • risk policy and manual • procedure for monitoring and reviewing risk management and internal control systems • Whistleblowing: <ul style="list-style-type: none"> • introducing a whistleblowing procedure • questions for boards • Cybersecurity: <ul style="list-style-type: none"> • importance of data protection and privacy law • General Data Protection Regulation (GDPR) • Governance of information • Disaster recovery plans • Conflict prevention and resolution |

Section E: Shareholder rights, shareholder engagement and directors' remuneration

10% - 20 learning hours

LO.5: Exercise appropriate judgment in using professional knowledge and skills to resolve practical issues and problems in the proper governance of an organisation, including shareholder engagement and directors' remunerations

| Topic area | Learning areas |
|------------------------------------|---|
| Shareholders rights and engagement | <ul style="list-style-type: none"> • Definitions • Separation of ownership and control • Powers and rights: <ul style="list-style-type: none"> • sources • shareholder rights • Common abuses of shareholder rights: <ul style="list-style-type: none"> • market abuse and insider dealing • insider dealing: criminal offence: <ul style="list-style-type: none"> - disclosure of inside information - insider lists and control of inside information - dealing code and policy • dilution • tunnelling • related party transactions • Anonymity of shareholders • Institutional shareholder responsibilities: <ul style="list-style-type: none"> • SFC Principles of Responsible Ownership • CGI Shareholder Engagement • shareholder activism • Responsible investment versus socially responsible investment: <ul style="list-style-type: none"> • pursuing a socially responsible investment (SRI) strategy |
| Board engagement with shareholders | <ul style="list-style-type: none"> • Shareholder engagement <ul style="list-style-type: none"> • CGI guidance on engagement • Annual general meetings (AGMs): <ul style="list-style-type: none"> • hybrid and virtual AGMs • AGM trends • Electronic communication: <ul style="list-style-type: none"> • shareholder communications • CGI guidance on electronic communications |

| Topic area | Learning areas |
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| <p>Remuneration of directors and senior executives</p> | <ul style="list-style-type: none"> • Remuneration as a corporate governance issue: <ul style="list-style-type: none"> • importance of remuneration of directors • overview of the governance framework on directors' remuneration in Hong Kong • remuneration of directors and senior executives • Elements of remuneration for executive directors and senior executives: <ul style="list-style-type: none"> • components of executive remuneration • short-term performance-based incentives • long-term incentives: share options • long-term incentives: grants of shares (performance shares) • long-term incentive scheme performance measures • problems with linking rewards to performance • the use of benchmarks • drawbacks of share option schemes • Principles and provisions on remuneration: <ul style="list-style-type: none"> • no director should be involved in deciding their own remuneration outcome • levels of remuneration • performance-related remuneration • Remuneration committee: <ul style="list-style-type: none"> • membership of the remuneration committee • duties of the remuneration committee • delegated powers or recommendations to the board • consultation with shareholders • remuneration consultants • remuneration committee report • Directors' remuneration policy: <ul style="list-style-type: none"> • general requirements regarding remuneration policy • contents of directors' remuneration policy • disclosure of annual remuneration • Best practices on remuneration report • Compensation for loss of office and rewards for failure: <ul style="list-style-type: none"> • use of discretion • malus and clawback provisions • Listing Rule provisions on long-term incentive schemes • Non-executive remuneration |

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The Hong Kong Chartered Governance Institute 香港公司治理公會
(Incorporated in Hong Kong with limited liability by guarantee)

Hong Kong Office
3/F, Hong Kong Diamond Exchange Building,
8 Duddell Street, Central, Hong Kong
T: (852) 2881 6177 F: (852) 2881 5050
W: hkcgi.org.hk E: student@hkcgi.org.hk

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