

Ethics Promotion Programme for Listed Companies

Forestalling Corrupt Practices With Ethical Governance: Listed Companies And The ICAC

Mr Raymond NG Director of Community Relations, ICAC





"Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations, ... capital flowed towards companies that practiced this type of good governance."

> The King Report on Corporate Governance, The Institute of Directors in Southern Africa



World Competitiveness Yearbook 2017

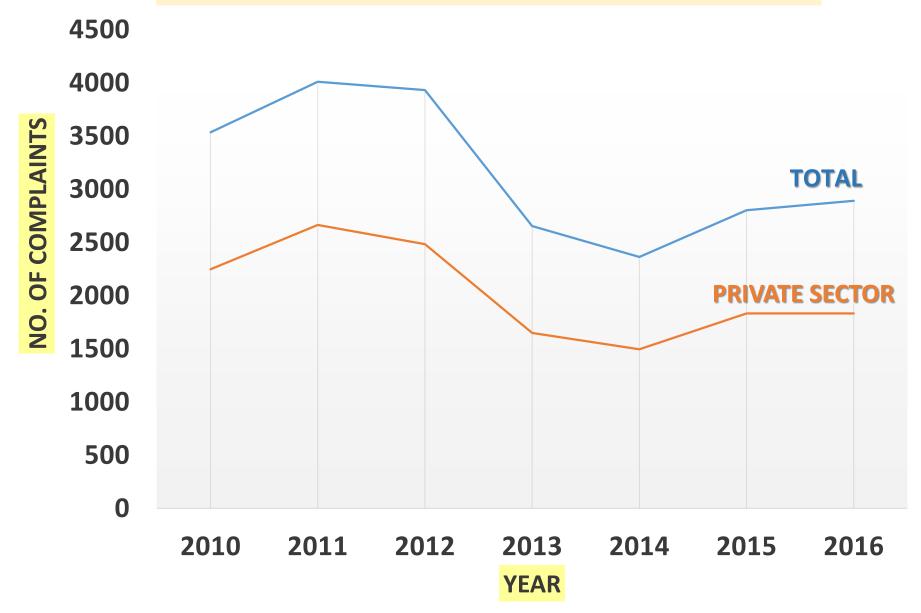


1. Hong Kong

2. Switzerland

3. Singapore

No. of Corruption Complaints









World Competitiveness Yearbook 1st/63 economies

Global Business Bribery Risk Index 1st in Asia region 4th/199 places with least corruption risk

Index of Economic Freedom 1st for 23 years







Rule of Law Index 8th/113 regions in the aspect of eliminating corruption

The Global Competitiveness Report 9th/138 economies Clean Index 15th/176 countries



2016 Trace Matrix



Conducted by the RAND Corporation

Hong Kong was ranked the 1st in Asia region and the 4th economy/199 places with the LOWEST business bribery risk



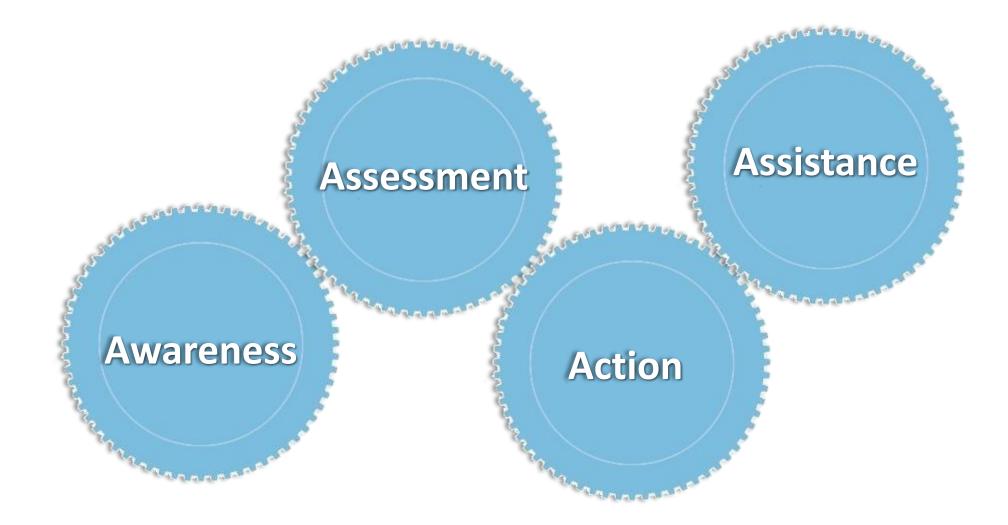
A Judge's Remarks:



"The dishonest acts of the defendants ... not only affected economic interests of the parties concerned, more importantly it shakes the confidence in the system and the integrity of our stock market. In turn, it will have a severe adverse impact on our effect to build Hong Kong as a leading financial centre ..."

(District Court Judgment In DCCC265&266/2009, June 2011)

"4As" Model Enhancing Ethical Governance





Private Sector Corruption Section 9 of Prevention of Bribery Ordinance

Any agent

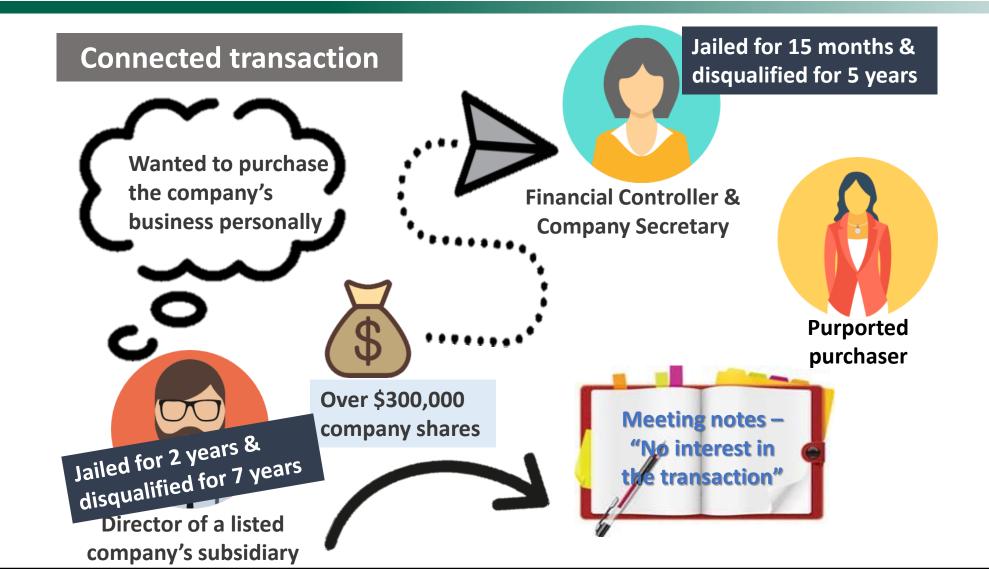
without the principal's permission

Solicit / accept any advantage

any act in relation to the principal's affairs or business

Both offeror and recipient of bribery are guilty Max. penalty: 7 years imprisonment and \$500,000

Concealing a connected transaction



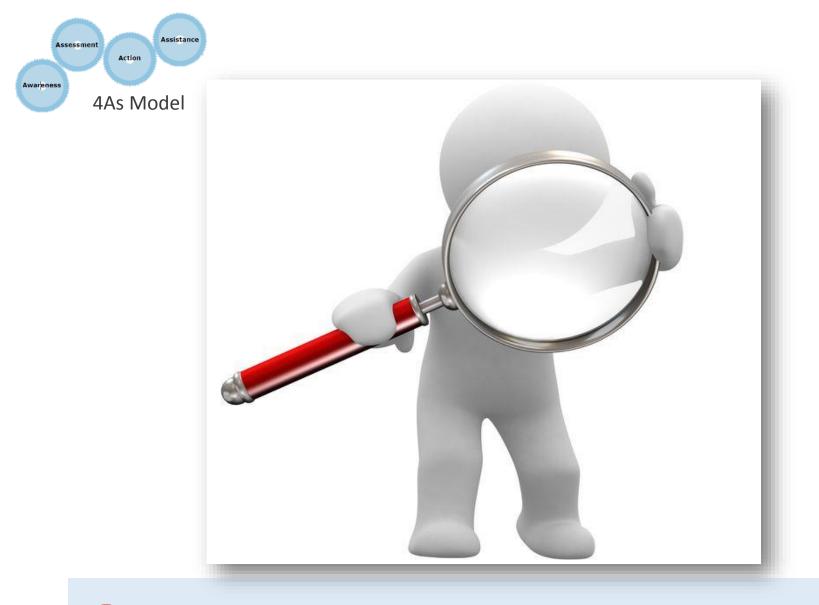
Corrupt practices in listed companies



2012 – 2016 :

13 prosecutions

against persons in senior management of listed companies



Assessment of Challenges and Risks

Bogus accounting records



Cross-boundary malpractices

Local laws with

extra-territorial jurisdiction



United Kingdom UK Bribery Act



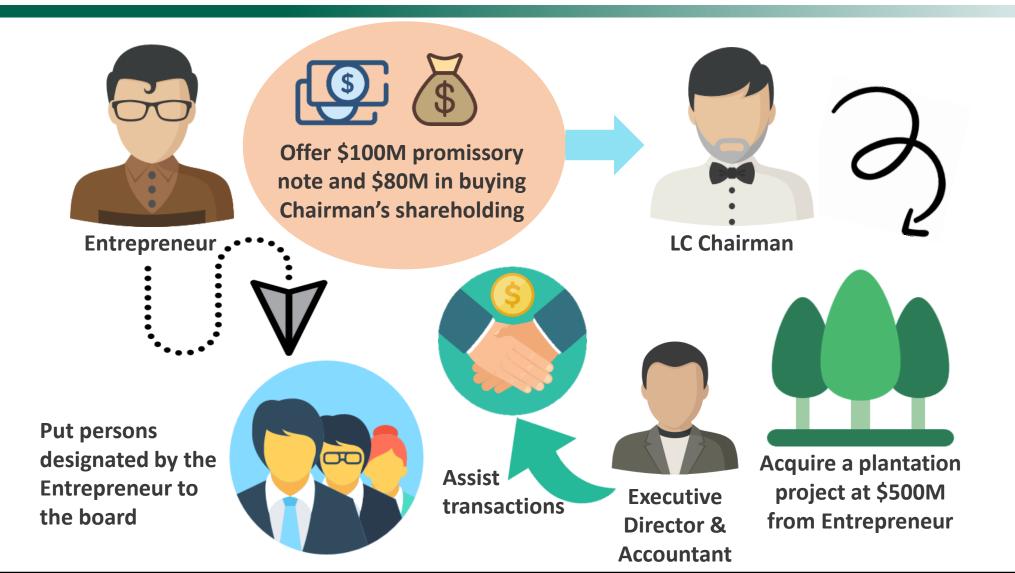


United States of America Foreign Corrupt Practices Act



People's Republic of China Criminal Law

Bribery and fraud over backdoor listing



Bribery and fraud over backdoor listing

 Concealed transactions in circulars and related documents





Bribery and fraud

Jailed up to 7 years and 9 months & disqualified for 10 years

Two important facets



Human facet

- failure of personal integrity
- ineffective performance of board members or professionals



System facet

- flaws in internal controls
- insufficient checks and balances





Action in Culture Building

Hong Kong Business Ethics Development Centre

Set up in 1995 under the Community Relations Department, ICAC



Ethics promotion programme for LCs (2003)



Directors' ethics programme (2007)



Ethics Promotion Prgramme for Listed Companies (2015-2018)

In collaboration with 18 institutions

	Official Receiver's Offic	₩ 署 HKEX 香港交易所	SECURITIES AND FUTURES COMMISSI 思多及單質事務室察要調 證 監 會	ΟΝ Lŵ
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Hong Kong Institute of Certified Public Accountants 百落合計部公會	CHARTERED	香港董事學會 The Hong Kong Institute of Directors		¥ *
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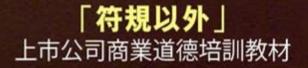
Key components:



Conference on Business Ethics for Listed Companies 2017

Training Package on Business Ethics for Listed Companies

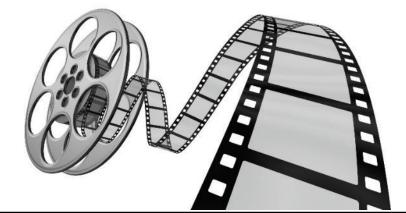




Compliance and Beyond:

Training Package on Business Ethics for Listed Companies





Training package on business ethics for listed companies



Hong Kong Business Ethics Development Centre

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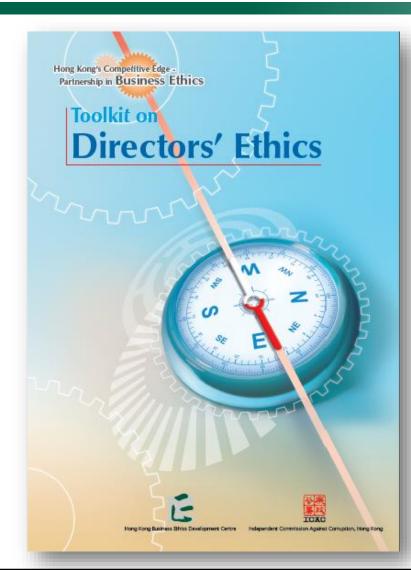


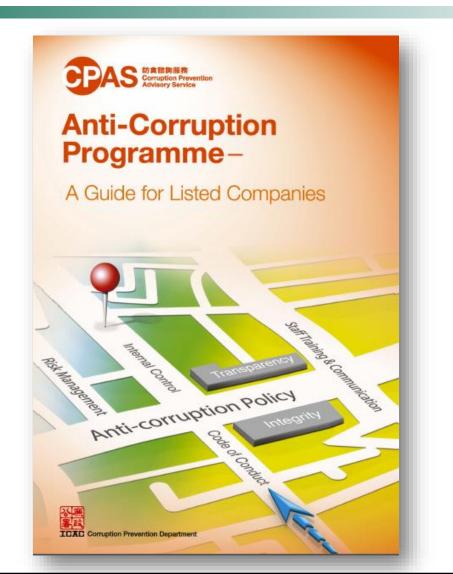






Two Practical Guides





Toolkit on Directors' Ethics

Health Checklist on Corporate Ethics Programme

Corruption, fraud and other malpractices erode the profils of your company, increase its operating costs and tamish its reputation. Building up an ethical corporate culture through implementing a corporate ethics programme is not only the first line of define against corruption and fraud, but can also enhance your company's profits and productivity through trust, goodwill and loyalty from customers, suppliers and employees.

The basic components of a corporate ethics programme comprise setting one ethical standard for directors and all levels of staff to adhere to, providing training for staff to cultivate their ethical mind and strengthening system controls to plug loopholes for corruption and fraud,

To diagnose the current position of your company on this corporate ethics tripod, turn to the next page to complete the health checklist as a basis to steam ahead in the road to ethical corporate governance.

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Health Checklist on Corporate Ethics Programme

Annex 2

Ethics Checklist for Company Directors

As a prospective company director, what areas of concern do you have to consider before accepting the offer as a member of the corporation's navigating team? After entering the board, what measures and actions do you have to take to ensure effective performance of your monitoring role? A self-questioning tool, an ethics checklist, is prepared below for your assessment before and after joining the board. After going through the following questions, you should be in a better position to:

- determine if the corporation is a suitable choice for you; and
- assess the sufficiency and effectiveness of how you fulfil your monitoring and supervision role.

......Getting Started - Are you ready for the mission?

About the Company

- What is the scope of business of the company?
- What is the company's organisation structure? What are its major subsidiaries and associated companies? What is the nature and scale of their businesses?
- Where are the major operations of the company and / or its subsidiaries / associated companies? What is the business and legal environment there? Is there widespread corruption?
- What is the company's financial structure? Is the financial position of the company clearly and properly disclosed?
- What are the major strengths and weaknesses (including business risks) of the company? What are possible opportunities and threats for the company?

About the Board

- What is the share options structure? Who is / are the major shareholder(s)? How about his / their level of integrity and investment style?
- How is the board's relationship with shareholders and other stakeholders?
- Who is the Chairman? Is his role clearly divided from the Chief Executive Officer? How is his reputation (including level of integrity) and style of chairmanship?
- · Who are other executive and non-executive directors (including independent ones)?
- Who are other executive and non-executive directors (including independent ones)? What is their reputation (including level of integrity) and style of directorship? How
- many directorships do they hold?
- Does the board have the right mix of experience and skill?

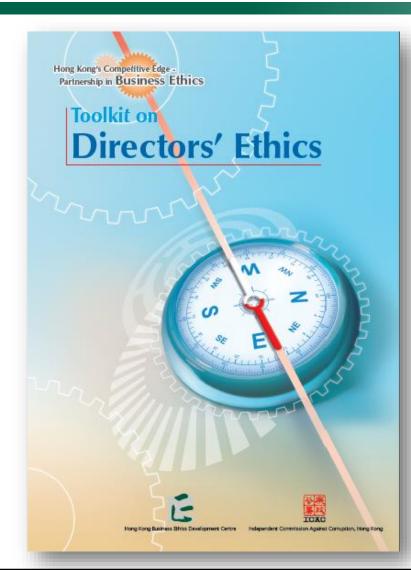
Ethics Checklist for Company Directors

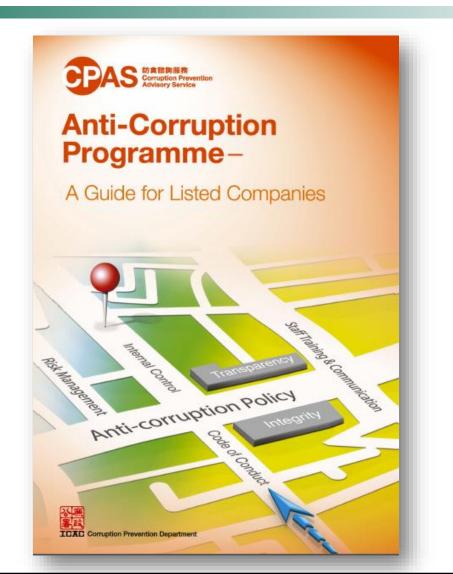




Corporate Ethics Compass

Two Practical Guides





ICAC's services to enhance governance

Board Level – Board members to perform fiduciary duties more effectively





ICAC's services to enhance governance

Corporate Level – Top management to exercise ethical leadership





ICAC's services to enhance governance

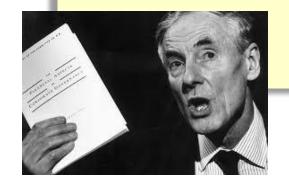
Personal Level –

Directors and senior management to walk the talk





"Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society."



Sir Adrian Cadbury, UK, Commission Report: Corporate Governance 1992

