

Conference on Business Ethics for Listed Companies 2017
Corporate Governance: Compliance and Beyond
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Opening Remarks

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Commissioner
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Good morning, Mr Lau, distinguished guests, ladies and gentlemen,

It is my pleasure to extend a grateful welcome to you all. Today, we have over 500 corporate leaders and professionals from around 200 listed companies joining this Conference. This event is the highlight of the three-year Ethics Promotion Programme for Listed Companies, which is spearheaded by the ICAC's Hong Kong Business Ethics Development Centre and co-organised with eighteen institutional stakeholders. The overwhelming response demonstrates that corporate leaders attach extreme importance not only to compliance with laws and regulations, but also ethical leadership and corporate governance.

Hong Kong's competitive edge

2. This year, Hong Kong is rated by the World Competitiveness Yearbook released by the International Institute for Management Development (IMD) again as the most competitive among 63 economies on the globe. The Heritage Foundation also ranked Hong Kong the world's freest economy for the 23rd consecutive year. These achievements can be attributed to many advantages which Hong Kong enjoys, including a level playing field for doing business, sound rule of law and a low level of corruption.

3. Hong Kong is recognised as an important financial centre in the world, with one of the largest stock markets in terms of market capitalisation and the IPO funds raised. Good governance of listed companies is not only crucial to business growth, but also conducive to market integrity and public confidence in the financial system. In a survey conducted by the Asian Corporate Governance Association in 2016, Hong Kong's corporate governance level

scored the second highest among 11 Asian territories. The strong efforts put into enhancing listed companies' governance has certainly added value to Hong Kong's overall competitiveness.

Partnership model in promoting business ethics and corporate governance

4. All along, the ICAC dedicates itself to safeguarding the fair play environment in the business sector. In particular, we believe that the first line of defence against corruption is ethical governance. For this cause, we set up the Hong Kong Business Ethics Development Centre in 1995 under the auspices of the Community Relations Department with the support of major chambers of commerce in Hong Kong, aiming to promote business and professional ethics on a long-term and continual basis. Over the past 20 years, the Centre has been proactively partnering with professional bodies, trade associations and representatives to foster an ethical culture within the business community.

5. In view of the importance of listed companies to Hong Kong's economy and the substantial investors' interests involved, listed companies are always our priority target. That's why the Centre had launched a Directors' Forum in 2007 with a view to promoting directors' ethics through a sustainable training programme. After that, we approached all listed companies to offer tailored corruption prevention services. As a standing arrangement, we also offer services to every newly listed company within three months of their listing. During the past decade, over 26,000 directors and senior executives of listed companies attended ICAC seminars and talks on corruption prevention and business ethics. More than 1,000 listed companies mapped out their anti-corruption initiatives hand in hand with ICAC officers. These demonstrate the commitment of listed companies in embracing ethical governance practices.

Challenges and opportunities

6. While Hong Kong's graft situation remains stable and well under control, the ICAC stays alert to any corruption occurrence, especially when listed companies are involved. From 2012 to 2016, the ICAC initiated 13 prosecutions against persons in the senior management of listed companies for corruption-related offences. Some of these corrupt transactions involved huge amount of money, amounting to millions of dollars. Such cases often

encompassed complicated transactions and massive financial documents. We have been augmenting our investigative capabilities in forensic accounting, asset recovery and computer forensics to tackle these complex cases.

7. These scams very often revealed systemic loopholes, corruption risks as well as failure of leaders in upholding their guardian roles or personal integrity. As such, the ICAC has developed a new training package with reference to real cases to address different challenges faced by listed companies. My colleagues will further elaborate our efforts for listed companies later. With recent changes in listing rules and company laws, we organise this Conference for all stakeholders to draw lessons from failures, share experience of successes and chart the way forward together.

Conclusion

8. The theme of today's Conference is "Corporate Governance: Compliance and Beyond". Apart from sound governance framework, listed companies also need ethical leadership. You, board directors, senior executives and professionals, play a pivotal role in fostering an ethical culture amongst every member from the boardroom to the storeroom to steer the enterprise in an ethical direction that goes beyond compliance. This is the key for companies to earn investors' trust, harvest goodwill, create value and achieve sustainable business growth.

9. Last but not least, I would like to take this opportunity to thank the eighteen co-organisers for their staunch assistance throughout the programme. Many thanks must also go to the distinguished speakers, who are all experts in corporate governance and prominent leaders in the field. We are also grateful for the support from the Administration, in particular, as the Acting Financial Secretary will give a keynote speech in a minute. I am also thankful to The Honorable CHOW Chung Kong, Chairman of the Hong Kong Exchanges and Clearing Limited, who will share his insights during the luncheon. I look forward to the inspiring presentations from the experts and exchanges of practitioners at this Conference. Thank you.

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