NEXTLEVELSOLUTIONS RISK AND REGULATORY INSIGHTS

2022-RRI-07

THE IMPORTNACE OF CORPORATE GOVERNANCE

Corporate governance is fundamental to the existence of organizations and for certain all legally constituted companies. The expected conduct of directors, their role, responsibilities, potential liabilities, rights and protections are embedded in law. In practice, these legislative requirements are augmented by best practice on matters such as ethics and risk management, shareholders rights and directors independence, promulgated by authoritative institutions/bodies. A cursory internet search will produce evidence of a myriad of corporate failures, which on examination is often the results of breaches of fundamental corporate governance, and risk management principles.

VALUE

So what is the true value of corporate governance to a company? Why is so much time and effort placed on this topic? Effective corporate governance should ensure that an organization's board meets regularly and demonstrate in fact full strategic control over the business carrying out its duties and obligations based on clearly defined mandates; approves the organization's risk appetite; and facilitates a robust and healthy risk culture. An essential aspect to corporate governance is the obligation to ensure the existence of a robust risk management regime to safeguard the assets of the business, exploit opportunities and provided confidence towards achieving corporate objectives. Corporate governance is one of the cornerstones of any good business and the foundation on which effective performance is built and sustained.

Corporate governance creates a system of rules and practices that determines how a company operates and how it aligns the interest of all its stakeholders – shareholders, employees, directors, customers, regulators and the wider community within which it operates. Effective governance leads to ethical business practices, which leads to financial viability. Good governance practices helps companies to operate more efficiently, improve access to capital, mitigate risk, and safeguard against mismanagement.

PRINCIPLES

While we often discuss the topic, there are some basic principles that are often glossed over. These principles - accountability, transparency, fairness, integrity, and risk management – are designed to undergird and encourage transparent disclosure, advocate for well-defined rights of shareholders, foster the development and maintenance of an internal control environment conducive to management of risks, delineate and impose stringent benchmarks for structured practices for board of directors, and guide the commitment of the board to the organization. The principles are fundamental to fully appreciating, developing, implementing and sustaining a regime of effective corporate governance

- **Accountability** - *Accountability embraces the idea that there must be clear ownership for the activities of the organization at all levels. There should be clear owners for whatever goes right or wrong, with ultimate responsibilities clearly delineated and known. Effective corporate governance requires accountability to be consistently practiced within the organization at a fundamental level and never in a 'window dressing' fashion.*

- **Transparency** - *Transparency is a critical component. In simple terms, we have 'nothing to hide'. Transparency should facilitate decisions that are more informed and help to build a positive reputation.*

- **Integrity** - *Integrity is the hallmark of the internal workings of an organization and holds great significant in its interaction with both internal and external state holders. A loss of integrity can have dire consequences for individuals and/or the organization as a whole to such magnitude that it can totally wipe out shareholders value.*

- **Risk Management** – *Your business should be comfortable with discussing risk, the potential exposures, and how the various risks affecting the organization are being managed over any particular time horizon. Risk management is fundamental to mitigating potential risks and for enhancing the possibilities of meeting corporate objectives. . Risk management is vital to effective corporate governance because it plays the role of creating the connection between strategic leadership (longer term) and operational management (day-to-day).*

BENEFITS

An effective corporate governance framework or regime will provide an organization with a numbers of benefits, direct and otherwise. Through disciplined adherence to governance principles and employing a robust approach to enterprise risk management the organization should realise efficient processes, high visibility of errors and potential challenges; reduced operational costs and increased revenue; a more structured and disciplined operation; greater assurance of compliance with rules and regulations (internal and external). It should benefit from the development of a culture of excellence, development and maintenance of a good and value creating reputation, clarity of roles, responsibilities, rights and procedural certainty; and financial sustainability, creating and protecting shareholders value. Corporate governance *is concerned with the long-term success of the business, and an effective regime will therefore help safeguard corporate success and maintain economic growth.*

ASSESSING YOUR ORGANIZATION'S GOVERNANCE

Despite having local standards sometimes, it is useful to benchmark against sources from other jurisdictions. Alternatively, even with the benefit of local guidance a practical example can go a far way in aiding further development and implementation. The potential insight provides a benchmark for assessing robustness and can provide assurance where the nature of your business, or a specific interaction which requires focus on your governance framework, is cross border in nature. Given the generally alignment of all major international codes and certainly those from developed jurisdictions, your organization can be confident that meeting such standards will satisfy most other standards elsewhere.

To aid you organization in assessing, and as required, identifying opportunities for remediating your corporate governance framework, ***NextLevelSolutio****ns adopted and adapted the following checklist based on a robust and comprehensive set of corporate governance standards captured Hong Kong's Corporate Governance Code. The choice of this checklist is on one hand arbitrary in terms of jurisdiction but on the other hand deliberate because it is in response to a highly developed code, the institution (HKEX) is an exchange.*

By their very nature, exchanges are enforcers of governance standards and the underlying principles of accountability, transparency, integrity and risk management, which are all critical prerequisites that must be demonstrated for continued listing purposes. We were drawn to this particular documents primarily because on review the practices employed by HKEX surpasses in many instances the standard set by the Code, and approach which organizations are commended to take rather than settling for the minimum level of compliance possible.

From its website, "HKEX is one of the world's major exchange groups…committed to the highest standards of corporate governance and recognize that good governance is vital for the long-term success and sustainability of our business". We anticipate that you will find value reviewing and using this checklist as an aid by determining whether the principle, if appropriate for your organization, is implemented and how exactly it is evidenced. Oftentimes it is the lack of evidential material brings into the question the adequacy of corporate governance and risk management frameworks.

ACTION POINT		YOUR HAVE THIS (OR SIMILAR) IN PLACE (Yes/No)	HOW IS THIS EVIDENCED IN YOUR ORGANIZATION?
A. CORPORATE PURPOSE, STRATEGY AND GOVERNANCE **A.1 Corporate strategy, business model and culture** **Principle - An organization should be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the organization**			
A.1.1	The board should establish the organization purpose, values and strategy, and satisfy itself that these and the organization culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture. Such culture should instill and continually reinforce across the organization's values of acting lawfully, ethically and responsibly.		
A.1.2	The directors should include a discussion and analysis of the organization's/group's performance in the annual report, an explanation of the basis on which the organization generates or preserves value over the longer term (the business model) and the strategy for delivering the organization objectives.		
A.2 Corporate Governance Functions **Principle - The board is responsible for performing the corporate governance duties. It may delegate the responsibility to a committee or committees.**			
A.2.1	The terms of reference of the board (or a committee or committees performing this function) should include at least the duties specified in the local corporate governance guidelines.		
B. BOARD COMPOSITION AND NOMINATION **B.1 Board composition, succession and evaluation** **Principle - The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the organization business, and should ensure that the directors devote sufficient time and make contributions to the organization that are commensurate with their role and board responsibilities. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors (INEDs)) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.**			
B.1.1	The independent non-executive directors should be identified in all corporate communications that disclose the names of directors.		
B.1.2	An organization should maintain on its website an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.		
B.1.3	The board should review the implementation and effectiveness of the organization		

	policy on board diversity on an annual basis. [*This issue is not viewed as seriously as in major developed economies but represents best practice and should be taken into consideration*].		
B.1.4	An organization should establish mechanism(s) to ensure independent views and input are available to the board and disclose such mechanism(s) in its Corporate Governance Report [*this is often a mandate of regulators but rightfully it should be seen as an obligation to the shareholders*]. The board should review the implementation and effectiveness of such mechanism(s) on an annual basis.		
B.1.5	The board should conduct a regular evaluation of its performance.		
B.1.6	The board should state its reasons if it determines that a proposed director is independent notwithstanding that the individual holds cross-directorships or has significant links with other directors through involvements in other companies or bodies.		

B.2 Appointments, re-election and removal

Principle - There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An organization must explain the reasons for the resignation or removal of any director.

B.2.1	Directors should ensure that they can give sufficient time and attention to the organization affairs and should not accept the appointment if they cannot do so.		
B.2.2	Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.		
B.2.3	If an independent non-executive director has served more than nine years [*your organization can decide how many years are appropriate*], such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should state why the board (or the nomination committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination.		
B.2.4	Where all the independent non-executive directors of an organization have served more than nine years [*your organization can decide how many years are appropriate*], on the board, the organization should: (a) disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and (b) appoint a new independent non-executive director on the board at the forthcoming annual general meeting.		

B.3 Nomination Committee

Principle - In carrying out its responsibilities, the nomination committee should give adequate consideration to the Principles under B.1 and B.2.

B.3.1	The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the duties specified/suggested in local corporate governance guidelines or adopt best practice approaches as appropriate.		

B.3.2	The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the organization's website.		
B.3.3	Organizations should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the organization expense, to perform its responsibilities.		
B.3.4	Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting : (a) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent; (b) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board; (c) the perspectives, skills and experience that the individual can bring to the board; and (d) how the individual contributes to diversity of the board.		

C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

C.1 Responsibilities of directors

Principle - **Every director must always know their responsibilities as a director of an organization and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.**

C.1.1	Newly appointed directors of an organization should receive a comprehensive, formal and tailored induction on appointment. Subsequently they should receive any briefing and professional development necessary to ensure that they have a proper understanding of the organization operations and business and are fully aware of their responsibilities under statute and common law, legal and other regulatory requirements and the organization business and governance policies.		
C.1.2	The functions of non-executive directors should include those functions specified in local corporate governance guidelines and legislation.		
C.1.3	The board should establish written exacting guidelines for relevant employees in respect of their dealings in the organization's securities. "Relevant employee" includes any employee or a director or employee of a subsidiary or holding company who, because of such office or employment, is likely to possess inside information in relation to the organization or its securities.		
C.1.4	All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The organization should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a director.		
C.1.5	Directors should disclose to the organization at the time of their appointment, and in a timely manner for any changes, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure		

	should be made.		
C.1.6	Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.		
C.1.7	Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the organization strategy and policies through independent, constructive and informed comments.		
C.1.8	An organization should arrange appropriate insurance cover in respect of legal action against its directors.		

C.2 Chairman and Chief Executive

Principle - There are two key aspects of the management of every organization - the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

C.2.1	The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.		
C.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.		
C.2.3	The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.		
C.2.4	The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. The chairman should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.		
C.2.5	The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.		
C.2.6	The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the organization. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.		
C.2.7	The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.		
C.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.		
C.2.9	The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.		

C.3 Management functions **Principle - An organization should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the organization behalf.**			
C.3.1	When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the organization behalf.		
C.3.2	An organization should formalise the functions reserved to the board and those delegated to management. It should review those arrangements periodically to ensure that they remain appropriate to the organization needs.		
C.3.3	Directors should clearly understand delegation arrangements in place. Organizations should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.		
C.4 Board Committees **Principle - Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties**			
C.4.1	Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.		
C.4.2	The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).		
C.5 Conduct of board proceedings and supply of and access to information **Principle – The organization should ensure directors can participate in board proceedings in a meaningful and effective manner. Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.**			
C.5.1	The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.		
C.5.2	Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.		
C.5.3	Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.		
C.5.4	Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.		
C.5.5	Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes should be sent to all directors for their comment and records respectively, within a reasonable time after the board meeting is held.		

C.5.6	There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the organization expense. The board should resolve to provide separate independent professional advice to directors to assist them perform their duties to the organization.		
C.5.7	If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.		
C.5.8	For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days [*more time may be more practical given likely commitments of directors*] before the intended date of a board or board committee meeting (or other agreed period).		
C.5.9	Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. The board and individual directors should have separate and independent access to the organization senior management.		
C.5.10	All directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors should receive a prompt and full response, if possible.		

C.6 Company Secretary

Principle - The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

C.6.1	The company secretary should be an employee of the organization and have day-to-day knowledge of the organization affairs.		
C.6.2	The board should approve the selection, appointment or dismissal of the company secretary.		
C.6.3	The company secretary should report to the board chairman and/or the chief executive.		
C.6.4	All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.		

D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

D.1 Financial reporting

Principle - The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

D.1.1	Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.		
D.1.2	Management should provide all members of the board with monthly updates giving a		

	balanced and understandable assessment of the organization performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties.		
D.1.3	The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary.		
D.1.4	The board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required. It should also do so for reports to regulators and information disclosed under statutory requirements.		
D.1.5	**Where required**, an organization should announce and publish quarterly financial results within the appropriate time after the end of the relevant quarter. These should disclose sufficient information to enable shareholders to assess the organization performance, financial position and prospects.		

D.2 Risk management and internal control

Principle - **The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the organization strategic objectives, and ensuring that the organization establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to ESG (Environment, Social and Governance) [*ESG is not yet getting the same level of focus as in more developed countries but it is a critically important emerging area*]. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.**

D.2.1	The board should oversee the organization risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the organization and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.		
D.2.2	The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the organization accounting, internal audit, and financial reporting functions, as well as those relating to the organization ESG performance and reporting.		
D.2.3	The board's annual review should, in particular, consider: (a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the organization ability to respond to changes in its business and the external environment; (b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the organization and the effectiveness of risk management; (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the organization financial performance or condition; and		

	(e) the effectiveness of the organization processes for financial reporting and regulatory compliance.		
D.2.4	Organizations should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. The disclosures should also include the items specified in the local corporate governance guidelines.		
D.2.5	The organization should have an internal audit function.		
D.2.6	The organization should establish a whistleblowing policy and system for employees and those who deal with the organization (eg, customers and suppliers) to raise concerns, in confidence and anonymity, with the audit committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the organization.		
D.2.7	The organization should establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.		
D.2.8	The board should disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the organization risk management and internal control systems.		
D.2.9	The board should disclose in the Corporate Governance Report details of any significant areas of concern.		

D.2 Audit Committee

Principle - The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the organization auditors. The audit committee established under the Exchange Listing Rules should have clear terms of reference.

D.3.1	Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting.		
D.3.2	A former partner of the organization existing auditing firm should be prohibited from acting as a member of its audit committee for a period of two years from the date of the person ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.		
D.3.3	The audit committee's terms of reference should include at least the duties specified in the local corporate governance guidelines.		
D.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the organization's website.		
D.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the organization should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.		
D.3.6	The audit committee should be provided with sufficient resources to perform its duties.		
D.3.7	The terms of reference of the audit committee should include additional requirements of		

	the audit committee specified in the CG Code.		

E. REMUNERATION

E.1 The level and make-up of remuneration and disclosure

Principle - An organization should have a formal and transparent policy on directors' remuneration and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent.

Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding that director's own remuneration.

E.1.1	The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary.		
E.1.2	The remuneration committee's terms of reference should include, as a minimum, the duties specified in the local corporate governance guidelines.		
E.1.3	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the organization website.		
E.1.4	The remuneration committee should be provided with sufficient resources to perform its duties.		
E.1.5	Organizations should disclose the directors' remuneration policy, details of any remuneration payable to members of senior management by band and other remuneration related matters in their annual reports.		
E.1.6	Where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report.		
E.1.7	A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.		
E.1.8	Organizations generally should not grant equity-based remuneration (eg, share options or grants) with performance-related elements to independent non-executive directors as this may lead to bias in their decision-making and compromise their objectivity and independence.		

F. SHAREHOLDERS ENGAGEMENT

F.1 Effective communication

Principle - The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

F.1.1	The organization should have a policy on payment of dividends and should disclose it in the annual report.		
F.1.2	Organizations are encouraged to include the following information in their Corporate Governance Report: (a) details of shareholders by type and aggregate shareholding;		

	(b) indication of important shareholders' dates in the coming financial year; (c) the percentage of public float, based on information that is publicly available to the organization and within the knowledge of its directors as at the latest practicable date prior to the issue of the annual report; and (d) the number of shares held by each of the senior management.		
G. SHAREHOLDERS ENGAGEMENT **G.1** Effective communication **Principle** - The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.			
F.2.1	For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Organizations should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", organizations should explain the reasons and material implications in the notice of meeting.		
F.2.2	The chairman of the board should attend the annual general meeting. The chairman of the board should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.		
F.2.3	An organization management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.		
F.2.4	The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.		

Source: hkexgroup.com

We will be delighted to respond to any questions or queries you may have on this or any issue and to provide you with assistance and support in navigating the governance and risk management challenges your organization faces. of Risk and Regulatory Insights. Please note that past issues of ***Risk and Regulatory Insights*** are available on our website - www.nlsolutionsbahamas.com - under Risk and Regulatory Forum.

****