



THE HKIOD CODE OF CONDUCT



董事



香港董事學會
The Hong Kong Institute of Directors

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PURPOSE

The Hong Kong Institute of Directors ("HKIoD") Code of Conduct ("the Code") has been developed with the following purposes:-

- To facilitate company directors in meeting high standards of professionalism and ethics,
- To provide guidance to directors in practice and
- To lay down the standards that HKIoD expects of its members in fulfilling the roles and responsibilities of directors.

The principles set out in the Code are applicable to:

- Both executive directors and non-executive directors and
- Directors of all organizations, including listed companies, private companies and non-profit-distributing organizations.

While law and regulation prescribe a business framework with basic requirements, the Code is an important element supporting a self-regulatory approach to director practices and the conduct of business. When upheld by all in a group, or indeed the entire society, the Code contributes to the development of a culture of accountability and greater confidence in the group or the society involved. Moreover, the Code also contributes to the enhancement of the image of the group which adopts and embraces it.

ADMINISTRATION

Effective 5 July 2005, Fellows and Members of The Hong Kong Institute of Directors have to be bound by the Code. Associates of the Institute and other directors are encouraged to comply. Should there be cause for complaint, Fellows and Members are subject to review and subsequent disciplinary action, if proven with failure to comply with the principles and spirit contained in the Code.

The Code is subject to revision in order to address issues of importance as they arise and to progress in pace with current trends in corporate governance.

VISION, MISSION AND VALUES: The Code has been developed to synchronize and integrate with the vision, mission and values of HKIoD.

Vision: The Hong Kong Institute of Directors aspires to be recognized locally and internationally as an authoritative advocate, influential promoter and dynamic facilitator of excellence in director practices in a multi-cultural environment through education, information, accreditation, value-added service, community integration and communicating cumulative practical experiences.

Mission: HKIoD is Hong Kong's premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors.

Values: The HKIoD Code of Conduct embraces the values of Becoming Conduct, Honesty, Legality, Diligence, Accountability, Integrity, Justice, Leadership in Enterprise, Participation, Excellence in Contribution, Continuing Professional Development and Discipline.

THE CODE

A member of The Hong Kong Institute of Directors undertakes to uphold the Institute's Code of Conduct in fulfilling the roles and responsibilities as a company director with the following commitment:

1. ***Becoming Conduct:*** To behave with conduct which becomes a member of the ultimate body that is responsible for corporate governance and hence the prosperity and integrity of the company.
2. ***Honesty:*** To act in good faith in the best interests of the company, exercising powers for their proper purpose.
3. ***Legality:*** To act within the legal framework as conferred on directors by the Companies Ordinance, the company's *Articles of Association* and any other relevant documents of authority.
4. ***Diligence:*** To exercise care, skills and due diligence.
5. ***Accountability:*** To be accountable to the company and its shareholders.
6. ***Integrity:*** To avoid conflicts of duty and personal interest and to promote ethical director and company conduct.

7. ***Justice:*** To ensure equality of shareholder opportunity and adequate and proper disclosure of information to relevant parties.
8. ***Leadership in Enterprise:*** To enhance shareholder value by steering the company through sound strategic directions, proper internal control and alert risk management.
9. ***Participation:*** To contribute towards a participative board culture as well as enlightened and considered decision-making processes.
10. ***Excellence in Contribution:*** To engage in self-assessment of work performance from time to time so as to align with the goals of the company and enhance personal and board contribution towards the company.
11. ***CPD:*** To pursue continuing professional development programmes for directors so as to master up-to-date knowledge, skills and best director practices.
12. ***Discipline:*** To be subject to review by a disciplinary panel and an appeal panel, if necessary, set up by The Hong Kong Institute of Directors, should any cause for complaint call for such a review.

GUIDELINES

The guidelines are explanatory notes aiming to assist members in complying with the Code. They are not meant to be exhaustive and similar to the Code, are subject to review and revision. In the guidelines, words in singular purports plural as well and references in masculine gender cover both genders.

1. Becoming Conduct: To behave with conduct which becomes a member of the ultimate body that is responsible for corporate governance and hence the prosperity and integrity of the company.

A director should recognize that the board is the ultimate body responsible for corporate governance and hence the prosperity and integrity of the company. As a member of the board, a director has individual and collective responsibility in leading the company.

Each director should make his best endeavours to ensure that the board fulfills its key role of safeguarding and improving the company's prosperity. At the same time, a director should ensure that such processes are executed in a proper approach.

When acting on behalf of the board, a director should carry dignity and grace.

2. Honesty: To act in good faith in the best interests of the company, exercising powers for their proper purpose.

A director owes his responsibility to the company and should therefore have the best interests of

the company in mind. When executing the powers entrusted upon him, a director should ensure that the purpose has been specified clearly and is properly understood.

A director must acquire a broad knowledge about the business of the company and the statutory and regulatory requirements affecting company direction. Moreover, a director should have full understanding of the vision, mission, values and strategic plans of the company. A director must make the initiative to ask for relevant information although the onus to supply the information is on the company.

In the exercise of his responsibilities, a director must be prepared and have the courage to express disagreement, if necessary, with other board members, including the chairman or the CEO. When a director concludes that he cannot acquiesce in a decision of the board, he must pronounce this status and may ask for additional legal, accounting or other professional advice.

3. Legality: To act within the legal framework as conferred on directors by the *Companies Ordinance*, the company's *Articles of Association* and any other relevant documents of authority.

A director should at all times comply with the law, regulation and relevant codes. A director should also endeavour to ensure that the company complies with the law, regulation and relevant codes.

A director should have a general understanding of the stipulation of the *Companies Ordinance* and a careful perusal of the company's *Articles of Association*.

In the case of a listed company or a regulated business, a director should have understanding of the *Listing Rules* and the accompanying *Code* and other relevant Ordinances where applicable.

4. Diligence: To exercise care, skills and due diligence.

In return for the trust bestowed on him by shareholders, a director should be diligent in discharging his duties to the company. A director must strive to attend all meetings of the board and the committee(s) of the board that he is a member of.

A director should give all board papers conscientious scrutiny and endeavour to understand the contents in order to actively participate in board discussions. In approaching board matters, a director must exercise care, examining options and various perspectives. In all assessments of board matters, a director should apply his personal skills.

5. Accountability: To be accountable to the company and its shareholders.

A director is accountable primarily to the company. Each director should endeavour to ensure that the company is financially viable, properly managed and constantly improved.

A director should seek to understand the expectations of shareholders and endeavour to fulfill them when deciding upon the best interests of the company.

In evaluating the interests of the company, a director should take into account the interests of the shareholders as a whole, but where

appropriate should take into account the interests of other stakeholders, ie all individuals and groups which the board judges to have a legitimate interest in the achievement of company objectives and the way in which these objectives are achieved. A director should help the board to promote goodwill with stakeholders.

6. Integrity: To avoid conflicts of duty and personal interest and to promote ethical director and company conduct.

A director must not take improper advantage of his position as director for personal gains.

A director should avoid conflicts of interest. The personal interests of a director and those of associated persons must not take precedence over interests of a company. Full and prior disclosure of any conflict or potential conflict must be made to the board. In the case of an actual or potential conflict, a director must refrain from participating in the discussions and voting on that matter.

A director should not divulge confidential information made available in the course of performing his duties as a director, unless that disclosure is required by law and has been properly authorized.

A director should endeavour to ensure that the company is engaged in ethical conduct and discharge of corporate social responsibilities. A director must evaluate the impact of the company's action in a broad social context, paying special attention to the environment, occupational health and safety, employee relations, equal opportunities, anti-corruption policies, personal data protection, fair competition, consumer rights and other societal issues.

7. Justice: To ensure equality of shareholder opportunity and adequate and proper disclosure of information to relevant parties.

A director should seek to ensure that all shareholders or all classes of shareholders are treated fairly according to their relative rights.

A director should endeavour to ensure that the board conducts proper communication with shareholders on the general strategies of the company and to assist to ensure proper disclosure of information to shareholders, regulators and other stakeholders where relevant.

8. Leadership in Enterprise: To enhance shareholder value by steering the company through sound strategic directions, proper internal control and alert risk management.

A director should endeavour to ensure that the board is properly constituted, structured and managed in fulfilling its roles, so as to ultimately enhance shareholder value.

A director should assist his board in establishing vision, mission, values, strategic plans and goals and targets for the company, delegating appropriately to management and motivating and monitoring management in the meeting of goals and targets.

In the strategic plans, a director should endeavour to ensure that the board exercises creativity and versatility in developing business and creating wealth for the company.

A director should endeavour to ensure that the board puts in place proper checks and balances and audit control, at the same time

making sure that there is open access between the board and the auditors.

A director should at all times be alert to risk management of the company.

9. Participation: To contribute towards a participative board culture as well as enlightened and considered decision-making processes.

A director should take a conscientious and active part in the board.

A director should attempt to communicate with colleagues on the board by conveying clearly his deliberations and listening objectively to other board members. In order to contribute towards quality discussions, a director should endeavour to give thorough thoughts to the subject matter, to produce independent analyses and to develop innovative ideas so as to help the board in arriving at wise decisions.

10. Excellence: To engage in self-assessment of work performance from time to time so as to align with the goals of the company and enhance personal and board contribution towards the company.

A director should be constantly in pursuit of excellence. In order to do this, a director should engage in self-assessment of work performance from time to time. The assessment should be conducted in conjunction with the role and achievement of the director within the board and how well he contributes in the board towards meeting the goals of the company. The aim is to seek improvement in contribution towards the board and the company.

A director should endeavour to influence the board in the pursuit of self-improvement and excellence.

11. CPD: To pursue continuing professional development programmes for directors so as to remain up-to-date with knowledge, skills and best director practices.

A director should keep abreast of both practical and theoretical developments in direction to ensure that he is equipped with best practices. Every member of HKIoD is obliged to engage in CPD (continuing professional development) through the membership accreditation system of CPD.

12. Discipline: To be subject to review by disciplinary panel and an appeal panel, if necessary, set up by The Hong Kong Institute of Directors, should any cause of complaint call for such a review.

HKIoD members must honour the Code in letter as well as spirit.

If there is any cause for complaint and call for investigation, a member of HKIoD is subject to review by a disciplinary panel set up by The Hong Kong Institute of Directors. If the member is not satisfied with the decision of the disciplinary panel, he may seek hearing by an appeal panel set up by the Institute. Thereafter, he should abide by the final decisions of the appeal panel.