# Risk Management: navigating change in Hong Kong

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# Foreword

Organisations worldwide continue to face a rapidly changing business environment as a result of disruptive technologies, increasing competition and a shifting geopolitical landscape.

For companies listed in Hong Kong, regulatory changes are also prompting many leaders to implement or enhance their existing enterprise wide risk management programmes. One major development is Hong Kong's corporate governance requirements that took effect on 1 January 2016, which marked a significant step in bringing the management of risk in line with other mature global markets. Following on from a similar 2015 survey focusing on the impact of these requirements, KPMG and The Hong Kong Institute of Chartered Secretaries (HKICS) conducted a survey in early 2017 of Hong Kong-based senior management to assess how well risk management has been embedded within businesses in Hong Kong.

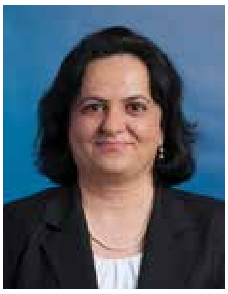
The survey finds that the corporate governance requirements have had a positive impact on promoting greater oversight of risks facing the business, and that the management of risk is increasingly starting to form part of executive management and board sub-committee agendas.

However, the survey also reveals that many businesses have not fully integrated risk management into their decision making process, and that building up a holistic view of risk remains a key challenge. Furthermore, despite improving signs, a gap remains between financial services and non-financial services sector companies on their understanding and adoption of risk management programmes.

The key themes emerging from the survey indicate that businesses need to refocus their risk resources in a more effective manner, and adopt a holistic and integrated approach to managing risk.

The report discusses five key imperatives to help companies develop and implement an effective enterprise-wide risk management framework. A robust framework provides companies with a disciplined business tool to align strategy, processes, people, technology and knowledge to effectively navigate through a complex and rapidly changing environment, and to ultimately remain competitive and successful.

We would like to thank all the survey respondents for their participation and contribution to this initiative.

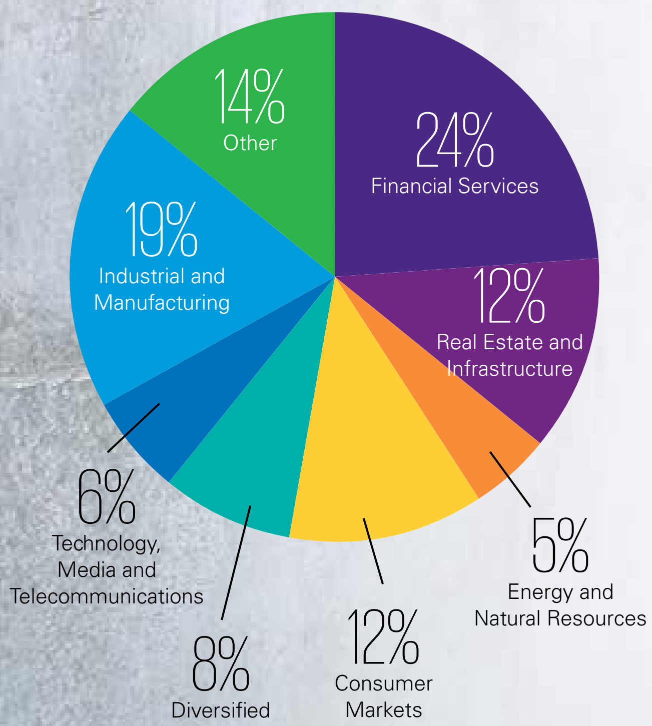


***Jyoti Vazirani***
*Partner, Head of Financial Risk Management*
*KPMG China*

***Ivan Tam FCIS FCS***
*President*
*HKICS*

# About the survey

In early 2017, KPMG and The Hong Kong Institute of Chartered Secretaries conducted a survey of Hong Kong-based senior management, focussing on new corporate governance requirements on risk management for companies listed on the Hong Kong Stock Exchange. Following on from a similar survey completed in 2015, this survey aims to capture how well risk management has been embedded within Hong Kong-based businesses. The survey gathered data from 197 respondents across a range of industries:




# Risk management trends in Hong Kong

1. The new corporate governance code is helping improve risk oversight
2. Slight divergence between the board and executives on risk priorities
3. Despite improving signs, a gap remains between financial services and non-financial services sector companies on their understanding and adoption of risk management programmes
4. Many businesses have not fully integrated risk management into their decision-making process
5. Building up a holistic view of risk remains a key challenge

In today's environment, businesses continue to experience an escalating pace of change as a result of disruptive technologies, innovative business models, new forms of competition and a shifting geopolitical landscape.

For companies listed in Hong Kong, business and regulatory imperatives have prompted many leaders to implement or enhance their existing enterprise wide risk management programmes. However, many of the programmes tend to focus on complying with current requirements, rather than serving as a strategic tool that adds value and supports growth. As a result, some companies may not be able to realise and unlock the true benefits of robust risk management.

To assess how well risk management has been embedded within businesses in Hong Kong, KPMG and The Hong Kong Institute of Chartered Secretaries (HKICS) conducted a survey in early 2017 of Hong Kong-based senior management. The survey results highlighted a number of key risk management themes and trends in Hong Kong.

## The new corporate governance code is helping improve risk oversight

New corporate governance requirements that took effect on 1 January 2016 and affect companies listed on the Hong Kong Stock Exchange is a significant step in bringing the management of risk in line with other mature global markets. Boards are now required to determine the level of risk they are willing to take to achieve their objectives, management is responsible for designing, implementing and monitoring controls to manage risk, and internal audit needs to provide an independent appraisal of those systems. The new requirements have had a positive impact on promoting greater oversight of risks facing the business. The survey finds that while the management of risk has not yet become a standing agenda item at board meetings for the majority of respondents, the issue is increasingly starting to form part of executive management and board sub-committee agendas.

## Slight divergence between the board and executives on risk priorities

The survey results note that both board director and executive management groups view the economic environment, financial risks and regulatory uncertainty as the top risks facing their organisations. However, beyond the top three, the board and executives share different views on which risks should be prioritised. For example, board directors are more likely to be concerned about the impact of an uncertain political environment on the long-term success of the business, as well as the adequacy of internal controls to protect against fraudulent or unethical behaviour. On the other hand, executives are more likely to be concerned about cyber threats, the management of talent and their ability to deal with crisis scenarios. This divergence is likely driven by two key factors: risk formed part of the board standing agenda item for only 32 percent of respondents, while only 37 percent of respondents have a programme to help stakeholders develop a good understanding of the business risks.

## Despite improving signs, a gap remains between financial services and non-financial services sector companies on their understanding and adoption of risk management programmes

The survey finds that 47 percent of respondents from the financial services industry view their risk function within the organisation as mature and well integrated in business activities with extensive oversight, compared to just 10 percent of respondents from the non-financial services sector. Furthermore, nearly one in four respondents from the non-financial services sector claimed that stakeholders either have a poor understanding of the organisation's risk programme – or no risk programme in place at all – compared to just three percent in the financial services industry. Lastly, 63 percent of financial services sector respondents have clearly defined roles and responsibilities for managing risks, compared to just 36 percent in the non-financial services sector.

***David Graham***
*Chief Regulatory Officer and Head of Listing at Hong Kong Exchanges and Clearing Limited*

*"Effective risk management and internal control with proper monitoring is essential to a company's long term sustainability. It is encouraging to see that the higher standard required by the revised Corporate Governance Code is helping listed companies improve their risk oversight. For risk management and internal control systems to add value, companies should place greater emphasis on linking strategic objectives and the associated risks. By doing so, the companies would be able to design effective systems of control to mitigate targeted risks."*

## Many businesses have not fully integrated risk management into their decision-making process

A significant majority of the survey respondents (89 percent) continue to view risk management as a tool that adds value and improves the way they conduct business. However, only 69 percent consider risk management in the strategic planning and decision making process. This may be due to the lack of a structured framework to identify risk, challenges with quantifying the impact of risk on the business, as well as compensation structures not effectively recognising and rewarding greater focus on risk management.

## Building up a holistic view of risk remains a key challenge

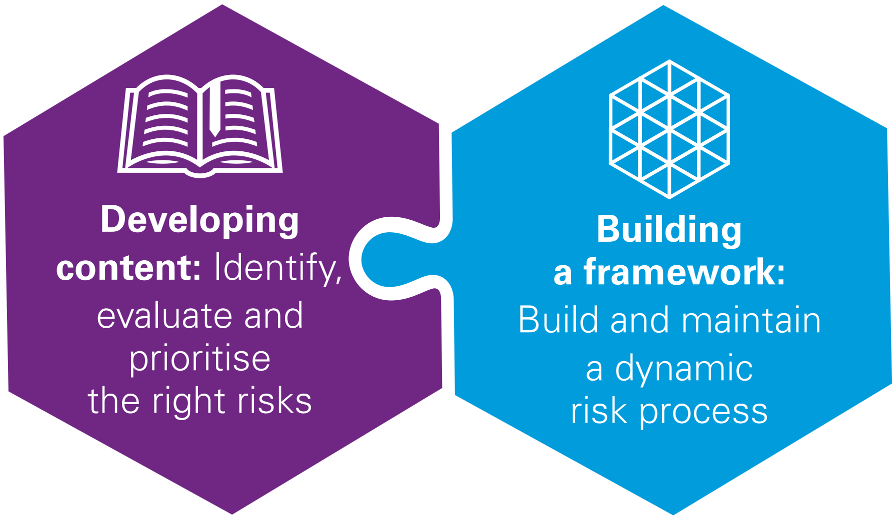
According to the survey, 46 percent of respondents find it challenging to understand the risk exposure across all business units, while more than a third of respondents are unsure of how risks impact the top strategic objectives. This could be partially due to only 18 percent of respondents having a mature risk management function that facilitates the oversight of risk across the business. The result is that many organisations often hold risk information that is incomplete, lacks relevance, and fails to add value to the business.

The key themes emerging from the survey indicate that businesses need to refocus their risk resources in a more effective manner. With an uncertain global economic environment potentially limiting additional investment in risk management, the key challenge for many businesses is to ensure that existing resources are deployed effectively, and that there is a greater focus on managing the biggest risks to their objectives. These challenges call for businesses to adopt a structured approach to managing risk.

The successful implementation of an enterprise wide risk management system requires business leaders to develop a holistic and integrated approach to managing risk. This involves two key components: developing content and a robust framework.

# Structured approach to risk management

- **Developing content:** Prioritise efforts on the right risks. This requires companies to evaluate their internal and external environment to understand how risks impact the successful delivery of their strategic objectives.
- **Building a framework:** A sustainable risk management process that is simple, structured and focuses on the right risks. This sets out the policy, process and oversight mechanism for the successful operation of all risk management activities within the business.




# Developing content

Risks can be broken down into the internal risks that are within business control, and the broader external risks. While many companies now have some form of risk assessment in place, these do not always reflect the top risks that could impact strategic objectives. Developing such a holistic view of risk requires businesses to think beyond the core internal operational risks, and factor in emerging risks from the external environment.

As highlighted in our surveys in 2015 and 2017, risks from the external environment continue to feature prominently on the senior management agenda:

The impact of macroeconomic and regulatory uncertainty on growth remains a top focus area for Hong Kong-based senior management. Concerns around financial risk in light of growing global economic uncertainty has prompted many businesses to implement robust financial risk management frameworks that satisfy compliance demands, contribute to better decision making and enhance financial performance.

Furthermore, increasing online connectivity and the emergence of new technologies is bringing cybersecurity risk to the fore.  Changes in the overall threat landscape, as well as the technology and regulatory environments, are also driving this increased attention on cybersecurity issues.

Companies need to ensure that they have properly identified the risks and vulnerabilities – both internal and external – that could threaten the overall business objectives.  Given the rapidly changing environment, this means that risk assessments can no longer be just an annual exercise. Leading organisations are developing continuous and iterative risk assessment processes, and are using both structured and unstructured data to assess the impact of existing and emerging risks.

***Paul McSheaffrey***
*Partner, Head of Internal Audit, Risk & Compliance Services, Hong Kong*
*KPMG China*

*"The survey results indicate growing concerns among senior management in Hong Kong around financial risk. Businesses should actively seek to implement robust financial risk management frameworks not just to meet compliance demands, but also to comprehensively assess the impact of current and emerging risks, improve decision making and enhance financial performance."*

## 2017 vs. 2015 survey comparison

| Top 5 Risks in 2015 | | Top 5 Risks in 2017 |
|---|---|---|
| Economic Environment | 1 | Economic Environment |
| Regulatory Uncertainty | 2 | Financial (Credit, Market, Liquidity) Risk |
| Growth & Innovation | 3 | Regulatory Uncertainty |
| Talent Management | 4 | Cybersecurity |
| Financial (Credit, Market, Liquidity) Risk | 5 | Talent Management |

Source: KPMG and HKICS 2017 Survey

***Henry Shek***
*Partner, Head of IT Advisory Risk Consulting, KPMG China*

*"Senior management can no longer afford to treat cybersecurity as a back office matter. They should actively engage with departments across the business to promote cybersecurity awareness and enact robust governance processes to strengthen cyber resilience throughout the organisation."*

# Building a framework

Many companies have already invested in a variety of risk management processes, but these mechanisms often lack a unifying vision and clear objectives. Consequently, the potential benefits of good risk management often remain unrealised. The following are five key imperatives to help develop an effective and structured risk management framework:

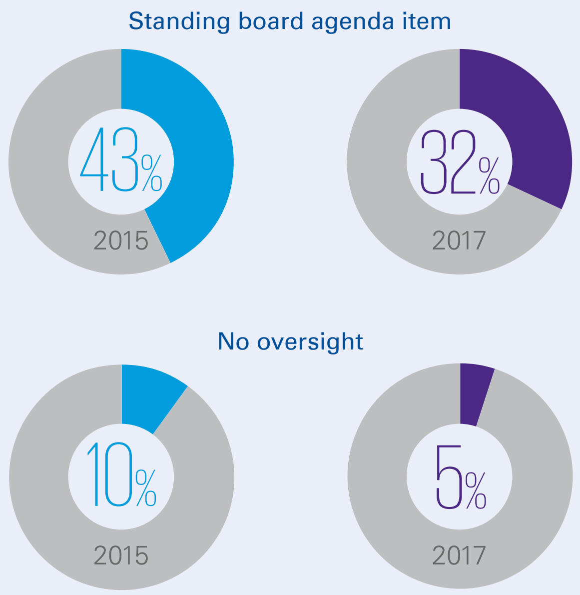
## Imperative 1: Establish risk as a boardroom agenda item

With businesses under increasing scrutiny from investors, regulators and the public, a critical priority for boards should be to assess how risks impact the ability to carry out their strategies.

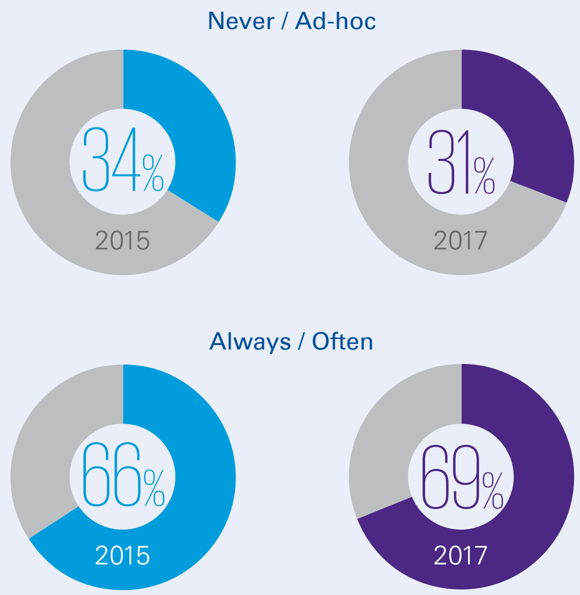
The ultimate responsibility for the management of risk lies with the board. Our survey finds that over the last two years, there has been an increase in the oversight of risk by either the board or its sub-committees. The number of companies that have no formal oversight of risk has dropped form 10 percent in 2015 to 5 percent in 2017. However, the consideration of risk in strategic decision making hasn't changed. The proportion of companies that don't often factor risk in strategic planning and decision making dropped slightly from 34 percent in 2015 to 31 percent in 2017. This may indicate that the discussion of risk continues to remain a 'paper exercise', without adequate focus on which risks really have an impact on the ability to achieve strategic objectives, and where the business priorities should lie.

### 2017 vs. 2015 survey comparison

**What oversight mechanisms are in place over risks facing the business?**




**How often is risk factored into strategic decision making?**




Source: KPMG and HKICS 2017 Survey

**_Edith Shih FCIS FCS(PE)_**
*Executive Director and Company Secretary of CK Hutchison Holdings Limited*

*"Putting risk management on the boardroom agenda is key to ensuring that risks impacting objectives have been understood when defining business strategies, and that there is an adequate level of oversight on how management is addressing them."*

This is further reflected in the difference in opinions of top risks between the board and executive management, which was previously mentioned as a key risk management trend in Hong Kong. Our survey highlights that while there was alignment between the board and executive management on the top three risks – economic, regulatory and financial risk – there were differences in priorities beyond that. These priorities range from political risk and unethical behaviour, to cybersecurity and talent management.

To address this challenge, businesses should:

- **Link risks to objectives:** Assessing how risks could impact the ability to meet the overall business objectives is a fundamental step to ensure that risk is aligned across stakeholder groups and that the content is reflective of the business environment.
- **Put risk on the boardroom agenda:** For businesses that haven't developed a formal oversight structure, put risk as a standing boardroom agenda item to help align views on business priorities. Start with presenting the board with a dashboard of the top 10 risks impacting strategy execution.
- **Improve board (or subcommittee scrutiny):** Enhance the level and quality of scrutiny the board (or its relevant sub-committee) performs on the risk content prepared by management, whether enough focus has gone into internal and external risks, and how those risks are being managed by the business.

# Imperative 2: Create a risk appetite statement

Risk appetite remains an abstract concept for many companies outside the financial services sector, but a practical statement focusing on key strategic drivers can help align decision making and risk.

A risk appetite statement is a formal articulation of a business's willingness to accept risks. In its simplest form, it translates to the authority over the level and type of risk that a business can take in pursuit of its strategic objectives as outlined by the board.

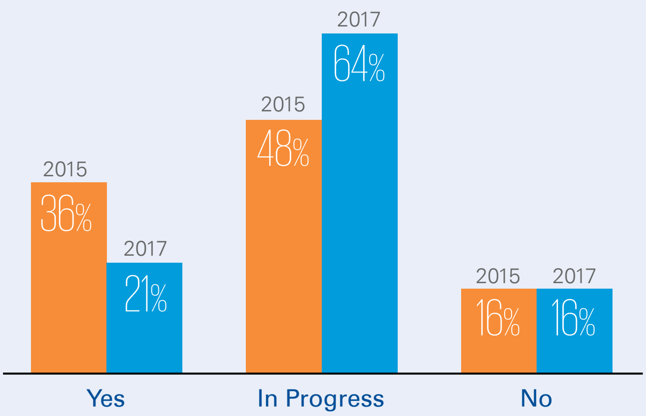
Over the last several years, external stakeholders – such as regulators – have demanded that companies in the financial services industry clearly define their risk objectives, integrate risk management with the wider strategy and clarify the intersection between risk-taking and risk-mitigating objectives. This is reflected in the survey results, where all financial services sector respondents note that their companies either have a fully developed appetite statement or are in the process of developing and rolling it out.

In contrast, other industry respondents are still behind the curve. Among the non-financial services respondents, just 12 percent have a fully developed risk appetite statement, while 20 percent do not have one at all.

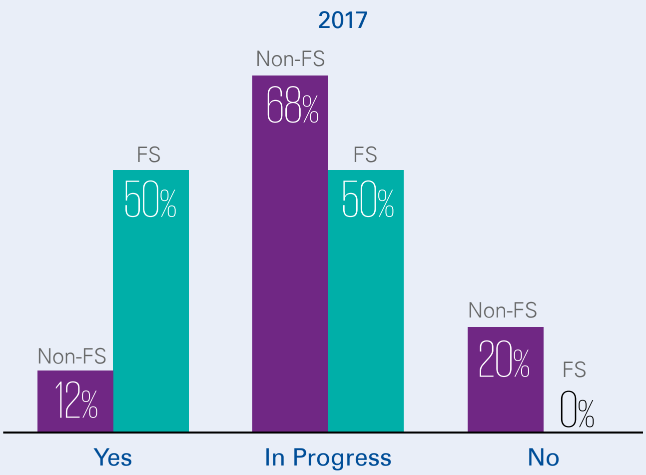
One of the biggest challenges around developing a risk appetite statement is creating the right metrics that allow the business to drive strategic decisions. The case study in Figure 1 highlights how one company successfully overcame this problem to develop a risk appetite statement that has helped drive decisions around new product releases.

## 2017 vs. 2015 survey comparison

**To what extent has the organisation established a risk appetite statement?**




**How do different industries compare?**




Source: KPMG and HKICS 2017 Survey

## Figure 1:

This case study company viewed new product development as a cornerstone of its growth strategy, and wanted to understand how much risk it was prepared to take in terms of customer frustration with technology bugs or a competitor launching a product before them. The risk appetite statement articulated that internal quality measures would not be compromised in the launch of the product, although a product with fewer features could be launched provided that the product gave the end user a unique customer experience.

The statement was meant to be a guiding principle that should not change in the short term. To support the statement, the company developed a range within which acceptable deviations from the norm could be identified, and other deviations, either positive or negative, that would require management's attention. Three criteria were developed to measure product development:

- **Quality:** Products launched had to meet a certain level of quality. This was measured through indicators including the number of defects, failure rates and customer satisfaction.
- **Time-to-market:** The company had to develop products within the time set. Metrics were defined to measure time frames within which key milestones around their product development methodology had to be met.
- **Cost:** Budget constraints that had to be met in the development of new products. This was measured through percentage overruns and dollar limits on additional funding.

Through a review of information around product releases, the company was able to ascertain the levels of investment it was prepared to make over different time periods to strive for quality. This prevented it from launching sub-quality products simply because it wanted to be within the budget, as they had done so in the past. Furthermore, this also allowed the company to release new products in time, thus making the most of market opportunities.

***Dr Kelvin Wong***
*Executive Director & Deputy Managing Director, COSCO Pacific Limited*

*"From an executive's perspective, defining the risk appetite is like setting the speed limit for your company – too fast and you're likely to run into trouble, too slow and your competitors will almost certainly catch up."*

# Imperative 3: Develop an enterprise-wide view of risk

Businesses can create a more holistic view of the risks they face by considering both internal and external risks and the inter-dependencies between them.

This year's survey reinforces the finding from the 2015 survey that senior executives view risk management as an important function. Of all respondents, 89 percent (compared to 91 percent in 2015) note that risk management, if done properly, adds value to the overall business objectives and improves the way business is conducted. The survey also shows that more businesses now have some form of a process to understand risks facing them. The proportion of respondents with no formal processes to identify and assess risk dropped from 29 percent in 2015 to 17 percent in 2017.

However, executives continue to struggle with assessing risks across the enterprise. Nearly half – 46 percent in 2017 compared to 57 percent in 2015 – find it difficult to understand the risk exposure across all business units. There are a number of factors that could be contributing to this, including a lack of a structured approach across the organisation to collect and analyse risk information, poor communication of risk by business units to senior management, and the underutilisation of technology and tools to collect and analyse risk across the business.

## 2017 vs. 2015 survey comparison

### Biggest challenges to identifying and managing risks

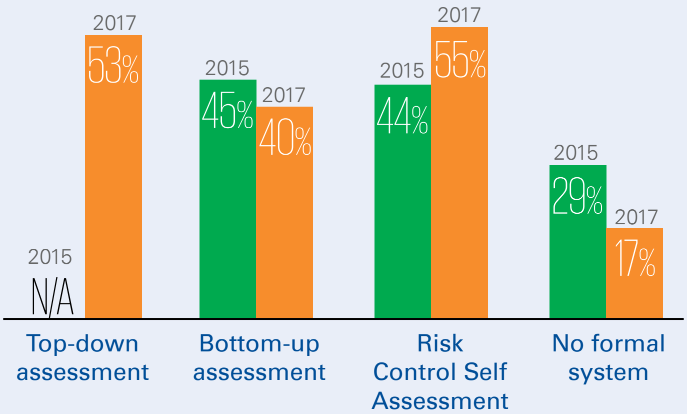
**2017**

1. Inability to measure, quantify risk
2. Promoting risk as a value adding tool
3. Lack of structured framework

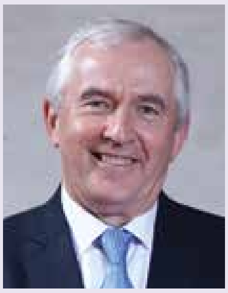
**2015**

1. Promoting risk as a value adding tool
2. Lack of structured framework
3. Compensation does not reward risk management

### How do you understand risks across the organisation?




Source: KPMG and HKICS 2017 Survey



***Nicholas Allen***
*Chairman, Link Asset Management Limited*

*"The key to building a holistic enterprise-wide view of risk is to understand the universe of internal and external risks that impact the successful achievement of business objectives. Once that is done, you can really start to gather insights into risk themes prevalent across the business, interdependencies between risks, and areas that really need senior management attention and focus."*

To better develop a holistic view of risk, businesses could consider the following:

- **Understand the risk environment:** Develop a 'universe' of risks facing the business, covering core operational risks driven from internal day-to-day business activities, business change risk arising from internal changes required to implement the business strategy, external risks that impact day-to-day business activities, and emerging risks arising out of changes in the external operating environment.
- **Conduct a risk assessment:** Using the risk universe as a starting point, conduct a 'top-down' assessment of the most important risks that impact the delivery of the business's strategy. Next, undertake a 'middle-up' assessment focussed on business and function units (as opposed to process level risks). A challenge facing companies that start with process level risks is the danger of getting mired in too much detail, which often makes it difficult to aggregate risks into an enterprise-wide view.
- **Aggregate risks across the enterprise:** When aggregating risks, it is important to identify the inter-relationships between risks and clearly understand the velocity at which they may occur. Risks are most potent when they combine with other risks. Once companies map out and understand their risk universe, they can start assessing how their risk management plans need to evolve to mitigate a cluster of risks that may occur at the same time.

# Imperative 4: Enforce accountability for managing risk

Enforcing clear accountability for managing risk is the key ingredient to building an effective risk aware culture.

While a robust risk management process is essential to identify and manage risks, it is often not enough. As we have seen in recent years, crises that have posed the most damage to companies have been caused by a breakdown in the organisation's culture.

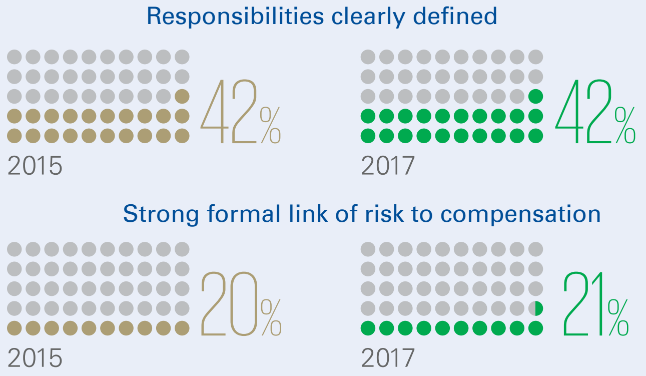
The survey results show that over the last two years, there has been a limited change in the extent to which risk has been embedded in the way business is conducted. There remains a blurring of lines between responsibilities, with just 42 percent of companies having developed clear responsibilities for managing risk and risk oversight. While the remuneration of executives and directors remains a debated subject, only one in five respondents believe there is a strong formal link between risk taking and compensation.

Another area of focus for companies has been around improving risk awareness. The survey finds that 63 percent of respondents see opportunities to improve the level of awareness of the company's risk programme among stakeholders, and 49 percent see opportunities to improve general risk awareness when making decisions.

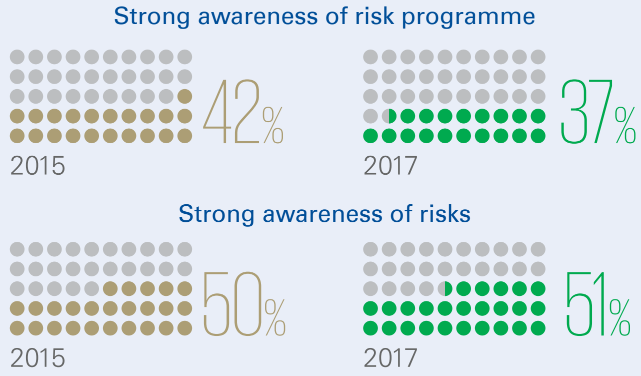
Establishing clear accountability is key to making sure that risk management remains a dynamic process, and that all employees are aware of the expectations as well as the consequences for failing to uphold them. Effectively embedding accountability within the business requires a strong culture that promotes timely recognition, escalation, and control of emerging risks and risk-taking activities beyond the firm's risk appetite. Developing a strong culture requires four aspects to be defined well (see Figure 2): Knowledge and understanding; Belief and commitment; Competencies and context; and Action and determination.

## 2017 vs. 2015 survey comparison

**To what extent are risk management responsibilities defined and linked to compensation structures?**




**Level of awareness of risks and the risk management programme when making decisions?**




Source: KPMG and HKICS 2017 Survey

**_Irene Lee_**
*Executive Chairman, Hysan Development Company Limited*

> *"The management of risk should not only sit with a risk management or internal audit department. Instead, it should form a part of everyone's duties, from board and senior management to the front line staff. This is key to developing a risk aware and accountability culture across the business."*

## Figure 2:

### Knowledge and Understanding
- Leadership embraces risk and it is integrated into all operational aspects and business objectives. Management leads by example, encouraging appropriate risk behaviour at all levels.
- How? Clearly defined strategic objectives and key risks, risk policies and expectations.

### Belief and Commitment
- Risk communication is dynamic and risk culture supports a feedback loop, enabling both top-down and bottom-up risk management.
- How? Risk governance structure with clearly defined accountability, supported by management messages.

### Competencies and Context
- Organisational skills in risk management are developed to deliver risk objectives. Integrated training programme for risk management and assurance is linked to role and development needs.
- How? Access to expertise, competency profiles, workshops and assessments.

### Action and Determination
- Risk management roles and responsibilities are incorporated into personal goal setting, performance appraisal and reward structures.
- How? Escalation procedures, KPIs, root cause analysis, tracking recommendations and whistleblowing.

# Imperative 5: Enhance independent assurance through internal audit

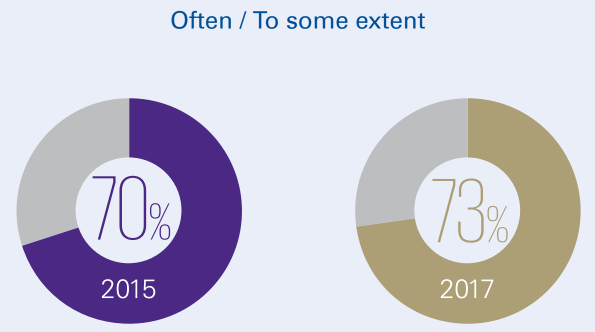
While Internal Audit functions are maturing, they need to focus more on developing a risk-based approach to bridge the gap between stakeholder expectations and current practices.

Audit functions are increasingly looking to take a risk-based approach to their work, but for a majority of the survey respondents (51 percent), this tends to be based on their perception of risk rather than the risks at the top of the board and senior management agenda. This perception that internal audit does not focus on the real business issues or lacks the skills and flexibility to adapt to emerging business risks means that it may be failing to deliver value to the business.

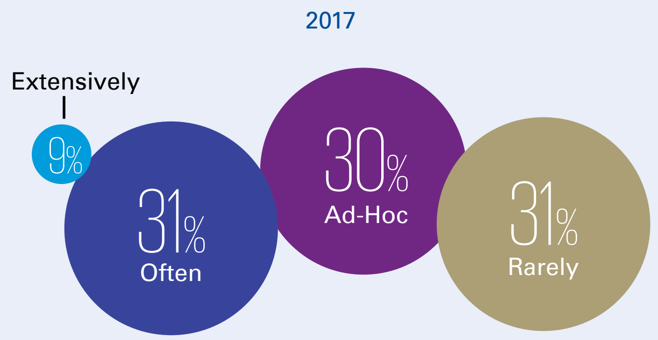
As organisations look to reduce operational costs and streamline functions across the business, there are opportunities for internal audit, risk, and compliance functions to work closer together and assess if and where reliance may be placed on each other's work. The survey finds that 72 percent of respondents place limited or no reliance, which may result in duplication of work and wasted resources. There is also a significant opportunity to improve the efficiency and depth of audit coverage, and to fix underlying root causes of issues through the use of technology tools such as data analytics. Only 9 percent of survey respondents have enabled the extensive use of technology, while 31 percent have no or limited use of technology tools.

## 2017 vs. 2015 survey comparison

**To what extent does internal audit follow a risk-based approach?**




**To what extent are technology tools deployed by the internal audit function?**




Source: KPMG and HKICS 2017 Survey

Given these challenges, the traditional approach to assess compliance with policies and procedures is not enough to meet stakeholder expectations. Mature internal audit functions are increasingly moving beyond simply reviewing past activities to providing forward-looking insights that help business leaders on their day to day management of the business. Internal Audit functions should:

- **Focus on the right risks:** Senior stakeholders are increasingly wanting their internal audit functions to become more diversified in their skills and activities. Leading functions are responding by increasing their focus in areas such as governance processes, business strategy, and one-off events such as mergers or system implementation that result in business changes.
- **Develop the right skill set:** Businesses are increasingly recognising that good auditors need skills beyond core auditing in areas such as communications, industry specialism and regulatory expertise. To manage this challenge, leading functions are developing operating models and staffing strategies to meet their objectives, rolling out guest auditor programmes to attract subject matter experts from within the business, and taking a strategic approach to using external consultants to support their mandate.
- **Enable data analytics:** While mature functions are now leveraging data analytics in audit execution, leading functions are increasingly utilising these tools throughout their audit lifecycle. This includes the utilisation of continuous monitoring techniques through the use of analytics to assess emerging risks, identify red flags and respond to changing risks on a real-time basis.

***Stephen Lee***
*President of The Institute of Internal Auditors Hong Kong*

*"The Institute of Internal Auditors (IIA) defines Internal Auditing as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations." As the business world becomes increasingly interconnected, dynamic and complex, new risks emerge at lightning speed, from new and unexpected perspectives, and the internal audit function must be prepared to provide stakeholders with the proper insight and assurance to deal with these fast-developing challenges."*

# Conclusion

Remaining competitive and successful in an uncertain and rapidly changing environment requires robust risk management efforts to allow businesses to effectively calibrate their strategies to emerging risks and opportunities. Failure to recognise and respond to these very real 'signals of change' may mean the difference between the growth and decline of a business.

Our survey results have shown that while companies are aware of the benefits of adopting appropriate risk management practices, some continue to struggle to get value out of the process. Managing these key challenges requires companies to go back to the basics around how risk is considered in the management of the business. Adopting a structured approach to risk management provides companies with a disciplined business tool to align strategy, processes, people, technology and knowledge with the purpose of evaluating and monitoring uncertainties that they face.

# About KPMG

KPMG China operates in 16 cities across China, with around 10,000 partners and staff in Beijing, Beijing Zhongguancun, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Xiamen, Hong Kong SAR and Macau SAR. With a single management structure across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG International is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 152 countries and have 189,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong office can trace its origins to 1945. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the Chinese member firm's appointment by some of China's most prestigious companies.

## About KPMG IARCS

KPMG's Internal Audit, Risk & Compliance Services (IARCS) deploys services to make internal audit functions, enterprise risk management and compliance programmes, and risk and control management more efficient and effective. The internal audit function and risk and control management are often at the forefront in dealing with these matters. Their effectiveness and efficiency can have a major influence on corporate performance and business outcomes.

Our services include addressing topical issues for business leaders across a range of complex matters:

- Enterprise risk management (structure, risk identification, monitoring, reporting, optimising)
- IA strategic sourcing (right resources, right place, right time)
- Corporate governance
- Regulatory compliance
- Board advisory services
- Contract compliance
- Continuous auditing/monitoring
- Integrated assurance

# About HKICS

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The Hong Kong Institute of Chartered Secretaries (HKICS) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies as well as the development of the profession of Chartered Secretary in Hong Kong and throughout mainland China.

HKICS was first established in 1949 as an association of Hong Kong members of the Institute of Chartered Secretaries and Administrators (ICSA) of London. It became a branch of ICSA in 1990 before gaining local status in 1994.

HKICS is a founder member of the Corporate Secretaries International Association (CSIA) which was established in March 2010 in Geneva, Switzerland to give a global voice to corporate secretaries and governance professionals.

HKICS has over 5,800 members and 3,200 students.

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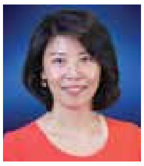

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