



Latest Risk Management and Internal Controls Requirements in the Exchange's Corporate Governance Code

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Our Role and Objectives



Ensure our regulatory framework meets stakeholders' expectations and reflects international best practices



Maintain investors' confidence to drive long-term growth and attractiveness of our market



Promote high standards of corporate governance through regulation and market education



Role of the Board, Audit Committee and Management



Risk management and internal controls are the foundation of effective governance and corporate resilience

Board

- Ultimate responsibility for risk management and internal control (**RMIC**) systems
- Appropriate “tone from the top”
- Determine issuer’s risk appetite
- Ongoing monitoring, with (at least) annual review of appropriateness and effectiveness of RMIC systems

Audit Committee

- Assist the Board in overseeing RMIC systems
- Oversee internal audit function and external auditor engagement
- Consider major findings on RMIC matters with timely escalation to the Board

Management

- Design and implement RMIC systems (including policies / procedures)
- Identify and manage risk on a day-to-day basis
- Timely reporting and provision of information to Audit Committee and Board

Latest Enhancements to RMIC Requirements

- New requirements came into effect on **1 July 2025**
- Strengthen board accountability and more comprehensive reporting on risk management and internal controls





Mandatory Board Review of RMIC Systems

Latest Requirements

- Upgrade of annual review of RMIC systems from a code provision to a **mandatory disclosure requirement**
- Board statement in the CG report (i) **acknowledging responsibility** for the issuer's RMIC systems and (ii) **confirming** such systems are appropriate and effective
- Review to be conducted **at least annually**

Note: No change to fundamental board responsibilities, but **increased emphasis** on **diligent oversight**

Tips



- The RMIC review is a **substantive governance exercise**, not a compliance formality
- Delegation is permitted, but Board must maintain **proper oversight**
- **Monitor** the issuer's RMIC systems on an **ongoing basis**
- **Assess appropriate frequency** of the RMIC review



Enhanced Requirements on the Scope of the Board Review

Latest Requirements

- Holistic assessment covering the **issuer's** and its **subsidiaries'** RMIC systems
- Cover **all material controls**, including financial, operational and compliance controls
- **Disclose scope** of review
- Board to ensure that the review process is **adequately resourced** (e.g. qualified staff and adequate financial budget)

Tips



- **No “one size fits all” approach** – depends on issuer's business objectives and risk profile
- **Coverage** of group entities – consider size and operational significance
- Maintain a **log of material risks and controls**
- **Assess** need for a **“deeper dive” review** into specific areas of internal controls
- Consider the need to seek **external expertise**



Supporting Information for the Board's Conclusion and Allocation of Responsibilities

Latest Requirements

- **Disclose responsibilities** of internal departments (e.g. internal audit function) and external providers for reviewing effectiveness of RMIC systems, including review **process** and **frequency**
- **Disclose supporting information** for the board's conclusion, which may be from management, board committees, internal departments or external providers (e.g. auditors)

Tips



- Clearly **define** roles and responsibilities for risk governance across the issuer (at group and subsidiary levels as applicable)
- **Identify** the assurances that the board requires and **address** any information gaps
- **Apply independent judgment** to any reports / assurances received
- Maintain **proper records** to create a reliable audit trail



Enhanced Disclosure on Review Findings

Latest Requirements

- Disclose details of review findings, including **significant control failings or weaknesses identified** during the RMIC review and/or **previously reported but unresolved**, and any **remedial steps** taken or proposed
- Disclosure covers the whole reporting period

Example: Do we need to disclose significant control failings or weaknesses that are **already rectified** within the reporting period?

Tips



- Ensure appropriate processes and mechanisms for **timely reporting and escalation** of issues
- Issuers have the **discretion** to determine which controls or weaknesses are “**significant**”, based on their circumstances
- **Avoid boilerplate disclosures** – be specific and outcome-focused
- **Monitor** progress of implementation of remedial measures

Key Takeaways for the Board



Risk Culture: embed a strong risk-aware culture within all levels of the issuer, with clear accountability



Risk Assessment: identify, evaluate and prioritise risks through a dynamic risk process



Risk Governance: build a structured and sustainable risk management framework



Risk Management: adopt a holistic view of risk - understand risk exposure across all business units



Risk Strategy: fully integrate risk considerations into the decision-making process and business strategy



Data & Technology: utilise appropriate tools and technology to facilitate risk monitoring, management and reporting



Guidance and Resources

Corporate Governance Practices Portal

Newsletters & Bulletins



Enforcement Bulletin, April 2024 [PDF](#) >
Rod flags in loans and lending activities.



Enforcement Bulletin, September 2023 >
Navigating conflicts of interest and duty through effective conflict management.



Enforcement Bulletin, March 2023 >
What constitutes good disclosure and the inadequacy of only going a "partial truth".

Webinars



Corporate Governance in Focus >
Webinar on the role of corporate governance in supporting business recovery, sustainability and long-term financial performance.



Creating Value with Board Diversity >
Webinar on the importance of a diverse boardroom and practical ways for issuers to achieve and manage diversity.

E-learning



Director Training Webcast 2018 >
Training on various corporate governance topics, including directors' duties, the role of board committees, and risk management & internal controls.



Directors' Responsibilities at IPOs >
Training on various corporate governance topics, including directors' duties and internal controls.



INEDs' Role in Corporate Governance >
Training on particular roles INEDs play in supporting issuers' corporate governance.

Guides & Reports



Practical Tips to Effective Risk Management & Internal Control Systems [PDF](#) >
This document sets out key questions to consider for specific transactions, practical tips on internal controls and governance practices, and reminders to the board, management and audit committee.



Corporate Governance Guide for Boards and Directors [PDF](#) >
A general guide for boards and directors on key areas of Corporate Governance, including board effectiveness, diversity and risk management and internal controls, management and audit committee.



Annual Review of Issuers' Reports - 2025 [PDF](#) >
A combined report on the findings and recommendations of the Exchange's annual review of issuers' annual reports, corporate governance and environmental, social, and governance practices, management and audit committee.

Corporate Governance Guide for Boards and Directors

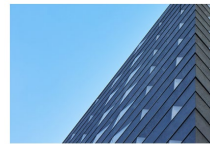


Corporate Governance Guide for Boards and Directors, [PDF](#) >

A general guide for boards and directors on key areas of Corporate Governance, including board effectiveness, diversity and risk management and internal controls.

New

Practical Tips to Effective Risk Management & Internal Control Systems



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INED Corner

Role of INEDs

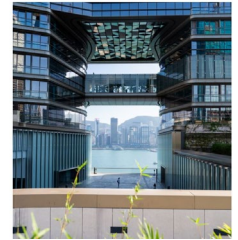
Time Commitment

INEDs should ensure they can devote sufficient time and attention to the issuer's affairs to discharge their responsibilities effectively. Legislation and the Rules on directors' duties have been strengthened to require INEDs to be fully engaged with the issuer's affairs both inside and outside the boardroom.

Availability of time and attention can be affected by a range of factors, including the INED's other directorship roles that involve significant time commitment, full-time occupations, commitments in public service, statutory bodies or non-profit organisations etc.

Issuers should explain their analysis on why an INED holding seven (or more) concurrent listed issuer directorships would still be considered to be able to devote sufficient time to their board.

Statistics relating to INEDs on Hong Kong listed issuers (including age and gender distribution and average tenure) are available on [Board Diversity & Inclusions in Focus](#).



INEDs in Practice

INEDs' Duties in Practice

INEDs have the same duties of skill, care and diligence as other directors and are expected to provide independent judgment on issues of conflict and other decisions made by the Board. In addition, INEDs play a key role on other important aspects including corporate governance and financial reporting.

Please also see [Case Studies](#) for more practical guidance.

[Financial Reporting](#)

[Incident Management](#)

[Internal Controls](#)

[Review and Approval of Business Decisions and Transactions](#)

Case Studies



Case Study 4

Undisclosed transactions in financial reporting

Fact scenario: The draft annual report of the issuer for the financial year ended 31 December 2021, which was presented at the Board meeting for consideration and approval, recorded disclosures of the issuer's subsidiaries at nil or minimal consideration during the year.

What should the INEDs / Directors do?



Thank you!

