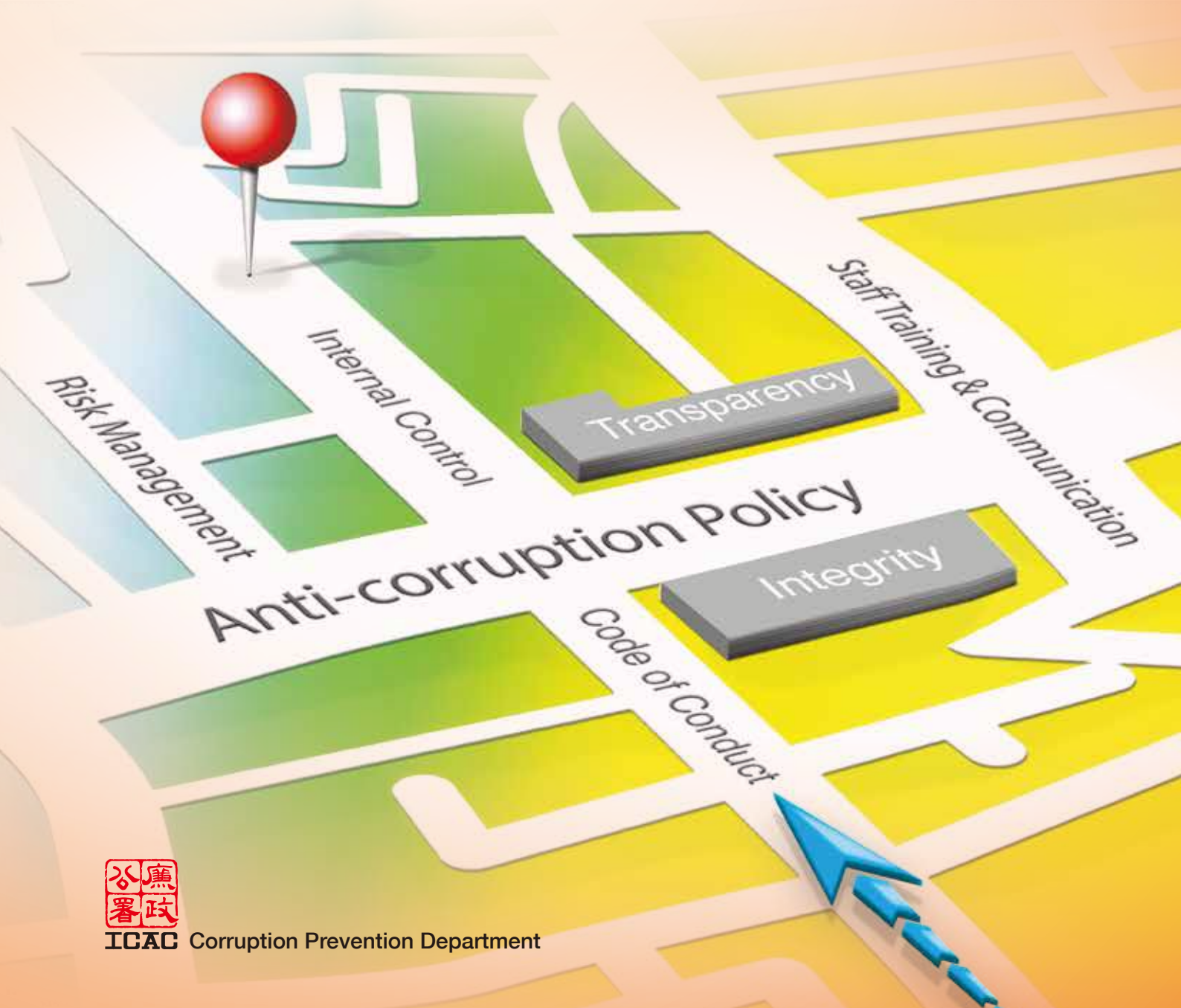
CPAS 防貪諮詢服務
Corruption Prevention Advisory Service

Anti-Corruption Programme –

A Guide for Listed Companies



廉政公署
ICAC Corruption Prevention Department

Addendum

Corruption Prevention Services for the Private Sector

Please note that with effect from 10 September 2026, the Corruption Prevention Advisory Service (CPAS) and the Hong Kong Business Ethics Development Centre (HKBEDC) of the Independent Commission Against Corruption (ICAC) have been restructured as the Private Sector Integrity Centre (PSIC).

Accordingly, any references to the CPAS and HKBEDC in this publication are to be read as referring to the PSIC from that date onwards.

As a one-stop service and knowledge hub, PSIC continues to provide free, confidential, and tailor-made corruption prevention and integrity services to private-sector organisations.

For enquires or services, please contact PSIC through the following channels:

- Hotline: 2526 6363
- Email: psic@cpd.icac.org.hk
- E-form: eform.cefs.gov.hk/form/ica004/en/
- Website: psic.icac.org.hk

Disclaimer

(In the event of any inconsistency or conflict between the following disclaimer and the disclaimer contained in other part of the publication, the following disclaimer shall prevail to the extent of the inconsistency or conflict.)

Descriptions and explanations of the legal and regulatory requirements under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and any other ordinances, subsidiary legislation, orders, rules, regulations and case law (collectively, "Laws and Regulations") in this publication are intended to be general and abbreviated for ease of understanding. Users of this publication are advised to refer to the original text of the Laws and Regulations if considered necessary. Case scenarios are used in this publication to illustrate the legal and regulatory requirements and corruption risks. These case scenarios should be taken as hypothetical and not referring to any particular real case or any particular organisation or person. Moreover, the advice and recommendations given in this publication are by no means prescriptive or exhaustive, and are not intended to substitute any legal, regulatory or contractual requirements. Users should refer to the relevant instructions, codes and guidelines issued by the relevant authorities, and adopt the appropriate measures that best suit their operational needs and risk exposure.

The descriptions and explanations of the Laws and Regulations, case scenarios, advice and recommendations given in this publication are for general reference purposes only. The ICAC makes no warranties, express or implied, as to the accuracy, completeness, suitability and applicability of the aforesaid descriptions, explanations, case scenarios, advice and recommendations. The ICAC shall not have or accept any liability, obligation or responsibility whatsoever for any loss or damage incurred directly or indirectly by any person acting or refraining from acting in reliance upon the descriptions, explanations, case scenarios, advice, recommendations or any other information provided in this publication. Users of this publication are strongly advised to seek professional legal or other appropriate advice in relation to the information contained in this publication if considered necessary.

Private Sector Integrity Centre
Independent Commission Against Corruption
10 September 2026

廉政公署 ICAC

PSIC 私營機構誠信建設中心 Private Sector Integrity Centre

Disclaimer

Descriptions and explanation of legal requirements under the Prevention of Bribery Ordinance and other relevant ordinances/laws in this Guide are necessarily general and abbreviated for ease of understanding. Users of the Guide are advised to refer to the original text of the relevant ordinances/laws or seek legal advice on particular issues where necessary. The ICAC will not accept any responsibility, legal or otherwise, for any loss occasioned to any person acting or refraining from action as a result of any material in this Guide.

Throughout this Guide, the male pronoun is used to cover references to both the male and female. No gender preference is intended.

Copyright

The copyright of this Guide is owned by the ICAC. Interested parties are welcome to reproduce any part of this Guide for non-commercial use. Acknowledgment of this Guide is required.

Foreword

Hong Kong is a leading international financial centre with one of the biggest stock markets in the world. A level-playing field for business that fosters fair competition is no doubt one of the cornerstones for the success. Corruption, whether within the business sector or involving the public sector, would erode the level-playing field and our core value of fairness, and impede the efficient operation of the market.

At the organisational level, the Board and senior management should recognise that the cost of corruption is not limited to the financial loss in the particular transaction involved, but would also result in a series of damages including deteriorated quality of the goods/services involved, possible loss of business from major clients due to loss of confidence, damaged goodwill resulting in loss of trust by investors and lenders, which may eventually cause the business to fail.

In view of the importance of listed companies to Hong Kong's economy and the substantial investors' interest involved, it is important that they put in place good corporate governance systems and effective measures to prevent corruption. The ICAC has developed this Corruption Prevention Guide for Listed Companies aiming at helping listed companies develop and effectively implement corporate anti-corruption programmes to prevent corruption.

December 2016

Abbreviations

CEO	Chief Executive Officer
CPAS	Corruption Prevention Advisory Service
ESG Guide	Environmental, Social and Governance Reporting Guide
HKEX	Hong Kong Exchanges and Clearing Limited
ICAC	Independent Commission Against Corruption
INEDs	Independent Non-executive Directors
POBO	Prevention of Bribery Ordinance
QF	Qualifications Framework
UK	United Kingdom

Content

Foreword

Abbreviations

Chapter 1 **Introduction**

Section 1.1 Latest Reporting Requirements

Section 1.2 Objectives of this Guide

Chapter 2 **Anti-Corruption Laws and Regulations**

Section 2.1 Introduction

Section 2.2 Prevention of Bribery Ordinance

2.2.1 Corrupt Transactions with Agents (Section 9)

2.2.2 Bribery of Public Servants (Sections 4 and 8)

2.2.3 Definitions (Section 2)

2.2.4 Other Provisions

Section 2.3 Corporate Governance Code and Corporate Governance Report

Section 2.4 Environmental, Social and Governance Reporting Guide

Section 2.5 Directors' Duties

Section 2.6 Extra-territorial Legal Obligations

Chapter 3 **Roles and Responsibilities**

Section 3.1 Introduction

Section 3.2 The Board

Section 3.3 Board Committees

Section 3.4 Independent Non-executive Directors
Section 3.5 Senior Management
Section 3.6 Internal Audit
Section 3.7 Compliance
Section 3.8 Finance Department
Section 3.9 Managers and Supervisors
Section 3.10 Staff in General

Chapter 4 Anti-Corruption Programme and Anti-Corruption Policy
Section 4.1 Introduction
Section 4.2 Anti-corruption Programme
Section 4.3 Anti-corruption Policy
Section 4.4 Top-level Commitment
Section 4.5 Scope of the Policy
Section 4.6 Statement of Policy against Bribery
Section 4.7 Integrity Requirements for Company's Personnel
Section 4.8 Anti-corruption Requirements for Business Partners
Section 4.9 Whistle-blowing Policy and Handling of Reports of Violations

Chapter 5 Code of Conduct
Section 5.1 Introduction
Section 5.2 Key Elements of a Code of Conduct
Section 5.3 Prohibition of Bribery and Corruption
Section 5.4 Acceptance/Offering of Gifts/Advantages
Section 5.5 Acceptance/Offering of Entertainment
Section 5.6 Conflict of Interest
5.6.1 Declaration of Material Interest by Directors (Companies Ordinance)
5.6.2 Connected Transaction Rules (Listing Rules)

5.6.3 Examples of Conflict of Interest Scenarios
Section 5.7 Outside Employment
Section 5.8 Prohibition of Abuse of Office
5.8.1 Misuse of Official Position
5.8.2 Misuse of Company Information
Section 5.9 Managing Relationship with Business Contacts
Section 5.10 Reporting Breaches, and Consequence

Chapter 6 Corruption Risk Identification and Assessment
Section 6.1 Introduction
Section 6.2 Responsibilities for Corruption Risk Management
Section 6.3 Corruption Risk Identification and Assessment
Section 6.4 Corruption Risk Management Audits
Section 6.5 Corruption Risks
6.5.1 Procurement
6.5.2 Sales and Marketing
6.5.3 Inventory Management
6.5.4 Human Resources Management
6.5.5 Charitable or Community Activities
Section 6.6 Common Control Inadequacies
6.6.1 Absence of Well-defined Procedures, Inadequate Instructions and Guidelines
6.6.2 Inadequate Checks and Balances
6.6.3 Lax Supervision and Lack of Accountability
6.6.4 Inadequate Transparency
6.6.5 Inadequate Awareness
6.6.6 Complicated or Impractical Processes
6.6.7 Business Practices Conducive to Corruption
Section 6.7 Monitoring and Review

Chapter 7 **Anti-Corruption Control**

Section 7.1 Introduction

Section 7.2 Clear Policies and Procedures

Section 7.3 Effective Supervision and Supervisory Accountability

Section 7.4 Checks and Balances

Section 7.5 Documentation

Section 7.6 Handling of Reports of Gifts/Advantages Received

Section 7.7 Handling of Conflict of Interest

Section 7.8 Transparency

Section 7.9 Security of Information

Section 7.10 Financial Control

Section 7.11 Due Diligence of Business Associates and Partners

Section 7.12 Enquiry and Reporting Channels

Section 7.13 Independent Audit Checks

Section 7.14 CPAS Corruption Prevention Guides

Chapter 8 **Training and Communication**

Section 8.1 Introduction

Section 8.2 Anti-corruption Training

Section 8.3 Operational Training

Section 8.4 Communication within the Company

Section 8.5 Communication with Business Partners

Section 8.6 Corruption Prevention Training Packages

Chapter 9 **ICAC Services and Assistance**

Section 9.1 Introduction

Section 9.2 Corruption Prevention Advisory Service

Section 9.3 Units on Corruption Prevention in Qualifications Framework

Section 9.4 Education Services

Section 9.5 Reporting Corruption

Appendix 1

Sample Code of Conduct

Chapter 1 Introduction

1.1 Latest Reporting Requirements

Over the past decade or so, there has been an increasing global effort to stamp out corruption in both the public and private sectors, with a number of major anti-corruption initiatives including international anti-corruption conventions or codes and strengthened local anti-bribery laws. In the midst of the global effort, Hong Kong has also enhanced its standard of corporate governance for listed companies, which aims at, among other things, helping listed companies prevent corruption. In particular, with effect from the 2016 financial year, listed companies have to comply with the following requirements:

Environmental, Social and Governance Reporting Guide (ESG Guide):

- The level of obligation of the disclosure of a listed company's anti-corruption policy in its Environmental, Social and Governance Report has been upgraded from "recommended disclosure" [1] to "comply or explain" provision[2].

Corporate Governance Code and Corporate Governance Report:

- The requirement for risk management and key internal control measures have been strengthened in the Corporate Governance Code and listed companies are required to adopt a structured approach to risk management and internal control.
- Listed companies are required to conduct annual review of the effectiveness of the issuer's risk management and internal control systems, and the related disclosures in the Corporate Governance Report of a listed company have been upgraded from recommended best practice to "comply or explain".

[1] The recommended disclosures are for listed companies' guidance only.

[2] This requires listed companies to report on whether they have complied with the provisions, and if they have not, they must give considered reasons.

1.2 Objectives of this Guide

While there are a number of international standards and best practices on generic frameworks for anti-bribery systems or international control systems which companies may make reference to, the Corruption Prevention Advisory Service (CPAS) of the ICAC has developed this guide for reference by companies listed in Hong Kong[3] and prospective listing applicants (and their management/compliance consultants, auditors, etc.) with a view to:

(a) providing them with guidance on anti-corruption programme, covering corruption risk assessment and management, and control measures for preventing and detecting corruption and ensuring compliance with the Prevention of Bribery Ordinance (POBO); and

(b) providing them with assistance in meeting their reporting requirements in respect of anti-bribery policy and corruption risk management.

[3] These include companies listed in Hong Kong with business operations based in Hong Kong or outside Hong Kong. For the latter, the companies are recommended to make reference to this Guide, together with any anti-corruption guides or requirements applicable in their respective jurisdictions, and put in place an anti-corruption policy and programme to prevent corruption in their business operations in accordance with the applicable anti-corruption law(s).

Chapter 2 Anti-Corruption Laws and Regulations

2.1 Introduction

The operation of companies are regulated by a number of ordinances, for instance, the Companies Ordinance, the Securities and Futures Ordinance, the Prevention of Bribery Ordinance, etc. As will be covered in Chapter 3, it is the duty of the Board of Directors, the Chairman and the Chief Executive Officer (CEO), and in fact the senior management and all personnel in the company, to ensure that operations under their charge comply with all the laws and regulations, including the POBO.

The following paragraphs briefly highlight the key provisions in the POBO which are relevant to business entities, reporting requirements relating to listed companies' anti-corruption efforts, as well as the legal duties of company directors.

2.2 Prevention of Bribery Ordinance

The POBO is enforced by the ICAC to combat bribery and corruption in both the private and public sectors.

Full text of the POBO can be found in the Hong Kong e-Legislation of Department of Justice:

https://www.elegislation.gov.hk/hk/cap201!en

2.2.1 Corrupt Transactions with Agents (Section 9)

Section 9 of the POBO deals with an agent's corrupt behaviour and fraudulent practices in relation to his principal's affairs.

Accepting an Advantage (Section 9(1))

Section 9(1) of the POBO prohibits the solicitation and acceptance of advantage by an agent in connection with his principal's business. The key elements of the sub-section are as follows:

- any agent (e.g. an employee, a director);
- without lawful authority or reasonable excuse;
- solicits or accepts any advantage as an inducement to or reward for;
- doing or forbearing to do any act in relation to his principal's affairs or business; and
- shall be guilty of an offence.

Examples of Breach of Section 9(1)

Example 1

During the acquisition of an investment, a director of a listed company recommended to the Board of directors to acquire an investment from its owner at a substantial consideration. In return for his assistance, the director accepted 1% illegal cash rebate from the owner of the investment company as a reward. The director committed an offence of agent accepting an advantage, contrary to section 9(1).

Example 2

A director of a financial corporation undertook a merger project of two companies. To work out the best terms for the exercise, the director and his team had been given access to the sensitive information on the details of the merger plan. All team members knew fully well that if such information was made public, it would likely affect the share prices of both companies materially. However, the director disclosed the information to a past client and in return a luxury car was transferred under his name. His past client then made use of the information and bought shares in these companies. A week later, when the announcement of the merger was made public, the share prices of the stocks rose spontaneously. This client subsequently sold the stocks and made substantial profits. The director's action in abusing the information has not only violated section 9(1) of POBO but also insider dealing provisions of the Securities and Futures Ordinance.

Offering an Advantage (Section 9(2))

Section 9(2) of the POBO prohibits the offering of advantage by any person to an agent in connection with his principal's business. The key elements of the sub-section are as follows:

- any person;
- without lawful authority or reasonable excuse;
- offers any advantage to any agent;
- as an inducement to or reward for;
- the agent's doing or forbearing to do any act in relation to the affairs or business of the agent's principal; and
- shall be guilty of an offence.

Example of Breach of Section 9(2)

A number of senior executives of a retail group conspired together to offer advantages to certain employees of travel agencies in return for arranging tour groups to patronise the showrooms of the retail group, without knowledge and permission of the travel agencies. The senior executives offered them rebates based on the number of tourists brought to the showrooms and the amount of money they spent. These senior executives committed an offence of offering advantage to agents, contrary to section 9(2).

Principal's Permission

If an agent solicits or accepts an advantage with his principal's permission, then neither he nor the offeror is guilty of an offence under section 9(1)/9(2).

[Note:

- *Exemption from commitment of bribery where there is principal's permission is provided under Hong Kong's POBO. Whether the principal has given permission may not be a consideration under the anti-bribery laws of other jurisdictions.*

- *If a company allows its employees/directors to accept advantages (e.g. business gifts) from persons having business dealings with the company under certain circumstances (e.g. during festive seasons), while such permission can be given on a case by case basis, it is advisable to also lay down the company policy and rules/restrictions, such as in the company's Code of Conduct (see Sections 5.3 - 5.4 of Chapter 5).]*

Using False Documents (Section 9(3))

Section 9(3) criminalises an agent using false documents to deceive his principal. The key elements of the sub-section are as follows:

- an agent;
- with an intent to deceive his principal;
- uses any receipt, account or other document which contains any statement which is misleading or false or defective in any material particular;
- in respect of which the principal is interested; and
- shall be guilty of an offence.

Example of Breach of Section 9(3)

A sales manager of a listed company was entitled to reimburse entertainment expenses spent with his clients and potential customers. In submitting claims for reimbursement of entertainment expenses, the manager had made some false claims by including the receipts of meals with his family and private friends to deceive his employer. The manager committed an offence under section 9(3).

2.2.2 Bribery of Public Servants (Sections 4 and 8)

Section 4 and Section 8 relate to offences of offering advantages to public servants.

Bribing Public Servants (Section 4(1))

Section 4(1) prohibits the offering of any advantage to any public servant as an inducement to or reward for performing duties in the public servant's official capacity. The key elements of the section are as follows:

- any person;
- ***whether in Hong Kong or elsewhere;***
- without lawful authority or reasonable excuse;
- offers any advantage to a public servant;
- as an inducement to or reward for his performing or abstaining from performing any act in his capacity as a public servant; and
- shall be guilty of an offence.

Example of Breach of Section 4(1)

A supplier offered free accommodation to a public servant during his private overseas visit as a reward for that public servant's acceptance of substandard equipment delivered to the public body in which he was employed. As hotel accommodation falls under the definition of "advantage" in the POBO, and the offer was a reward for the public servant's act in relation to his duties, the supplier committed an offence under section 4.

Offering Advantage to Public Servants (Section 8)

Section 8 criminalises the offering of advantage to a public servant while having dealings with the latter's government department or public body. The key elements of the section are as follows:

- any person;
- without lawful authority or reasonable excuse;
- while having dealings of any kind with a government department/office or a public body;
- offers any advantage to any government officer employed in that department/ office or public servant employed by that public body; and
- shall be guilty of an offence.

[Note: There is no need to have a request for any reciprocal act by the public servant connected with the offering of the advantage.]

Example of Breach of Section 8

A construction company was awarded a subcontract for a maintenance project. The proprietor of the construction company lent his private car to an Inspector of Works of a government department for private use, who was assigned to supervise the works of the construction company, issue works orders and recommend payment. The proprietor committed an offence under section 8 for the offering of advantage.

2.2.3 Definitions (Section 2)

Some important definitions in the POBO are as follows:

- A principal includes an "employer" (i.e. the company).
- An agent is a person acting for or employed by the principal. If a company appoints another person to act for it in business dealings, that person becomes an agent, whether the appointment is full-time or part-time, and whether or not the agent receives a fixed salary or a fee from the company. Any director or employee acting for a listed company is an agent of the company.
- Advantage refers to anything that is of value such as money, gift, commission, employment, service or favour (except entertainment), etc.
- Entertainment means the provision of food or drink for consumption on the occasion when it is provided, and any other entertainment connected with such provisions.
- Public servants in general include government officers, members and employees of public bodies.
- Public bodies include the Executive Council, the Legislative Council, all District Councils, public service providers/operators, and many quasi-governmental organisations.

2.2.4 Other Provisions

The following provisions under the POBO are also relevant:

- A person is regarded as offering an advantage if he, or any other person acting on his behalf, directly or indirectly gives, or agrees/promises to give, an advantage to or for the benefit of another.
- A person is regarded as soliciting/accepting an advantage if he, or any other person acting on his behalf, directly or indirectly demands or asks for/receives or agrees to receive, an advantage, whether for himself or for another person.
- As long as the offeror of bribes intends to induce the acceptor to do/forbear to do an act, both parties commit bribery even if the acceptor claims that he "did not actually have the power to do so", "did not intend to do so" or "did not, in fact, do so".
- It is not a defence to claim that any advantage accepted or offered is customary in any profession, trade, vocation or calling.

2.3 Corporate Governance Code and Corporate Governance Report

The Corporate Governance Code and Corporate Governance Report[4] of the Listing Rules issued by the Hong Kong Exchanges and Clearing Limited (HKEX) set out the principles of good corporate governance for compliance by listed companies. Section C.2 of the Corporate Governance Code sets out the risk management and internal control requirements of listed companies. In general, the Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee the management in the design, implementation and monitoring of the risk management and internal control systems, and the management should provide a confirmation to the Board on the effectiveness of these systems.

[4] Appendix 14 of the Main Board Listing Rules and Appendix 15 of the Growth Enterprise Market Listing Rules.

Details of the requirements under Section C.2 of the Corporate Governance Code and Corporate Governance Report can be downloaded from HKEX's website:

Main Board

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=4737

Growth Enterprise Market

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=4890

2.4 Environmental, Social and Governance Reporting Guide

As one of the "comply or explain" provisions under the ESG Guide of the Listing Rules[5], listed companies are required to make a general disclosure on the following information:

- the policies; and
- compliance with relevant laws and regulations that have a significant impact on the issuer

relating to bribery, extortion, fraud and money laundering.

Listed companies are also encouraged to disclose the following key performance indicators:

- number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases; and
- description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.

[5] Appendix 27 of the Main Board Listing Rules and Appendix 20 of the Growth Enterprise Market Listing Rules.

The ESG Guide can be found on HKEX's website:

Main Board

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=3841

Growth Enterprise Market

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=1892

2.5 Directors' Duties

In general, the duties of directors derive from various sources, including the constitution of the company, case law and statute law (e.g. the Companies Ordinance[6]). The Listing Rules also set out the HKEX's expectations regarding directors' duties[7]. Some of the duties set out the required ethical standard of a director (e.g. avoiding conflict of interest, not gaining advantage from use of position). Adherence to the duties by a director does not only prevent corruption or other malpractice by the director himself, but also helps him exercise proper supervision of the company to prevent corruption by its management and staff in carrying out the company's business. The general principles for a director in the performance of his functions and exercise of his powers are as follows:

- duty to act in good faith for the benefit of the company as a whole;
- duty to use powers for a proper purpose for the benefit of members as a whole;
- duty not to delegate powers except with proper authorisation and duty to exercise independent judgement;
- duty to exercise care, skill and diligence[8];
- duty to avoid conflicts between personal interests and interests of the company;

[6] The new Companies Ordinance came into effect on 3 March 2014. The Ordinance provides a modernised legal framework for the incorporation and operation of companies in Hong Kong and reinforces Hong Kong's position as an international financial and commercial centre.

[7] Main Board Listing Rule 3.08, Growth Enterprise Market Listing Rule 5.01.

[8] The duty to exercise reasonable care, skill and diligence is now set out statutorily in the new Companies Ordinance.

- duty not to enter into transactions in which the directors have an interest except in compliance with the requirements of the law;
- duty not to gain advantage from use of position as a director;
- duty not to make unauthorised use of company's property or information;
- duty not to accept personal benefit from third parties conferred because of position as a director;
- duty to observe the company's constitution and resolutions; and
- duty to keep accounting records.

A Guide on Directors' Duties (issued by the Company Registry):

https://www.cr.gov.hk/en/companies_ordinance/docs/Guide_DirDuties-e.pdf

Guidelines for Directors (issued by the Hong Kong Institute of Directors):

https://www.hkiod.com/guidelines-for-directors.html

Guide for Independent Non-Executive Directors (issued by the Hong Kong Institute of Directors):

https://www.hkiod.com/INEDguide.html

2.6 Extra-territorial Legal Obligations

Companies having business operations outside Hong Kong should also observe the anti-corruption laws and regulations in the respective jurisdictions. In particular, the following anti-corruption legislations have extra-territorial effect and may be applicable to Chinese Mainland, American or UK-connected companies conducting business in Hong Kong:

- Criminal Law and Anti-Unfair Competition Law of the People's Republic of China;
- Foreign Corrupt Practices Act of the United States; and
- Bribery Act of the United Kingdom.

Chapter 3 Roles and Responsibilities

3.1 Introduction

Prevention of corruption in a company will not be successful if this is seen only as the responsibility of the senior management or the duty of the company's compliance and internal audit units. All personnel in the company, from the Board, the Chairman, CEO and senior management, to the line managers and frontline staff, should all have their roles to play in helping the company adopt anti-corruption practices and implement its anti-corruption policy, and each should understand his role and responsibilities.

3.2 The Board

The Board, under the leadership of the Chairman, assumes the responsibility of leadership, governance and overall supervision of the company. In the implementation of the anti-corruption programme, the Board, the Chairman and the CEO should:

- demonstrate strong commitment to anti-corruption business practices and zero-tolerance of corruption, and ensure that the Board and the senior management are setting the right tone at the top;
- oversee the design and implementation of the anti-corruption programme and ensure that an effective anti-corruption programme is established and maintained;
- ensure that the company's anti-corruption programme is regularly monitored and reviewed (at least annually), covering the identification of all material risks and ensuring that all anti-corruption controls are working effectively;
- disclose the company's anti-corruption policy and efforts in its Environmental, Social and Governance Report; and
- report the company's implementation of the anti-corruption programme, including the annual review, in its Corporate Governance Report.

3.3 Board Committees

While the Board is ultimately responsible for the implementation of the anti-corruption programme, it may delegate detailed aspects of the review work to a board committee on the effectiveness of the anti-corruption programme. The Board may establish a dedicated Board committee (e.g. Anti-corruption Committee) or appoint a relevant Board committee (e.g. the Corporate Governance Committee, Audit Committee, Risk Management Committee) with suitable knowledge/expertise[9] to oversee the company's anti-corruption programme, including the corruption risk management system and anti-corruption controls, taking into account the corruption risks faced by the company. The designated Board committee should:

- oversee the design and implementation of the anti-corruption programme (including corruption risk management) and ensure its effectiveness and proper implementation;
- oversee the regular identification and assessment of corruption risks of the company and ensure that there are effective controls to mitigate them;
- ensure that the anti-corruption programme is effective and up-to-date through regular audits, monitoring and reviews;
- ensure that all business processes and operations are regularly and adequately audited in respect of corruption risk, and that any irregularities or control weaknesses are properly followed up; and
- ensure the independence (from the management) of the internal audit function and any other monitoring and review functions.

3.4 Independent Non-executive Directors (INEDs)

Being independent and detached from the day-to-day management and operation of the company, INEDs with suitable knowledge/expertise (see Section 3.3 of this Chapter) play an important role in advising the Board on ethical practices and measures, compliance with anti-corruption laws and best practices, and jointly with the Board supervise the management in the implementation of the anti-corruption programme.

[9] Other than knowledge/expertise in general corporate governance and financial controls, this should desirably include knowledge/experience in industrial practices and risks, the company's business operations and operational risks, fraud/corruption risks, and/or internal/operational audit and controls, etc. To this end, listed companies should either acquire appropriate directors with suitable knowledge/experience, or arrange relevant training (e.g. anti-corruption laws, anti-corruption programmes, corruption risks and best control practices) for their directors, on a continuous basis.

3.5 Senior Management

The CEO and his senior management team are responsible for the day-to-day management of the company's business operations. In respect of prevention of corruption, the senior management should have the following responsibilities:

- designing and operating the anti-corruption programme;
- appointing personnel with suitable/relevant knowledge/expertise[10] for the implementation of the anti-corruption programme;
- setting the right tone at the top and demonstrating strong, visible and active commitment to anti-corruption business practices and zero-tolerance of corruption and the implementation of the anti-corruption programme;
- ensuring that adequate resources and expertise are in place to implement the anti-corruption programme;
- ensuring that all staff, business partners and agents are aware of the company's anti-corruption policy and their respective roles and responsibilities under the anti-corruption programme;
- reviewing the anti-corruption programme regularly and formulating recommendations to the Board; and
- reporting to the Board on the effectiveness of the company's anti-corruption programme, including details of significant areas of concern.

3.6 Internal Audit

Under the Corporate Governance Code and Corporate Governance Report, it is a "comply or explain" requirement that a listed company should establish an Internal Audit function. The Internal Audit of a listed company evaluates and reports to both the Board and the management as to the adequacy and effectiveness of the listed company's risk management and internal control systems. To this end, the Board and the CEO should ensure that there is suitable expertise (see Section 3.5 of this Chapter) in its Internal Audit function.

[10] Other than knowledge/expertise in accounting and financial audit, this should desirably include knowledge/experience in operational risks, industrial practices, fraud/corruption risks, operational audit, and internal controls. To this effect, listed companies should either appoint staff with suitable knowledge/experience, arrange relevant training (e.g. anti-corruption laws, corruption risks and best control practices) for their staff on a continuous basis, and/or acquire external expert services.

The Internal Audit should be independent and accountable to the Audit Committee and should be given adequate resources and possess appropriate expertise and experience.

3.7 Compliance

Some companies may have established a compliance function to help ensure the company's compliance with all the laws, regulations and relevant standards, codes of practice, etc. applicable to the company. For companies which do not have a dedicated compliance team, the duty may be performed by other functional units such as Internal Audit, the counsel or the subject business departments. Among other things, this should cover compliance with:

- the POBO;
- other anti-bribery laws that the company may be subject to, e.g. while operating in other jurisdictions;
- anti-corruption practices applicable to the company which may be imposed by the relevant regulator or trade association; and
- the company's anti-corruption policy and programme.

In addition, the compliance function should also identify and advise the company on adoption of or compliance with recommended practices in relevant standards or best practices, such as international standards on anti-bribery and corruption systems, this Guide, etc.

3.8 Finance Department

Most corrupt transactions involve financial transactions or finance-related activities of the company, such as procurement, payment of bribes under the disguise of expenses/commissions/fees/donations, payroll and other employee fraud, etc. As such, an effective financial control system can help reduce the risk of corruption by ensuring proper procedures in and controls over the use and disbursement of funds. The Finance Department should therefore play a gatekeeping role in ensuring that effective financial controls and proper scrutiny, approval and use of funds in financial processes are carried out.

3.9 Managers and Supervisors

Managers and supervisors of all business, functional and operational units of the company have the duty to supervise the proper carrying out of day-to-day operations and business processes under their charge, and ensure that they comply with all relevant regulations and internal policies and procedures.

Apart from supervising the carrying out of their units' respective functions (e.g. marketing and sales), they should also exercise effective supervision to ensure that the processes and practices comply with the company's anti-corruption policy and are free from corrupt practices. They should ensure that their subordinates have awareness of the company's anti-corruption policy (e.g. by ensuring they have received suitable integrity and anti-corruption training), provide guidance and advice to them where necessary, and exercise reasonable monitoring over their conduct.

The managers and supervisors should bring to the attention of the management or relevant departments any irregularities, risk exposures or practices that are conducive to corruption, and work together with the relevant departments to improve the procedures and practices as necessary.

3.10 Staff in General

While in general staff involved in interface with external parties (such as suppliers, customers) are more vulnerable to risks of corruption, all staff are exposed to possible risk of corruption temptation. As such, resisting corruption and helping the company defend against corrupt practices should be the responsibility of every staff. They should:

- have basic understanding of the requirements under the POBO and anti-bribery law of the country in which they carry out business;
- familiarise themselves with and comply with the requirements of the company's anti-corruption policy;
- have basic knowledge of the corruption risks in their working environment and the proper anti-corruption practices they should adopt; and
- promptly bring to the attention of the management or appropriate reporting channel of any corruption or practices conducive to corruption.

Chapter 4 Anti-Corruption Programme and Anti-Corruption Policy

4.1 Introduction

HKEX requires listed companies to disclose, on a "comply or explain" basis, their anti-corruption policies, and recommends listed companies to disclose their preventive measures against corruption. To prevent, detect and deter corruption, every company should implement an anti-corruption programme, taking into account the requirements of all applicable laws, in particular the POBO. Relevant trade associations should also promote the adoption of anti-corruption programmes by members of their trades.

4.2 Anti-corruption Programme

An effective anti-corruption programme should cover at least the following components:

- an anti-corruption policy (this Chapter);
- ethical standard and anti-corruption guidance for all company personnel, including directors and staff, through a Code of Conduct (Chapter 5);
- mechanism for the identification and assessment of corruption risk (Chapter 6);
- anti-corruption control (Chapter 7); and
- training and communication (Chapter 8).

4.3 Anti-corruption Policy

The anti-corruption policy states a company's commitment to ethical and anti-corruption practices in doing business, and its position and key measures against corruption. The policy should cover at least the following components:

- top level commitment/pledge to adopt ethical and anti-corruption business practices;
- scope of the policy;
- statement of policy against corruption in doing business and zero tolerance of corruption of any form;
- key integrity and conduct requirements for the company's personnel;
- ethical and anti-corruption requirements for business partners;
- whistle-blowing policy for corruption and violation of the anti-corruption policy, and policy on the handling of reports; and
- brief description of the company's anti-corruption programme.

To make known to all stakeholders the company's commitment to ethical and anti-corruption practices, and to make business partners aware of the ethical standard required in doing business with the company, the anti-corruption policy should be publicised, e.g. disclosed on the company's website and/or relevant reports.

4.4 Top-level Commitment

There must be clear and visible top-level commitment to adopt ethical and anti-corruption business practices, enforce the anti-corruption policy and adopt zero-tolerance towards corrupt behaviour.

The Board and senior executives must lead by example by adopting ethical and anti-corruption practices in all business decisions and conduct of the company's business.

4.5 Scope of the Policy

It should be made clear that the anti-corruption policy applies to all personnel of the company, including its directors and staff at all levels. No one in the company should

be exempted from the policy, including Board directors and senior executives.

The policy should also cover, as appropriate, third parties doing business with the company, such as agents, suppliers and contractors.

4.6 Statement of Policy against Bribery

There should be a clear statement of the company's policy against corrupt practices, with reference to the POBO and other anti-bribery laws applicable to the company, including:

- prohibiting the solicitation and acceptance of bribes or improper advantages from others in relation to the company's business affairs, whether in Hong Kong or elsewhere;
- prohibiting the offering of bribes or improper advantages to agents of others in carrying out the company's business, and the offering of advantages to public servants while having business dealings with their organisations, whether in Hong Kong or elsewhere; and
- adoption of zero tolerance towards corruption and related malpractice.

4.7 Integrity Requirements for Company's Personnel

In addition to the prohibition of bribery as stated in the statement of policy against corruption, the policy should also set out the key integrity requirements (which should be stipulated in further detail in the company's code of conduct) for the company's personnel, so that any parties doing business with the company can be made aware of the standard of behaviour expected of its personnel, for example:

- policy and restrictions on acceptance of gifts/advantages and entertainment from persons having business dealings with the company;
- policy and restrictions on offering of gifts/advantages and entertainment to persons having business dealings with the company and public servants; and
- prohibition against abuse of official position for personal benefits or benefits of personal associates, and requirement to avoid and declare conflict of interest, etc.

4.8 Anti-corruption Requirements for Business Partners

Business partners (agents, consultants, contractors) acting on the company's behalf may also be exposed to corruption risks. Therefore, the company may be exposed to similar risks resulting from corruption of its business partners when doing business with them. It is therefore important for companies to only engage business partners which have an anti-corruption commitment. The company should inform all its business partners of its anti-corruption policy. As far as practicable, for major contracts and partnering arrangements, the company should include suitable anti-corruption and probity requirements in the agreements with the business partners:

- prohibition against bribing of the company's staff or offering of advantages to them without the company's permission in doing business with the company;
- prohibition against bribery of any form in carrying out business under the contract/partnership or on behalf of the company;
- the need to ensure that all the relevant personnel are made aware of the anti-corruption requirements, such as through a code of conduct, probity guidelines and adequate training;
- the need to apply the same anti-corruption requirements to all contractors, suppliers, subcontractors engaged for the contract/partnership;
- the need to take proper action, such as reporting any corruption/fraud detected to the relevant law enforcement agency; and
- the right for the company to terminate the contract with the business partner if it or its staff member breaches the anti-corruption requirements.

4.9 Whistle-blowing Policy and Handling of Reports of Violations

The anti-corruption policy should:

- state the company's whistle-blowing policy and provide suitable channels for reporting corruption and violations of the anti-corruption policy;
- require all personnel of the company to report promptly any corruption to the ICAC or through the reporting channels provided as appropriate;

- encourage business partners (e.g. suppliers) to report corruption or corruption attempts by any of the company's personnel;
- provide assurance of confidentiality, prompt handling and non-retaliation to whistle-blowers acting in good faith; and
- reiterate the zero-tolerance policy towards any corrupt behaviour detected, which will result in reporting to the relevant law enforcement agency and disciplinary action such as termination of employment (in the case of staff) or termination of contract and exclusion from future bidding (in the case of suppliers/contractors).

Chapter 5 Code of Conduct

5.1 Introduction

One of the most important steps in an anti-corruption programme is to promulgate a Code of Conduct (or separate Codes of Conduct respectively) for directors and staff, to set out the ethical and probity standards and requirements for them. A Code of Conduct setting a high standard of integrity helps safeguard the company's personnel from corruption pitfall, deter corrupt approaches and enhance the trust of investors, business partners and other stakeholders. The Code of Conduct should be endorsed and promulgated by the Board.

5.2 Key Elements of a Code of Conduct

Companies may wish to include provisions relevant to their industries and business operations and in accordance with their own core values. For the purpose of corruption prevention, the Code of Conduct should include the following key elements:

- statement of the company's commitment to ethical and anti-corruption practices and zero-tolerance to corruption and malpractice;
- prohibition against any bribery and corrupt practices in carrying out the company's business;
- further rules, restrictions and guidelines governing the acceptance and offering of gifts/advantages and entertainment, which aim at upholding a high standard of integrity among the directors and staff in carrying out business on behalf of the company;
- requirement and mechanisms for reporting and obtaining approval for acceptance/offering of gifts/advantages and entertainment;
- requirement/guidelines on avoidance and declaration of conflict of interest, and on outside employment;
- prohibition of misuse of official position, company assets and information for personal benefit or benefit of others;

- guidelines on managing relationship with business contacts; and
- duty to report observed breaches of the Code, and consequence of breaches.

A Sample Code of Conduct is at **Appendix 1**.

5.3 Prohibition of Bribery and Corruption

The Code of Conduct should clearly prohibit all forms of bribery or corruption and require compliance with the POBO (and anti-bribery laws applicable to the company) in carrying out business for the company. Directors, staff and agents acting on behalf of the company should be prohibited from:

- soliciting or accepting any advantage from others as a reward for or inducement to doing any act in relation to the company's business;
- offering any advantage to an agent of another as a reward for or inducement to doing any act in relation to the latter's principal's business; and
- offering any advantage to any government or public servant as a reward for or inducement to performing any act in his official capacity, or while having business dealing with the government department or public body he/she belongs to.

5.4 Acceptance/Offering of Gifts/Advantages

While it is customary for business contacts to offer gifts or other advantages (e.g. tour) to directors or staff of a company, these may have a bribing or sweetening effect, or give rise to the perception of such if the gifts/advantages are disproportionate to the circumstances. Therefore, in addition to prohibiting the acceptance/offer of advantages for a corrupt purpose, to maintain a high standard of integrity among the company's personnel and protect them and the company from perception or allegations of impropriety, the Code of Conduct should:

- prohibit directors and staff from soliciting or accepting advantages from persons having business dealing with them (e.g. suppliers, contractors), except courtesy/token gifts of appropriate/nominal values under specified circumstances or occasions;

- where acceptance of gifts/advantages may be allowed, set out the circumstances/occasions (e.g. during festive seasons where business gifts are traditionally exchanged) and restrictions for acceptance of advantages (e.g. allowable limit of value of the gift, cash not allowed, acceptance of gifts from suppliers/contractors prohibited), and the channel for special approval in exceptional cases;
- prohibit the offering of advantages to directors/staff of other companies having business dealing with them (e.g. buyers), except, where considered necessary, courtesy/token gifts of appropriate/nominal values under specified circumstances or occasions; and
- where offering of gifts/advantages to business contacts is considered necessary, set out the allowable circumstances/occasions (e.g. during festive seasons where business gifts are traditionally exchanged) and restrictions (e.g. allowable limit of value of the gift, cash not allowed), and require it be ascertained that the recipient is allowed by his principal to accept the gift/ advantage before offering.

5.5 Acceptance/Offering of Entertainment

Entertainment (see definition under the POBO, Chapter 2) is an acceptable social activity, but extravagant and frequent entertainment offered to the staff of a company from companies having business dealings may have or be seen to have a calculated sweetening effect in order to pave way for demand of favour.

To maintain a high standard of integrity among the company's personnel and protect them and the company from perception or allegations of impropriety, the Code of Conduct should include guidelines on entertainment, advising them to avoid accepting/offering entertainment that may be regarded as:

- excessive – taking into account its value, substance, frequency and nature;
- inappropriate – taking into account the relationship between the staff member and the offeror (e.g. whether they have any direct official dealings such as suppliers, contractors, borrowers, buyers); or
- undesirable – taking into account the character or reputation of the host or other attendees;

and may require them to report or seek approval for acceptance/offering of such entertainment.

5.6 Conflict of Interest

A conflict of interest situation arises when the private interest of staff competes or conflicts with the interest of the company. Conflict of interest may lead to split loyalty, and may lead to the pursuit of personal interest at the expense of the company's interest. Moreover, although the existence of a conflict of interest is normally not illegal by itself, it often leads to associated criminal acts such as fraud against the company, corruption or submission of false documents to the principal.

To help directors and staff properly manage possible conflicts of interest, the Code of Conduct should set out guidelines on handling of conflict of interest. The following five-step approach may be adopted:

- **Avoid** – The fundamental rule is to avoid any conflict of interest that may arise when performing official duty as far as practicable.
- **Declare** – If a conflict of interest has arisen and cannot be avoided, a member should declare the conflict to his supervisor or the designated person in accordance with the company's policy, and document the declaration made.
- **Resolve** – Upon receiving a declaration, appropriate action should be taken to resolve the conflict (e.g. withdraw the member from performance of the task and assign the duty to another; or continue to allow the member to carry out the task after balancing between the risk and operational need).
- **Exercise duty in a fair and impartial manner** – If a member is allowed to continue to perform the duty, he/she should be reminded to exercise his duty in a fair and impartial manner.
- **Supervise** – If the member concerned is allowed to continue to perform the duty, closer supervision should be exercised to ensure proper performance.

As for company directors, there are additional statutory and regulatory provisions relating to disclosure of conflict of interest. The Code of Conduct for directors should also remind them of the obligations, including the following requirements:

5.6.1 Declaration of Material Interest by Directors (Companies Ordinance)

Part 11 of the Companies Ordinance requires a director (and any entity connected with the director) who has a material interest, directly or indirectly, in a transaction, arrangement or contract or proposed transaction, arrangement or contract, with the company that is of significance to the company's business, to disclose to the Board of directors the nature and extent of such interest.

Full text of the Companies Ordinance can be found in the Hong Kong e-Legislation of Department of Justice:

https://www.elegislation.gov.hk/hk/cap622!en

5.6.2 Connected Transaction Rules (Listing Rules)

Chapter 14A of the Main Board Listing Rules and Chapter 20 of the Growth Enterprise Market Listing Rules have set out the rules on connected transactions. The rules provide safeguards against the risk of a listed company's directors or senior executives abusing their positions and seeking personal gain at the expense of the listed company through connected transactions. This is achieved through the general requirement for connected transactions to be disclosed and subject to independent shareholders' approval. A connected person with a material interest in the transaction will not be permitted to vote at the meeting on the resolution approving the transaction.

The Connected Transaction Rules can be found on HKEX's website:

Main Board

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=2775

Growth Enterprise Market

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=1214

5.6.3 Examples of Conflict of Interest Scenarios

To assist directors and staff in judging whether or not a conflict of interest exists, it would be helpful to provide examples of conflict of interest common in the company's operating environment in the Code of Conduct.

5.7 Outside Employment

It is not uncommon for employees of a company to engage in outside or part-time jobs, or directors to have other engagements. Such engagements may give rise to conflicts of interest (e.g. part-time employment with a supplier/contractor or competitor). The Code of Conduct should include the following to address the risk:

- requirement for all personnel to seek approval before taking up any outside employment; and
- prohibiting outside employment which constitutes a conflict of interest.

5.8 Prohibition of Abuse of Office

5.8.1 Misuse of Official Position

All company personnel must not misuse their official position in the company to pursue their own private interests, which include both financial and personal interests and those of their family members, relatives or close personal friends. The Code of Conduct should:

- remind directors and staff in charge of or having access to any company assets, including funds, property, information, and intellectual property, to use them solely for the purpose of conducting the company's business; and
- prohibit any unauthorised use of the company's assets, such as misuse for personal interest.

5.8.2 Misuse of Company Information

In the course of their duties, members of the company may have access to classified or sensitive information relating to the company's business. To prevent corruption connected with the misuse of information, the Code of Conduct should:

- prohibit members of the company from disclosing or misusing any classified information without authorisation; and
- require those who have access to or are in control of such information, including information in the companies' computer systems, to protect the information from unauthorised disclosure or misuse.

5.9 Managing Relationship with Business Contacts

Corruption often develops from inappropriate and excessively close relationship with business contacts, such as frequent engagement in entertainment, social activities, gambling, etc. with a supplier, contractor, or customer, engagement in joint investments with them, etc.

The Code of Conduct should provide guidelines on the management of relationship with business contacts, having regard to the nature and the risks of the company's business activities.

5.10 Reporting Breaches, and Consequence

The Code of Conduct should require all staff to report breaches of the Code or other irregularities to the channels provided or the relevant law enforcement agency, as appropriate.

The Code of Conduct should also generally state the consequence of breach of the Code, which may include reporting to the relevant law enforcement agency in the case of criminal acts, or disciplinary actions or termination of employment in the case of breach of other integrity requirements.

Chapter 6 Corruption Risk Identification and Assessment

6.1 Introduction

With effect from January 2016, HKEX has upgraded the provisions in the Corporate Governance Code and Corporate Governance Report regarding the annual review of the effectiveness of the listed company's risk management and internal control systems, and the related disclosures in the Corporate Governance Report, from Recommended Best Practices (i.e. voluntary) to Code Provisions (i.e. subject to "comply or explain"). It also sets out guidance provisions on risk management and internal control systems.

While risk management covers all types of risks a listed company may be exposed to, the management of corruption risks should form an integral part of its overall risk management and be accorded an equally high priority as other business risks, and mechanisms for the prevention and management of the risks should be established. This chapter recommends a mechanism for managing corruption risks, and highlights some common corruption risks based on past corruption cases.

6.2 Responsibilities for Corruption Risk Management

The revised Corporate Governance Code and Corporate Governance Report have laid down the specific role and duties of the Board in respect of risk management.

For managing corruption risks, we recommend that:

- The Board, with the assistance of the relevant committee(s) (e.g. Audit Committee, Risk Management Committee) should take the lead in and oversee corruption risk management.
- The Board should recognise the serious damage of corruption to the company and hence adopt the lowest level of acceptance for corruption risks.

- There should be a designated team of suitable persons[11] (which could be within the Internal Audit function or a dedicated anti-corruption/anti-financial crime unit) to perform the corruption risk management function, including the carrying out of corruption risk management audits, and report to the Board or relevant committee(s) on its findings and recommendations.
- Managers and staff of functional, business and operational departments should also be engaged and participate in the corruption risk assessment and review of practices, procedures and controls.
- Assistance from external experts may be sought, if necessary.

6.3 Corruption Risk Identification and Assessment

Corruption risk identification and assessment should be conducted systematically on a continuous basis:

- identify business operations and processes that are conducive to corruption, warranting corruption risk management;
- review the policies, practices and procedures, identify any practices or weaknesses that give rise to corruption risks, assess the likelihood and impact of the risks, and formulate appropriate control measures to mitigate the risks;
- put in place suitable anti-corruption controls to plug corruption loopholes; and
- monitor and review the risks and controls, and reassess the risks periodically or in response to significant changes (e.g. adoption of new business strategy or process, entrance into new market) or occurrence of corruption.

[11] These should desirably include persons with knowledge/experience in operational risks, industrial practices, fraud/corruption risks, operational audit, and internal controls. To this end, listed companies should either appoint staff with suitable knowledge/experience, arrange relevant training (e.g. anti-corruption laws, corruption risks and best control practices) for their staff on a continuous basis, and/or acquire external expert services.

6.4 Corruption Risk Management Audits

The detailed tasks/steps of a corruption risk management audit should consist of the following:

- studying the laws, regulations and standards applicable to the industry or operation under study;
- identifying the inherent corruption risks associated with the operation/process based on the audit team's knowledge, external information such as past corruption cases and information in ICAC's publications or website, consulting external experts such as the ICAC's Corruption Prevention Advisory Service (see Chapter 9) if necessary;
- reviewing the relevant company policies, business practices, and operational procedures and guidelines;
- interviewing the head and selected staff of the relevant department(s) to understand the procedures and practices in carrying out the processes under study, and solicit their views and experience on any risks and issues encountered;
- reviewing selected case files and records to understand the processes as documented;
- clarifying any missing information or discrepancies with the staff;
- identifying any practices or control weaknesses that expose the operation/process to corruption risks, assessing the likelihood and impact of corruption;
- formulating recommendations for preventive measures, making reference to best practices issued by the ICAC (see Chapter 7) and consulting external experts such as the ICAC's Corruption Prevention Advisory Service (see Chapter 9) if necessary;
- discussing the findings and recommendations with the relevant department(s), and compiling a corruption risk management review report;
- obtaining endorsement of the report and recommendations from the appropriate authority; and
- following up on and ensuring effective implementation of the recommended controls/improvements by the business unit(s).

6.5 Corruption Risks

The following business functions/processes are considered to be in general most vulnerable to corruption risks.

6.5.1 Procurement

Procurement is a key business function in all companies. It is generally the most corruption-prone business function in a business due to the substantial business interests and outflow of cash involved and the power which individual staff may possess in determining where the money goes.

Bribery in procurement normally involves accepting advantages in return for assisting a supplier to secure a contract or favouring him. Common malpractice include, for example:

- inappropriately including the supplier (who may be unqualified) in the invitation to bid;
- drawing up a specification or assessment criteria in favour of the supplier or tailored to the supplier's product/services;
- tipping off the supplier with sensitive information such as other bidders' quotations or insider information such as specific requirements/expectations not disclosed to other bidders;
- colluding with the supplier to fabricate competitive quotations purported to be submitted by other suppliers, or discard other suppliers' quotations;
- favouring the supplier in tender evaluation;
- placing excessive orders with the supplier, inflating quantity provided or price, or colluding with the supplier to purchase items for personal use;
- turning a blind eye to substandard goods and poor performance; and
- renewing the supplier's contract repeatedly without going through any competitive process.

6.5.2 Sales and Marketing

Sales and marketing is another key business function of business entities, which directly affects a company's profitability. As it involves the exchange of goods/services and substantial cash flow as well as remuneration based on sales transactions, there are substantial risks of bribery as well as fabrication of transactions for personal gain.

Common corrupt practices in the sales processes include:

- bribing a potential buyer's employee or agent in order to secure sales;
- accepting illegal rebate from a business operator in return for unauthorised referral of the company's business;
- accepting advantages from certain customers in return for allocating goods/ services under high demand to them, giving them excessive discounts or items or favourable terms, granting a loan, etc.;
- "selling" the company's customer data to other business operators;
- colluding with others to falsify details of sales transactions in order to enhance one's remuneration; and
- manipulating sales transactions to pocket all or part of the revenue.

6.5.3 Inventory Management

A company's assets include inventory items (saleable goods) and property items such as equipment. Inventory management is particularly vulnerable to corruption risk for certain industries, particularly those which involve valuable items which cannot be individually identified and the quantities and usages are difficult to account for (e.g. food supplies in the catering industry).

Common corruption risks in inventory control include:

- collusion among staff to misappropriate inventory/asset items;
- tampering with or falsifying inventory records to cover up pilferages;
- misappropriating and selling some of the items for personal profit during goods delivery or usage; and
- unnecessarily disposing of and writing off items for personal gain.

6.5.4 Human Resources Management

Human resources management also involves substantial benefits and funds including job opportunities, promotion, salary payment, etc., which also give rise to risks of corruption or malpractice.

Corruption in staff management usually involves managers/supervisors accepting gifts, advantages, free services from subordinates or job candidates in return for:

- offer of or retention in job position (management of companies should take note that operations which require a large number of front-line staff whose recruitment is delegated to supervisors or foremen are particularly vulnerable to such risk);
- favouritism in performance appraisal, promotion, allocation of favourable shifts/posts, connivance at performance issues such as punctuality;
- collusion to falsify attendance and deceive the company for wage payment;
- misusing staff to carry out private work or work for others for gain during working hours; and
- approval of false claims of allowances/expenses.

6.5.5 Charitable or Community Activities

While there have not been a significant number of corruption cases relating to business operators' contribution to charities or community projects, in view of the increasing emphasis on corporate social responsibility and past cases concerning abuse of donations/sponsorships, listed companies should be aware of the potential risks of abuse or corruption in their administration and operation of funds for charity or community activities (e.g. sports, environmental protection events).

Potential risks of corruption or abuse include:

- misuse of sponsorship intended for a project or event by the organiser, with or without collusion with the company's staff, where the project/event is not actually carried out or not carried out as claimed;

- staff of the company or his associate having a financial interest in a bogus charity or social group and making personal gain from the company's donations/sponsorships; and
- sponsorships being largely channelled to the charity's or social group's service provider in which staff of the company has interest.

6.6 Common Control Inadequacies

Based on reviews of past corruption cases and management systems, the common inadequacies found in some control mechanism and management systems include the following.

6.6.1 Absence of Well-defined Procedures, Inadequate Instructions and Guidelines

Some companies or business departments have not laid down clear procedures, adequate instructions and guidelines on how certain important, corruption-prone operations and processes (such as tendering, tender negotiation) should be conducted. This leaves excessive discretion to the staff, and also gives them the impression that the company has no concern how the processes are carried out, which ultimately gives rise to opportunities and temptations to take advantage of the discretion and "flexibility" for a corrupt purpose.

6.6.2 Inadequate Checks and Balances

The lack of segregation of duties in corruption-prone business processes such as procurement is one of the key risk factors of corruption. This is not only common in small and medium companies in which resources is an issue. Large companies, whose business transactions usually involve very large sums of money, may tend to overlook the risk in relatively smaller-value transactions, and entrust them to a single staff with inadequate checks and balances. The value, or aggregate value of such transactions over a period of time, is disproportionate to the rank of the staff having control over them.

6.6.3 Lax Supervision and Lack of Accountability

Due to various reasons including inadequate resources, over-concern on sales performance, lack of awareness of corruption risks, etc., some managers do not exercise adequate supervision over the conduct of business by their subordinates, or are only concerned with sales or operational performance. They show little or no regard for the integrity of the staff or the way they conduct business. Such lax supervision may result in the staff being exposed to higher temptation.

6.6.4 Inadequate Transparency

The lack of transparency of the company's policies, requirements, ways of doing business, etc. applicable to suppliers (e.g. ways and requirements to become a supplier) and customers (e.g. discounts and promotional offers available) may provide opportunities for unscrupulous staff to make use of the ignorance to take advantage of the relevant parties (e.g. demanding advantages from them for providing "assistance").

6.6.5 Inadequate Awareness

Many corruption cases reveal a lack of awareness by staff of companies of the criminality of their acts, or under-estimation of the seriousness of their misconduct, e.g. considering a deceptive practice adopted by peers as a "trade practice", being instructed by supervisors to fabricate records, receiving a red packet of a small sum of money in return for a minor favour towards a customer, etc. Managers, supervisors may also lack knowledge and awareness of the corruption risks faced by their business operations and staff, and are therefore unable to reasonably prevent or detect corruption in their business units.

Many companies have not arranged internal training or briefing for their staff, in particular front-line staff, on anti-bribery laws and the company's stance/policy against corruption. The staff concerned will become particularly vulnerable to corrupt approaches by outsiders, collusive behaviour among peers, or even undue requests by supervisors. Some companies have not arranged corruption prevention training for their managers to build up their capacity in corruption prevention.

6.6.6 Complicated or Impractical Processes

Some companies have drawn up complicated processes and procedures in their operations, which may be unnecessary, unable to achieve optimal results, or even impractical. This may sometimes be caused by outdated procedures which have not been reviewed for a long time. As a result, staff may adopt their own methods instead of following the laid-down procedures. Over time, non-compliance and exercising of personal discretion will become a norm, which increases the risk of corruption.

Another risk is that the processes and procedures may be too complicated for business partners, customers or even managers to understand and follow, which provides opportunities for manipulation of the processes.

6.6.7 Business Practices Conducive to Corruption

Some business practices are open to risks of corruption or manipulation. For example, many companies' remuneration schemes for sales staff entitle them to different levels of sales commission which may account for a substantial portion of their monthly income; some companies offer sales commissions to brokers or agents while the company's own sales staff are not entitled to such financial rewards. These schemes give rise to temptations for the staff to manipulate the transactions, in collusion with each other or outsiders, to increase their remuneration. However, the companies very often have not put in place suitable controls commensurate with the risks arising from the design of the schemes.

6.7 Monitoring and Review

As the business and operating environment, as well as the companies' business strategies, operations and practices are changing over time, companies are facing new challenges and risks including corruption risks. As such, a company's anti-corruption programme, the corruption risks it is exposed to, and the effectiveness of its anti-corruption controls should be monitored and reviewed regularly or in response to changes and occurrence of corruption incidents. The corruption risk management and audits should be a continuous process.

Chapter 7 Anti-Corruption Control

7.1 Introduction

There are a number of models, guides and standards on internal control system issued by various international organisations and professional bodies. With effect from January 2016, the requirement for risk management and key internal control measures in the Corporate Governance Code and Corporate Governance Report (Appendix 14 of the Main Board Listing Rules and Appendix 15 of the Growth Enterprise Market Listing Rules) have been strengthened. Listed companies may refer to various guides issued, and seek support from external professional service providers and internal staff, in establishing and implementing internal controls.

A comprehensive, effective governance and internal control system designed to prevent or detect various forms of abuse, should in general help prevent corruption as well.

The following are the essential elements of internal control for preventing corruption. Companies should devise and implement the appropriate level of controls based on the findings of the corruption risk management reviews (Chapter 6).

7.2 Clear Policies and Procedures

Clearly defined procedures provide the framework and work flow in which anti-corruption controls can be built in. The Board and relevant committees should ensure that adequate and clear policies/procedures are laid down for all business functions, operations and processes, to provide adequate guidance on how they should be conducted and ensure that they are conducted properly. These should include:

- clear definition and requirements of the authorities for making decisions (e.g. the authorities for authorising purchases of different amounts);
- clear definition of the duties and responsibilities of the staff involved in the processes;

- policies, guidelines and criteria for the conduct of various businesses, operations and making of decisions (e.g. criteria for shortlisting suppliers, offering discounts, recruitment of staff); and
- the procedures and steps for carrying out various business processes and the staff/posts responsible for them.

7.3 Effective Supervision and Supervisory Accountability

Effective supervision and monitoring are important for preventing and deterring corruption and other malpractice. Supervisors should monitor the conduct of businesses under their charge, vet transactions and conduct spot checks to ensure compliance with laid down policies and procedures, and prevent malpractice. Supervisors should provide guidance to their subordinates on the proper conduct of business and integrity. Irregularities should be reported to the appropriate channel for follow-up. Supervisors should be accountable for their staff's conduct of business in compliance with the company's anti-corruption policy. Supervision and monitoring requirements should be built into the company's procedures and guidelines.

7.4 Checks and Balances

In addition to supervision, adequate checks and balances should be built into the procedures. These include:

- segregation of duties - duties concerning a business process (e.g. procurement) susceptible to corruption or abuse should be carried out separately by two or more staff;
- staff rotation - a staff rotation system should be implemented for posts/duties that are highly susceptible to corruption;
- enforced leave - staff holding posts vulnerable to corruption should be required to take annual leave of reasonable period during which substitute staff will handle their work;
- counter-checks - the work or transactions carried out by one staff member should be subject to counter-checks by another; and

- team approach - important, high-risk processes (e.g. tender evaluation, supplier site inspection) should be performed by a team/panel of staff without a supervisor-subordinate relationship.

7.5 Documentation

The requirement for proper documentation of all important transactions and decisions, which ensures all personnel involved are accountable for their actions and decisions, is also important for the prevention and deterrence of corruption. The need for documentation encourages the staff concerned to carry out their duties properly, and also helps trace the events and responsibilities should there be irregularities, thereby helping deter malpractice. Where computer systems are used to record transactions, audit trail should be kept for tracking access and changes to important data. The level of details of documentation should depend on the importance of the process/decision and the associated risks (e.g. justifications and reasons should be documented for important decisions and exceptions/deviations from established practices).

To achieve the deterrent effect, the records of important transactions should be subject to random checks and audits.

7.6 Handling of Reports of Gifts/Advantages Received

Directors and staff of the company may from time to time receive gifts and other advantages offered by business partners. Chapter 5 has set out the restrictions for the acceptance of advantages, circumstances/occasions where acceptance of gifts/advantages may be allowed and requirements for directors and staff to report and seek proper approval for the acceptance of advantages from persons having business dealings. The company should put in place mechanism to ensure that the reports of gifts/advantages received are properly handled, including:

- designated authorities (e.g. department head or Human Resources Department) for receiving and considering reports of gifts/advantages received by directors and staff and making decisions on the appropriate disposal arrangements;

- examples of the disposal methods on different types of gifts received;
- a standard form for reporting gifts/advantages received;
- guidelines for the authorities concerned on proper handling of reports of gifts/advantages received (see also Chapter 5 – Code of Conduct); and
- policy on dealing with staff's failure to report gifts/advantages received.

7.7 Handling of Conflict of Interest

The existence of conflict of interest is probably more common than bribery in a company, and it will equally damage the interest of the company if not more severely. While the requirement for individual personnel on the management of conflict of interest situations has been covered in Chapter 5, the company should devise a mechanism for the proper handling of conflict of interest of directors and staff, including:

- designated authorities (e.g. department head or designated committee) for receiving and considering reports of conflict of interest by directors and staff and making decisions on the appropriate management actions;
- a standard form for reporting conflict of interest;
- guidelines for the authorities concerned on proper handling of reported or detected conflict of interest (see also Chapter 5 – Code of Conduct); and
- policy on dealing with staff's failure to report conflict of interest.

7.8 Transparency

The company's policies, procedures and practices, etc. should be suitably made transparent to the stakeholders concerned, such as business partners, suppliers, customers and staff members. This helps avoid the chance of unscrupulous staff taking advantage of the lack of information by the stakeholders for a corrupt purpose, and facilitates external monitoring by the stakeholders concerned.

7.9 Security of Information

The management should lay down the policy and rules on classification and handling of information, and devise appropriate security measures (particularly for sensitive or confidential information). Access to confidential or restricted information should be granted on a need-to-know basis. Records of important business processes should be protected from tampering or destruction. The rules, classifications and access authorities should be made clear to the staff concerned. Staff should be advised that unauthorised disclosure of or tampering with records could constitute a breach of the company's rules or even a criminal offence, and unauthorised disclosure in return for advantages may amount to bribery offences.

7.10 Financial Control

Corrupt dealings very often involve the outflow of money from the company (e.g. procurement transactions affected by corruption, payment of bribes, payroll or sales commission fraud), and sometimes involve income collection (e.g. pilferage of income). A sound financial control system therefore helps prevent, detect and deter corruption by acting as a gatekeeper against financial movements associated with corruption. For this purpose, in addition to clear policies and procedures (see above), the financial control system should include the following features:

- a clear schedule of authorities on all finance matters (e.g. purchases, payments);
- reasonable division of duties (e.g. avoiding initiating and approving payments by the same person), and requiring at least two signatories for the issue of cheques (and no pre-signing of blank cheques for convenience);
- a computerised financial/accounting system, suitably integrated with the operational processes with minimal human intervention as far as possible, for the accurate recording of all business and financial transactions;
- adequate verification of all financial transactions and payments by a centralised Finance Department, including verification of proofs for effecting payments; and
- generation of regular financial transaction reports and exception reports to facilitate management review and monitoring.

7.11 Due Diligence of Business Associates and Partners

Corruption by a company's business partners such as contractors or intermediaries will cause damage to a company. For example, a maintenance contractor of a company accepting bribes from a subcontractor may result in poor quality of maintenance works which could end up in safety and reputational risks for the company. Moreover, laws of some jurisdictions hold companies accountable for corrupt dealings perpetrated by their intermediaries when conducting business on behalf of the company.

To mitigate the risk, listed companies should undertake reasonable and proportionate due diligence on an entity before entering into any form of business relationship, such as supply and service contracts, mergers and acquisitions, joint venture, appointment of agents and intermediaries, etc., and should put in place probity and anti-bribery clauses in the agreements (see "Anti-corruption Requirements for Business Partners" in Section 4.8 of Chapter 4).

7.12 Enquiry and Reporting Channels

Surveys on corruption and fraud have revealed that whistle-blowing is the most frequent means by which corruption or frauds are detected. While individuals should be advised to report suspected corruption to the ICAC, a trustworthy system should also be established in the company for parties within and outside the company (e.g. customers and service providers) to make enquiry about the company's anti-corruption policy (Chapter 4) and report irregularities. This should include:

- a whistle-blowing policy, pledging confidentiality and non-retaliation for any complaints/reports;
- reliable, trustworthy reporting channel(s) and procedures;
- designated, independent team/staff and a sufficiently senior authority to handle the complaints/reports; and

- procedures and guidelines for the proper handling of complaints/reports, including the requirement for preserving confidentiality of cases, avoiding any acts that may jeopardise or affect future investigation by a law enforcement agency, and reporting suspected criminal offences to the relevant law enforcement agencies.

7.13 Independent Audit Checks

In addition to the corruption risk management reviews, regular or random audit checks should be conducted on important operations and transactions to detect irregularities, in particular those exposed to higher corruption risk. Where practicable, audit tools/computer-aided audit tools, and exception reports can be used to facilitate the audit. Regular checks also create a deterrent effect against malpractice.

7.14 CPAS Corruption Prevention Guides

The CPAS of the ICAC has developed a series of corruption prevention best practices or toolkits for specific trades and business functions for reference by private organisations (see Section 8.6 of Chapter 8). Companies are not expected to implement all of the recommendations in the guides, but are recommended to consider adopting those recommendations suitable for them having regard to their business operations, organisation structures, resources, and risk exposures.

Chapter 8 Training and Communication

8.1 Introduction

Anti-corruption controls are effective in preventing and deterring corruption. As company policies and business processes are carried out by people, human judgement, decision, and sometimes discretion, are involved in almost all business activities. Therefore, to uphold integrity and ensure the adoption of clean business practices by the directors and staff, it is important for companies to promote an ethical, anti-corruption and compliant culture through effective communication of ethical values and the anti-corruption policy, and corruption prevention capacity building for staff at all levels.

8.2 Anti-corruption Training

An anti-corruption training programme covering the following areas should be implemented for all personnel in the company, including Board members:

- the relevant anti-bribery laws and other legal and regulatory requirements;
- the company's anti-corruption policy and programme;
- the company's code of conduct and probity requirements;
- corruption risks and common pitfalls and integrity challenges which staff may face in their business operations, and guidance on how to properly deal with them;
- case studies in the company, the industry or similar business operations, for learning and deterrence; and
- for managers and senior executives: training on corruption prevention measures, workshops for their contribution on ways to enhance corruption prevention capability, etc.

The anti-corruption training programme should include induction training for new directors and staff of the company and periodic refresher training to maintain their corruption prevention awareness and update them of the latest risks and changes.

8.3 Operational Training

As discussed in Chapters 6 and 7, after corruption prevention controls have been built into the company's business processes and procedures, compliance with the policies and procedures is important for the effective implementation of the controls. Therefore, companies should not overlook the need to provide sufficient training for the staff on the company's relevant policies and operating procedures. The training should cover the important steps and processes for anti-corruption controls to facilitate compliance. Moreover, guidelines and manuals should be made available for staff to facilitate their understanding of the relevant operational procedures.

8.4 Communication within the Company

In addition to training, the company's ethical values and commitments, anti-corruption policy and practices, and integrity requirements can be communicated to staff through various means, such as:

- internal newsletters with articles contributed by the management and staff (e.g. articles on integrity, achievements of ethical business practices);
- other publications (e.g. posters, integrity commitment slogans/statements);
- periodic reminders of anti-corruption policy (e.g. before festivals when business partners and customers are expected to offer gifts);
- messages from or dialogues with top executives, covering integrity;
- promotional campaigns which encourage staff participation (e.g. poster/slogan competition); and
- staff feedback/enquiry channels.

8.5 Communication with Business Partners

The company's ethical value and commitment, anti-corruption policy and practices, and integrity requirements should also be communicated to its business partners through:

- anti-corruption and probity terms in contracts/agreements and tender documents; and
- periodic reminders of the company's anti-corruption policy (e.g. before festivals when business partners may offer gifts to the company's staff).

8.6 Corruption Prevention Training Packages

The CPAS has developed a series of corruption prevention training packages for specific trades and business functions for use by private organisations for the conduct of in-house anti-corruption training or self-learning by their staff. These typically include a training video with case studies in the specific industry or business function, followed by an analysis of the risks and recommendations of preventive measures, and supplemented by a pamphlet summarising the risks and measures. Companies may access the training materials for internal or non-commercial use through the ICAC's website (see Chapter 9).

Chapter 9 ICAC Services and Assistance

9.1 Introduction

The ICAC stands ready to help listed companies to develop, strengthen and continually improve their anti-corruption policies and programmes and provide anti-corruption training to their directors and staff.

9.2 Corruption Prevention Advisory Service

One of the statutory duties of the Corruption Prevention Department of the ICAC is to advise, assist or instruct private sector entities on ways to prevent corruption. The CPAS established under the Corruption Prevention Department provides this service. Over the last 30 years, the CPAS has provided advisory service to thousands of companies and private organisations on integrity management and corruption prevention measures, covering a wide spectrum of industries, businesses and processes. The services are provided ***free of charge*** and ***in confidence***, and include:

- advice on the corruption risks of particular trades or the company, or specific business processes;
- advice on the company's anti-corruption policy and code of conduct;
- advice on the company's anti-corruption programme and corruption prevention controls in specific business processes;
- advice on integrity and anti-bribery issues of business practices adopted by the company; and
- capacity building training/briefing for managerial staff or staff responsible for specific functions on prevention of corruption in specific functions/processes (e.g. procurement).

In addition to the above tailored services for individual companies, the CPAS has also developed corruption prevention guides and training/self-learning tools (e.g. training videos) on various trades/functions in collaboration with relevant trade/professional bodies.

For further details, please refer to ICAC's services:

https://cpas.icac.hk/EN/Info/Lib_Index?cate_id=3

For corruption prevention services, please contact the CPAS through the following channels:

Phone: 2526 6363

Fax: 2522 0505

E-mail: cpas@cpd.icac.org.hk

Website: *https://cpas.icac.hk*

9.3 Units on Corruption Prevention in Qualifications Framework

The CPAS is collaborating with the Qualifications Framework (QF) Secretariat to incorporate anti-corruption education into vocational training for various industries, by developing Units of Competency on integrity management and corruption prevention for the competency standards of various industries under the QF, and developing training materials to support the delivery of such training. This has been completed for the retail industry (which is broadly relevant as almost all business entities have sales processes), and will be gradually extended to other industries under the QF.

Listed companies may, having regard to their industry and business operations, arrange or encourage their staff to undertake the relevant vocational training, or develop in-house anti-corruption training programmes with reference to the Units of Competency and using the training materials (see Chapter 8). More information is available on the CPAS website and the QF website: *https://www.hkqf.gov.hk*.

9.4 Education Services

The Hong Kong Business Ethics Development Centre of the ICAC aims to promote business and professional ethics in Hong Kong. The Centre offers education services to business organisations to promote business ethics. It has produced the "Toolkit on Directors' Ethics" which adopts a case study approach to help directors master the evolving ethical challenges from the personal, corporate and Board level.

For further information, please contact the Centre through the following channels:

Phone: 2587 9812

Fax: 2519 7762

Email: hkbedc@crd.icac.org.hk

Website: *http://www.hkbedc.icac.hk*

香港商業道德發展中心
Hong Kong Business Ethics Development Centre

9.5 Reporting Corruption

For suspected corruption, please lodge a report through the following channels (do not use the above advisory or education service channels for reporting corruption):

Phone: 25 266 366 (24-hour service)

Mail: The ICAC, GPO Box 1000, Hong Kong

In person: ICAC Report Centre (24-hour service)

303 Java Road, North Point, Hong Kong

or

ICAC Regional Offices[12]

(Service hours: Mon – Fri, 9am – 7pm; except public holidays)

[12] The contact information of the ICAC Regional Offices are available at *https://www.icac.org.hk/en/crd/struct/ro/index.html.*

Sample Code of Conduct

Ethical Commitment

1. The (name of company) (hereafter referred to as the Company) regards honesty, integrity and fair play as our core values that must be upheld by all directors and staff[1] of the Company at all times. This Code sets out the basic standard of conduct expected of all directors and staff, and the Company's policy on acceptance of advantage and handling of conflict of interest when dealing with the Company's business.

Prevention of Bribery

2. The Company prohibits all forms of bribery and corruption. All directors and staff are prohibited from soliciting, accepting or offering any bribe in conducting the Company's business or affairs, whether in Hong Kong or elsewhere. In conducting all business or affairs of the Company, they must comply with the Prevention of Bribery Ordinance (POBO) of Hong Kong and must not:

   a. solicit or accept any advantage from others as a reward for or inducement to doing any act or showing favour in relation to the Company's business or affairs, or offer any advantage to an agent of another as a reward for or inducement to doing any act or showing favour in relation to his principal's business or affairs;

   b. offer any advantage to any public servant (incl. Government/public body employee) as a reward for or inducement to his performing any act in his official capacity or his showing any favour or providing any assistance in business dealing with the Government/a public body; or

   c. offer any advantage to any staff of a Government department or public body while they are having business dealing with the latter.

(The relevant provisions of the POBO are at Annex 1.)

[1] "Staff" cover full-time, part-time and temporary staff, except where specified.

Acceptance of Advantage

3. It is the Company's policy that directors and staff should not solicit or accept any advantage for themselves or others, from any person, company or organization having business dealings with the Company or any subordinate, except that they may accept (but not solicit) the following when offered on a voluntary basis:

   a. advertising or promotional gifts or souvenirs of a nominal value; or

   b. gifts given on festive or special occasions, subject to a maximum limit of $_____ in value; or

   c. discounts or other special offers given by any person or company to them as customers, on terms and conditions equally applicable to other customers in general.

4. Gifts or souvenirs described in paragraph 3(a) that are presented to directors and staff in official functions are deemed as offers to the Company. The directors and staff concerned should report the acceptance to the Company and seek direction as to how to handle the gifts or souvenirs from the approving authority[2] using Form A (Annex 2). If a director or staff member wishes to accept any advantage not covered in paragraph 3, he/she should also seek permission from the approving authority using Form A.

5. However, a director or staff member should decline an offer of advantage if acceptance could affect his/her objectivity in conducting the Company's business or induce him/her to act against the interest of the Company, or acceptance will likely lead to perception or allegation of impropriety.

6. If a director or staff member has to act on behalf of a client in the course of carrying out the Company's business, he/she should also comply with any additional restrictions on acceptance of advantage that may be set by the client (e.g. directors and staff members performing any duties under a government or public body contract will normally be prohibited from accepting advantages in relation to that contract).

[2] Specify the post of the approving authority in the Code and the Form.

Offer of Advantage

7. Directors and staff are prohibited from offering advantages to any director, staff member or agent of another company or organization, for the purpose of influencing such person in any dealing, or any public official, whether directly or indirectly through a third party, when conducting the Company's business. Even when an offer of advantage carries no intention of improper influence, it should be ascertained that the intended recipient is permitted by his employer/principal to accept it under the relevant circumstance before the advantage is offered.

Entertainment

8. Although entertainment[3] is an acceptable form of business and social behaviour, a director or staff member should avoid accepting lavish or frequent entertainment from persons with whom the Company has business dealing (e.g. suppliers or contractors) or from his/her subordinates to avoid placing himself/herself in a position of obligation.

Records, Accounts and Other Documents

9. Directors and staff should ensure that all records, receipts, accounts or other documents they submit to the Company give a true representation of the facts, events or business transactions as shown in the documents. Intentional use of documents containing false information to deceive or mislead the Company, regardless of whether there is any gain or advantage involved, may constitute an offence under the POBO.

Compliance with Laws of Hong Kong and in Other Jurisdictions

10. Directors or staff must comply with all local laws and regulations when conducting the Company's business, and also those in other jurisdictions when conducting business there[4] or where applicable[5].

---

[3] According to the POBO,"entertainment" means the provision of food or drink, for consumption on the occasion when it is provided, and of any other entertainment connected with or provided at the same time as the provision of food or drink.

[4] The *'Business Success: Integrity & Legal Compliance' – Corruption Prevention Guide for SMEs in Guangdong, Hong Kong and Macao* jointly published by the ICAC, the Guangdong Provincial People's Procuratorate and the Commission Against Corruption of Macao provides guidance on the anti-bribery laws in Hong Kong, **Chinese** Mainland and Macao. Directors and staff conducting the Company's business there may find it helpful.

[5] Some other countries' anti-bribery laws have provisions with extra-territorial effect, e.g. the UK's Bribery Act 2010, the USA's Foreign Corrupt Practices Act.

Conflict of Interest

11. Directors and staff should avoid any conflict of interest situation (i.e. situation where their private interest conflicts with the interest of the Company) or the perception of such conflicts. When actual or potential conflict of interest arises, the director or staff member should make a declaration to the approving authority through the reporting channel using Form B (Annex 3).

12. Some common examples of conflict of interest are described below but they are by no means exhaustive:

    a. A staff member involved in a procurement exercise is closely related to or has financial interest in the business of a supplier who is being considered for selection by the Company.

    b. One of the candidates under consideration in a recruitment or promotion exercise is a family member, a relative or a close personal friend of the staff member involved in the process.

    c. A director of the Company has financial interest in a company whose quotation or tender is under consideration by the Board.

    d. A staff member (full-time or part-time) undertaking part-time work with a contractor whom he is responsible for monitoring.

Misuse of Official Position, Company Assets and Information

13. Directors and staff must not misuse their official position in the Company to pursue their own private interests, which include both financial and personal interests and those of their family members, relatives or close personal friends.

14. Directors and staff in charge of or having access to any Company assets, including funds, property, information, and intellectual property, should use them solely for the purpose of conducting the Company's business. Unauthorized use, such as misuse for personal interest, is strictly prohibited.

15. Directors and staff should not disclose any classified information of the Company without authorization or misuse any Company information (e.g. unauthorized sale of the information). Those who have access to or are in control of such information, including information in the Company's computer system, should protect the information from unauthorized disclosure or misuse. Special care should also be taken in the use of any personal data, including directors', staff's and customers' personal data, to ensure compliance with Hong Kong's Personal Data (Privacy) Ordinance.

Outside Employment

16. If a staff member wishes to take up employment outside the Company, he must seek the prior written approval of the approving authority. The approving authority should consider whether the outside employment would give rise to a conflict of interest with the staff member's duties in the Company or the interest of the Company.

Relationship with Suppliers, Contractors and Customers

Gambling

17. Directors and staff are advised not to engage in frequent gambling activities (e.g. mahjong) with persons having business dealings with the Company.

Loans

18. Directors and staff should not accept any loan from, or through the assistance of, any individual or organization having business dealings with the Company. There is however no restriction on borrowing from licensed banks or financial institutions.

[The Company may wish to include other guidelines on the conduct required of directors and staff in their dealings with suppliers, contractors, customers, and other business partners as appropriate to specific trades.]

Compliance with the Code

19. It is the responsibility of every director and staff member of the Company to understand and comply with this Code, whether performing his duties of the Company in or outside Hong Kong. Managers and supervisors should also ensure that the staff under their supervision understand well and comply with this Code.

20. Any director or staff member in breach of this Code will be subject to disciplinary action, including termination of appointment. Any enquiries about this Code or reports of possible breaches of this Code should be made to (post of a designated senior staff member). In cases of suspected corruption or other criminal offences, a report should be made to the appropriate authority.

_____

(Name of Company)

Date :

Extracts of the Prevention of Bribery Ordinance (Cap. 201)

Section 9

(1) Any agent who, without lawful authority or reasonable excuse, solicits or accepts any advantage as an inducement to or reward for or otherwise on account of his –

(a) doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or

(b) showing or forbearing to show, or having shown or forborne to show, favour or disfavour to any person in relation to his principal's affairs or business,

shall be guilty of an offence.

(2) Any person, who, without lawful authority or reasonable excuse, offers any advantage to any agent as an inducement to or reward for or otherwise on account of the agent's –

(a) doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or

(b) showing or forbearing to show, or having shown or forborne to show, favour or disfavour to any person in relation to his principal's affairs or business,

shall be guilty of an offence.

(3) Any agent who, with intent to deceive his principal, uses any receipt, account or other document –

(a) in respect of which the principal is interested; and

(b) which contains any statement which is false or erroneous or defective in any material particular; and

(c) which to his knowledge is intended to mislead the principal,

shall be guilty of an offence.

(4) If an agent solicits or accepts an advantage with the permission of his principal, being permission which complies with subsection (5), neither he nor the person who offered the advantage shall be guilty of an offence under subsection (1) or (2).

(5) For the purposes of subsection (4) permission shall –

(a) be given before the advantage is offered, solicited or accepted; or

(b) in any case where an advantage has been offered or accepted without prior permission, be applied for and given as soon as reasonably possible after such offer or acceptance,

and for such permission to be effective for the purposes of subsection (4), the principal shall, before giving such permission, have regard to the circumstances in which it is sought.

Section 4

(1) Any person who, whether in Hong Kong or elsewhere, without lawful authority or reasonable excuse, offers any advantage to a public servant as an inducement to or reward for or otherwise on account of that public servant's –

(a) performing or abstaining from performing, or having performed or abstained from performing, any act in his capacity as a public servant;

(b) expediting, delaying, hindering or preventing, or having expedited, delayed, hindered or prevented, the performance of an act, whether by that public servant or by any other public servant in his or that other public servant's capacity as a public servant; or

(c) assisting, favouring, hindering or delaying, or having assisted, favoured, hindered or delayed, any person in the transaction of any business with a public body,

shall be guilty of an offence.

(3) If a public servant other than a prescribed officer solicits or accepts an advantage with the permission of the public body of which he is an employee being permission which complies with subsection (4), neither he nor the person who offered the advantage shall be guilty of an offence under this section.

Extracts of the Prevention of Bribery Ordinance (Cap. 201)

Section 8

(1) Any person who, without lawful authority or reasonable excuse, while having dealings of any kind with the Government through any department, office or establishment of the Government, offers any advantage to any prescribed officer employed in that department, office or establishment of the Government, shall be guilty of an offence.

(2) Any person who, without lawful authority or reasonable excuse, while having dealings of any kind with any other public body, offers any advantage to any public servant employed by that public body, shall be guilty of an offence.

Section 2

"Advantage" means :

(a) any gift, loan, fee, reward or commission consisting of money or of any valuable security or of other property or interest in property of any description;

(b) any office, employment or contract;

(c) any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part;

(d) any other service, or favour (other than entertainment), including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted;

(e) the exercise or forbearance from the exercise of any right or any power or duty; and

(f) any offer, undertaking or promise, whether conditional or unconditional, of any advantage within the meaning of any of the preceding paragraphs (a), (b), (c), (d) and (e),

but does not include an election donation within the meaning of the Elections (Corrupt and Illegal Conduct) Ordinance (Cap. 554), particulars of which are included in an election return in accordance with that Ordinance.

"Entertainment" means :

The provision of food or drink, for consumption on the occasion when it is provided, and of any other entertainment connected with, or provided at the same time as, such provisions.

Section 19

In any proceedings for an offence under this Ordinance, it shall not be a defence to show that any such advantage as is mentioned in this Ordinance is customary in any profession, trade, vocation or calling.

Annex 2
Form A

(Company Name)
REPORT ON GIFTS/ADVANTAGES RECEIVED

Part A – To be completed by Receiving Staff

To : (Approving Authority)

Description of Offeror :

Name & Title : _____

Company : _____

Relationship (Business / Personal) : _____

Occasion on which the Gift/Advantage was / is to be received : _____

Description & (assessed) value of the Gift/ Advantage: _____

Suggested Method of Disposal :	Remark
( ) Retain by the Receiving Staff	_____
( ) Retain for Display / as a Souvenir in the Office	_____
( ) Share among the Office	_____
( ) Reserve as Lucky Draw Prize at Staff Function	_____
( ) Donate to a Charitable Organisation	_____
( ) Return to Offeror	_____
( ) Others (please specify) : _____	

_____
(Name of Receiving Staff)
(Title / Department)

(Date)

Part B – To be completed by Approving Authority

To : (Name of Receiving Staff)

The recommended method of disposal is ***approved / not approved***. *The gift/ advantage concerned should be disposed of by way of :

_____
(Name of Approving Authority)
(Title / Department)

(Date)

**Delete as appropriate*

Annex 3
Form B

(Company Name)
DECLARATION OF CONFLICT OF INTEREST

Part A – Declaration *(To be completed by Declaring Staff)*

To : (Approving Authority) via (supervisor of the Declaring Staff)

I would like to report the following actual/potential* conflict of interest situation arising during the discharge of my official duties:-

Persons/companies with whom/which I have official dealings
My relationship with the persons/companies (e.g. relative)
Relationship of the persons/companies with our Company (e.g. supplier)
Brief description of my duties which involved the persons/companies (e.g. handling of tender exercise)

_____
(Name of Declaring Staff)
(Date) (Title / Department)

Part B – Acknowledgement *(To be completed by Approving Authority)*

To : (Declaring Staff) via (supervisor of the Declaring Staff)

Acknowledgement of Declaration

The information contained in your declaration form of ___(Date)___ is noted. It has been decided that:-

- ❑ You should refrain from performing or getting involved in performing the work, as described in Part A, which may give rise to a conflict.
- ❑ You may continue to handle the work as described in Part A, provided that there is no change in the information declared above, and you must uphold the Company's interest without being influenced by your private interest.
- ❑ Others (please specify) : _____

_____
(Name of Approving Authority)
(Date) (Title / Department)

*Delete as appropriate

Corruption Prevention Department
Independent Commission Against Corruption
303 Java Road, North Point, Hong Kong

J6297/16, J6743/18 E