

CHAIRMAN’S GOVERNANCE OVERVIEW



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Dear Shareholders,

Building a legacy for a sustainable future

At HSH, we believe that excellent corporate governance is the foundation of a successful and sustainable company. As Chairman of the Board, I am committed to ensuring that HSH operates to the highest standards of corporate governance and by doing so, we are building a legacy for a sustainable future.

Our home market of Hong Kong has experienced an unprecedented period of social unrest and uncertainty. The effects of the outbreak of the COVID-19 coronavirus started to significantly negatively impact our operations in Greater China in late January 2020, this has now spread all over the world, affecting all of our global operations. During turbulent times such as those we have experienced in 2019, and as we weather the challenging times ahead, we believe it is our strong legacy, resilience and exceptional heritage of more than 150 years which enables us to overcome adversity. Good corporate governance underpins this resilience.

Improving our governance practices

With the objective of continually improving our governance practices, I am committed to ensuring that HSH has a dynamic Board with a diverse range and balance of skills, expertise and experience. Our Board members work effectively and constructively in challenging the Executive Directors and management. We regularly review our governance processes, policies, procedures and practices to ensure they are in line with global regulatory requirements and best practices.

In 2019, as part of its continuing strategic review, the Board held a full-day strategic offsite meeting to review and refine our group strategy, as well as explore ways to enhance creativity and innovation. This offsite provided a lively discussion forum for Board Members to share a vision on how we can stay globally relevant to safeguard our future. We will continue to seek opportunities to grow by leveraging our brand and explore potential diversification possibilities, while remaining committed to protecting our heritage and the culture of our group. During the year, we also conducted an evaluation on the Board’s effectiveness with the assistance of an external facilitator.

Good corporate governance relies on having a sound framework and, most importantly, having the right people to accept accountability and align themselves to the values and strategic vision of the company. We recognise that inspiring our people to reinforce the company’s values and mindset is a crucial aspect of corporate governance, and we have a clearly defined framework within our Code of Conduct and other policies and procedures that clearly sets out our group’s ethical boundaries and the tradition of integrity at the heart of our corporate culture. The company seeks feedback regularly from our employees through increased engagement and improved internal communication.

The Board is committed to the group’s strategic approach to corporate responsibility and sustainability (CRS) and we ensure we are minimising any adverse environmental impact on the cities in which we operate. More details can be read in the Group Corporate Responsibility Committee Report on pages 148 to 151 of this report and our online CRS Report.

We continuously enhanced our risk management process across the group to improve the effectiveness of our controls. The principal and emerging risks facing the group and how they might be mitigated were closely monitored by the Group Risk Committee and reviewed by the Audit Committee and the Board. As part of our risk management strategy we also take the opportunity to review the resilience of our business model, particularly considering the reliance of our group’s income on the Hong Kong market. More details can be read on pages 140 to 147 of this report.

Compliance

As a Hong Kong listed company, we are reporting in the context of the Stock Exchange’s Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules. However, we do not review corporate governance as simply a compliance exercise but as an evolving and core discipline which underpins the success of the company. This report sets out the commitment of Board and senior management to high standards of corporate governance, and our corporate governance framework which supports the development of strong corporate governance culture throughout the Group.

A commitment to long-term success

Overall, I am pleased with the progress we have made in 2019 in the area of governance. We strive to continually improve and enhance our efforts and ensure the long-term success of the company. Our objectives for the Board this year are to ensure that it continues to support the execution of our strategy and the opportunities and challenges that we face.

The Hon. Sir Michael Kadoorie
17 March 2020