

Strategies in Implementing Corporate Governance Initiatives

Airport Authority Hong Kong

Corporate Governance Roundtable
Companies Registry

13 March 2017

Agenda

- Challenges that Airport Authority (AA) faces everyday
- Essentials of AA's Governance & Control Regime
- Implementation of Internal Controls
- Conclusion



Challenges that AA faces everyday....

- 24/7 operation
- High volume and people concentrated business
- Quick response to emergencies
- Labour shortage / high turnover at operational level
- Heavy use of subcontractors
- Adoption of cutting edge technologies



These challenges lead to risks

1. Operational Risks
 - Disruption of services
 - Hazards of human lives and bodily injury
 - Damage to assets
2. Financial Risks
 - Loss of profit
 - Compensation
 - Fines



These challenges lead to risks

3. Reputational Risks

- A reputation to protect
- Public scrutiny
- High media interest
- Social media



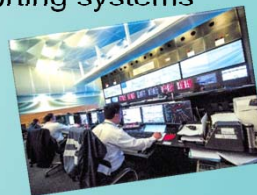
Moreover

- Mega-sized Projects on-going
 - Three-Runway System
 - SkyCity Development



How to address these risks?

- Sufficient delegation – authorization matrix
- Empowerment
- Continuous education
- Drills and rehearsals
- Real-time monitoring and reporting systems



Essentials of Governance / Control

- Governance Structure
- Internal Control System

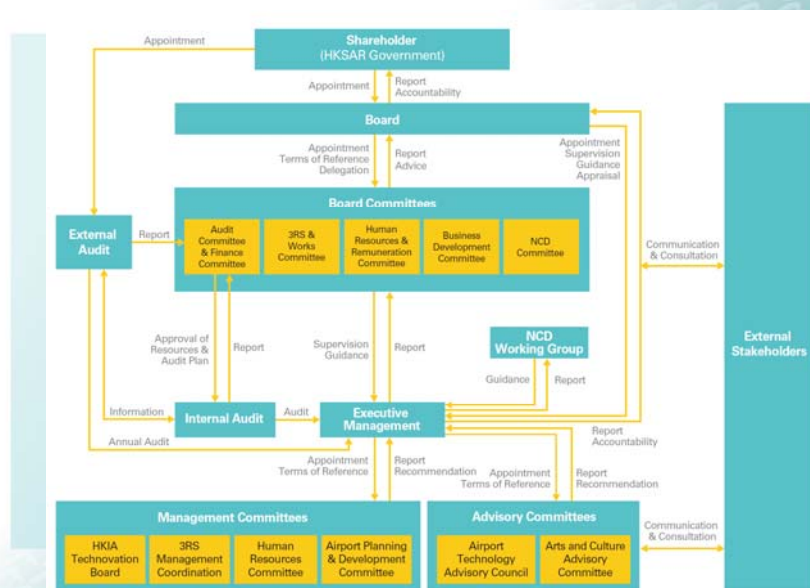


Governance Structure

- Board / Board Committees Oversight
- Advisory Committees and Management Committees
- Executive Management



Governance Structure

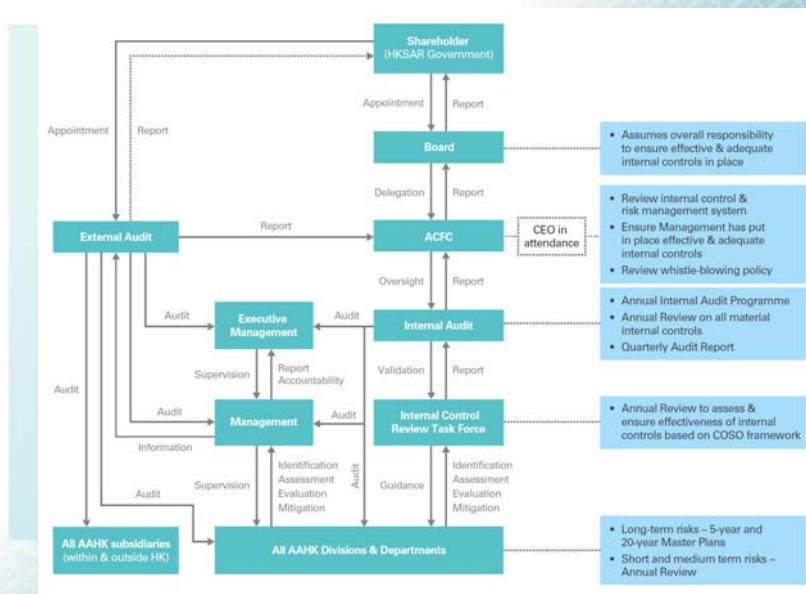


Internal Control System

- Operations are safe and secure and free from serious interruptions
- Safeguarding of assets
- Maximum value for money from expenditures
- Business activities are conducted in a fair and responsible manner
- Financial reporting is accurate, transparent, timely and complete
- Compliance with relevant laws and regulations, and prudent commercial principles



Internal Control System



Implementation of Internal Controls

- Corporate Governance Code Compliance (Voluntary)
- External / Internal Audit
- Annual Corporate Internal Control Review
- Delegation of Authority / Empowerment
- Right balance
 - Cost effectiveness considerations
 - Reasonable measures for mitigating risks to an acceptable level
 - Never meant to eliminate risks totally



Implementation of Internal Controls

- Planning, Control and Reporting
- Accountability / Disclosure of Interest
- Ethical Culture
 - Culture Setting
 - Mindset Change
 - Training and Refresher Course



Conclusion

- Significance of Governance & Control
 - AA is a public organization
 - High expectation from stakeholders
- Stay vigilant
- Keep a positive attitude towards Governance & Internal Control – make them DNA of AA



Thank you

