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**Featured Report**

*Board Practices of National Sports Associations*

Thanks to the remarkable achievements made by Hong Kong athletes in major events and various funding provided by the government to National Sports Associations (NSAs) to sustain and promote local sports development, there is an increasing public aspiration for enhancement of corporate governance of NSAs on various fronts, including integrity, transparency, fairness and accountability. In light of this, the Leisure and Cultural Services Department (LCSD) strives to encourage NSAs to register as companies and adopt a modern management model, with a view to enhancing corporate governance.

It is imperative for directors and management of NSAs to fully understand their roles and responsibilities in organising, managing, and strengthening internal control, in a bid to enhance corporate governance of NSAs in furtherance of local sports development.

*Definition*

As defined in the Cadbury Report 1992 published by the Cadbury Committee, corporate governance refers to a series of corporate monitoring mechanisms, for which the board of directors will be held to account. The shareholders’ role in corporate governance is to appoint the directors and auditors of a company to set up a governance framework as appropriate. The board of directors takes charge of setting and meeting strategic objectives, supervising business management and reporting to shareholders. The board of directors shall comply with legal requirements, regulations, and resolutions of shareholders’ meetings, and conduct its business by following the four major principles, namely transparency, fairness, responsibility, and accountability.

*Functions and procedures of the board of directors*

Board members are jointly responsible for the corporate monitoring and delivery of performance. They are required to make objective decisions in the interest of their company, while evaluating on a regular basis their own contributions and the amount of time spent on fulfilling duties.

The board of directors shall convene meetings on a regular basis and notify board members of the meetings no less than 14 days in advance. All of the members shall have the right to include matters for discussion in the agenda, and the appointed secretary shall prepare the minutes of meetings detailing the discussion items and resolutions for board members’ perusal.

The board of directors shall devise the procedures to seek independent professional advice as necessary on behalf of the company. In the event of a conflict of interest, board members shall convene a meeting to address the issue, instead of adopting written resolutions.

*Performance review of the board of directors*

To implement corporate governance and enhance the function of the board of directors, the company needs to set strategic objectives for assessing the performance of the board of directors; to supervise the effectiveness of the management; as well as to offer support and give recommendations as appropriate with a view to enhancing the efficiency of the board of directors. Reviews should be conducted on an annual basis with adoption of base scores to assess the flexibility the board of directors offers in terms of methods and procedures when discharging duties; to evaluate their performance in making business decisions, having negotiations and preparing questionnaires; as well as to examine minor adjustments in results or notable lapses, if any.

Reviews may be conducted by the chairman of the company, nominating committee or an external team of independent professional experts. The scope of such reviews should cover both quality and quantity, and the review results will be submitted to the board of directors for decision. To bring benefits to the board of directors, it is a prerequisite to ensuring board members’ confidence in such a review system, while the review itself should shed light on the board of directors’ merits, weaknesses and opportunities. On another front, the chairman shall assume a leadership role in running the review system, while the board of directors shall manage the rules and procedures. Lastly, execution plans shall be worked out in details for the broad of directors to act upon. To ensure board members to offer candid views, the reviews and all of the information involved shall be kept in strict confidence.

*Corporate Meetings*

A corporate meeting can only be defined as the one with two or more participants meeting for a legitimate purpose. Common examples of such meetings include annual general meetings, ordinary meetings, committee meetings and board meetings.

A meeting shall be convened by authorised persons and a chairman shall be appointed therein. Board members shall be given a notice convening the meeting before a reasonable period of time. In case a member is unable to attend the meeting, an agent or corporate representative may be appointed to attend on his/her behalf to meet the quorum of the meeting, and resolutions shall be passed in accordance with the regulations.