



**新世界發展有限公司**

New World Development Company Limited

(Stock Code: 17.HK)

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# **Conflict of Interest Policy**

**New World Development Company Limited**

**Group Internal Audit**

**Version: 1 August 2014**

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## I. Overview

### I.1 Introduction

New World Development Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) strive to conduct all business affairs with the highest ethics standards, and acts as a socially responsible company and a good corporate citizen. This Conflict of Interest Policy (this “Policy”) sets out basic principles and practices to protect the Group’s interests, preserve reputation for integrity, secure the trust and loyalty of stakeholders and provide clear guidance to all directors and employees with regard to the Group’s expectation in this matter.

### I.2 Purpose and Scope

The purpose of formulating this Policy is to raise directors’ and employees’ awareness of conflict of interest and promote good corporate governance practices. Conflict of interest is one of corruption-prone areas which are vulnerable to corruption. In order to identify and manage any actual or perceived conflict of interest, the Company has established various internal control rules and procedures to safeguard the Group’s interests. Such rules and procedures help shape behavior and increase awareness which in turn create a culture of strong ethical values.

This Policy applies to all directors and employees of the Company and its wholly owned subsidiaries, and joint ventures or companies in which the Company holds a controlling interest (the “Group Company”). All of our business partners, including joint venture partners, associated companies, contractors and suppliers are encouraged to ensure similar standards of integrity and ethics.

### I.3 Policy

To drive directors and employees towards high standards of integrity and ethics, this Policy sets out key principles and guidance to help and encourage all directors and employees to ask the right questions of themselves and to develop their own internal control procedures and specific instructions in regard to conflict of interest that take account of their own circumstances in the discharge of their duties.

This Policy also provides a “**RADAR**” Road Map as a practical tool for directors and employees to reach a sound decision when encountering dilemmas.

## I. Overview (Cont'd)

### I.3 Policy (Cont'd)

The “**RADAR**” Road Map is underpinned by the following major principles:

- ✧ **Recognize:** stay alert to situations in which potential conflict of interest may occur and recognize the relationship or transaction that may result in actual or perceived conflict of interest and unfavorable publicity toward the Company or any Group Company;
- ✧ **Ask:** ask the right questions and guide the decision making with each of the four pointers of the Ethics Compass<sup>1</sup>, which are (1) Legal Requirements, (2) Rules & Guidelines, (3) Professional & Self Values and (4) Stakeholders’ Interests, before choosing the most appropriate course of action. Sunshine test should always be applied while conducting corporate affairs to assess whether the issue can be discussed openly and the decision can be disclosed without misgivings;
- ✧ **Declare:** avoid situations that may lead to or involve any actual or perceived conflict of interest, declare such conflict and report the same to immediate supervisor, Department Head and the Board, where appropriate, when such conflict arises;
- ✧ **Action:** specify the actions for managing declared potential conflict of interest, such as requirement to refrain from performing or getting involved in the concerned duties which may give rise to a conflict, and/or to reassign the duties;
- ✧ **Review:** review and update the declaration of potential conflict of interest regularly and stay alert to situations that may lead to or involve any actual or perceived conflict of interest when making decision.

Please refer to Appendix 1 for the “**RADAR**” Road Map.

By implementation of this Policy, it helps avoid misconduct or breach of the Prevention of Bribery Ordinance and other ordinances and regulations, and helps maintain effective corporate governance mechanism.

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<sup>1</sup> Ethics Compass is sourced from “Toolkit on Directors’ Ethics” issued by the Independent Commission Against Corruption (ICAC).

## I. Overview (Cont'd)

### I.4 Definition

“**Conflict of interest**” occurs when, in the discharge of his/her duties, the individual private interest of a director or an employee interferes or appears to interfere, in any way with the interests of the Company or any Group Company.

“**Private interest**” includes both financial and personal interests of a director or an employee and his/her connections which include immediate family members and other relations, close personal friends, the clubs and societies to which he/she belongs, and any person to whom he/she owes a favour or obligated in any ways, where appropriate.

“**Immediate family members**” means spouse, parents, child and other dependents of a director or an employee.

“**Personal investment**” includes any investment, shareholding, direct or indirect interest in any company, or undertaking registered or carrying on business in Hong Kong, Mainland China or other overseas countries held by a director or an employee or his/her connections and includes any interest in land or buildings in Hong Kong, Mainland China or other overseas countries. It also covers an interest held by a director or an employee in the name of his/her connections or any other person but excludes any shareholding held by a director or an employee as a trustee or for charitable purposes or otherwise where he/she has no beneficial interest.

### I.5 Breaches

All directors and employees are required to abide by this Policy all the time and to take measures to avoid conflict of interest, and where such conflict arises, they should disclose and deal with it as prescribed in this Policy.

Management of respective departments and Group Internal Audit of the Company are responsible for developing and implementing internal control procedures to ensure proper disclosure as required by this Policy and maintaining documentation of compliance with this Policy.

## **I. Overview (Cont'd)**

### **I.5 Breaches (Cont'd)**

Failure to comply with all policies herein prescribed may result in disciplinary action by the Company or any Group Company up to and including termination of employment. Furthermore, it may also result in civil or criminal penalties. The Company or any Group Company reserve the right to make a report to the Independent Commission Against Corruption (ICAC) and/or other government bodies if the breach of this Policy would constitute an offence under the Prevention of Bribery Ordinance or other related offences.

## II. Procedures and Guidelines

### II.1 Conflict of Interest

All directors and employees (the “Subjects”) should take it as their personal responsibility to avoid any conflict of interest situation to arise or the perception of such conflict. Examples below illustrate how such conflict can be avoided but they are by no means exhaustive:-

Category	Examples
Personal Investment	To refrain from: <ul style="list-style-type: none"> <li>✧ involving in the decision making process if the Subject has personal shares, be with partnership or other connection with a company which is a subject matter under consideration by the Company.</li> </ul>
Investment Activities	To refrain from: <ul style="list-style-type: none"> <li>✧ taking part in any business decision involving an investment in which the Subject or his/her immediate family members have personal interest.</li> </ul>
Procurement and Tendering	To refrain from: <ul style="list-style-type: none"> <li>✧ participating in a procurement process with a supplier, in which the Subject or his/her immediate family members have beneficial interest, being considered for selection by the Company.</li> <li>✧ giving advice such as bidding strategy to the contractor while the Subject is involved in the same tender exercise.</li> <li>✧ failing to declare the financial interests that the Subject has in the suppliers or contractors who do business with the Company.</li> <li>✧ accepting frequent or lavish entertainment, not within generally accepted business practices, from suppliers or service partners of the Company.</li> <li>✧ receiving personal discounts or other benefits from suppliers or service partners of the Company that are not available to all employees of the Company.</li> </ul>

## II. Procedures and Guidelines (Cont'd)

### II.1 Conflict of Interest (Cont'd)

Category	Examples
Sales Activities	<p>To refrain from:</p> <ul style="list-style-type: none"> <li>✧ involving in the sales balloting exercise if the Subject or his/her immediate family members are one of the ballot registrants or sales agents of ballot registrants.</li> <li>✧ accepting frequent or lavish entertainment or other benefits from customers or sales agents, which may be recognized as a “sweetener” to build up a store of goodwill for future demands of unjustified favours.</li> </ul>
Others	<p>To refrain from:</p> <ul style="list-style-type: none"> <li>✧ participating in a recruitment or promotion exercise in which one of the candidates under consideration is the Subject’s immediate family member, a relative or a close friend.</li> <li>✧ accepting a consultancy work from the Company’s contractor whom the Subject is responsible for monitoring during his/her employment of the Company.</li> <li>✧ offering assistance to the Company's competitors by taking up a part-time employment or consultant service.</li> <li>✧ indulging in gambling activities with subordinates or business associates while assuming the supervisory role.</li> </ul>

## II. Procedures and Guidelines (Cont'd)

### II.2 Reporting Channel

All directors and employees should avoid situations that may induce actual or potential conflict of interest. Director or employee must immediately notify the appropriate Authorized Person of any relationship or proposed transaction which may induce conflict of interest and take appropriate declaration procedures as specified in Clause II.3.

Director or employee involved	Authorized Person
General Employee	Department Head
Department Head	Executive Director
Director	Board of Directors and/or Audit Committee

If it subsequently appears that the director or employee has dealt with any matters without declaring such a conflict of interest, the burden of proof in any subsequent disciplinary proceedings will be on the concerned director or employee to show that he/she had no personal knowledge of such private interest.

### II.3 Declaration Procedures and Guidelines

To safeguard the Group's interests, appropriate procedures and guidelines should be implemented as follows:

#### (1) Declaration of Interest by Newly Joined Director and Employee

- (1.1) The Human Resources Department should issue this Policy to newly joined director and employee upon commencement of his/her duties and he/she is required to read this Policy, acknowledge awareness and compliance by signing "Acknowledgment on Conflict of Interest Policy" (Appendix 2), which should be kept in the personal file of the concerned director or employee by the Human Resources Department.

## **II. Procedures and Guidelines (Cont'd)**

### **II.3 Declaration Procedures and Guidelines (Cont'd)**

#### (2) Declaration of Interest by Senior Management

(2.1) In addition to those specified in Clause II.3(1), Senior Management of respective function as appropriate (e.g. Finance & Accounts, Information Technology, Legal, Procurement, Project Management, Property Development, Sales & Marketing, Strategic Investment, Tendering, etc.) are required to declare his/her private interest<sup>2</sup> on an annual basis (at the beginning of each financial year) irrespective of whether there is any private interest involved.

(2.2) Executive Director and Department Head should determine which employee should be considered to be the “Senior Management” according to the nature or sensitivity of his/her duties and provide a “List of Senior Management” to Group Internal Audit of the Company at the beginning of each financial year for record. The list should be reviewed and updated regularly in accordance with any personnel or duties changes. All directors and employees in the “List of Senior Management” are required to complete the “Declaration of Interest” (Appendix 3) annually, which should be submitted to Group Internal Audit of the Company and relevant Authorized Person for record at the beginning of each financial year. In cases where the Senior Management or his/her connections have any connection, direct or indirect private interest with any individual, corporation, partnership or organization which competes with the Company or any Group Company or with which the Company or any Group Company has business dealings, the “Declaration of Interest” (Appendix 3) should be further endorsed by the relevant Authorized Person.

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<sup>2</sup> If personal investment is involved, 5% or more of the issued shares held legally or beneficially in companies, public or private, should be disclosed.

## **II. Procedures and Guidelines (Cont'd)**

### **II.3 Declaration Procedures and Guidelines (Cont'd)**

(2.3) For newly joined and promoted Senior Management, he/she is required to declare his/her private interest by “Declaration of Interest” (Appendix 3), which should be submitted to Group Internal Audit of the Company and relevant Authorized Person for record within one month of his/her appointment or promotion.

#### **(3) Declaration of Potential Conflict of Interest by all Directors and Employees**

(3.1) It is a requirement for the management of respective departments to set out their own internal control procedures and their own specific instructions for employees of respective departments or functions after taking account of their own circumstances so as to ensure all actual or perceived conflict of interest, directly or indirectly, arisen between their/their employees’ private interest and the Group’s interest can be properly disclosed and dealt with as prescribed in this Policy.

(3.2) If any director or employee believes that he/she may have, either directly or indirectly, actual or perceived conflict of interest, or he/she is aware of a transaction or relationship that could be reasonably expected to give rise to such a conflict in the course of carrying out his/her duties, the director or employee should immediately report it to the relevant Authorized Person.

(3.3) If any director or employee, who is involved in any investment activity of the Company or any Group Company, and who is called upon in the course of his/her duties to deal with any matters arising therefrom that affect any of his/her personal investment or personal investment of his/her connections, he/she must immediately report it to the relevant Authorized Person.

## **II. Procedures and Guidelines (Cont'd)**

### **II.3 Declaration Procedures and Guidelines (Cont'd)**

- (3.4) Pursuant to Clauses II.3 (3.2) and (3.3) above, any director or employee so involved should refrain from participating in the process to the extent possible and necessary should there be any potential conflict of interest that could be arisen during the course of carrying out his/her duties. In such case, the relevant Authorized Person should consider reassigning the concerned duties to other staff members.
- (3.5) In cases where any director or employee or his/her connections becomes aware that he/she will engage or consider to engage in business, investments or activities that might have actual or perceived conflict of interest, directly or indirectly, with the Company or any Group Company, the concerned director or employee must immediately complete and submit the “Declaration of Potential Conflict of Interest” (Appendix 4) to the relevant Authorized Person to declare the potential conflict of interest, and should refrain from engaging in the aforesaid business, investments or activities that might have actual or perceived conflict of interest, directly or indirectly, with the Company or any Group Company, unless or until he/she is subsequently allowed to do so upon proper substantiating justifications and with the proper endorsement from the relevant Authorized Person.
- (3.6) In case of any doubt as to whether an interest constitutes an actual or a perceived conflict, the concerned director or employee should immediately consult and report to the relevant Authorized Person.
- (3.7) Upon receipt of any declaration of potential conflict of interest, the relevant Authorized Person should consider the nature and complexity of such conflict and assess the risk on how such conflict may adversely affect the interest of the Company or any Group Company when determining appropriate action. Inquiry should be addressed to the Legal & Company Secretarial Department, where necessary.
- (3.8) The properly endorsed “Declaration of Potential Conflict of Interest” (Appendix 4) should be submitted to Group Internal Audit of the Company within one month after any changes subsequent to the previous declarations.

### **III. Further Information**

This Policy governing situations of conflict of interest is subject to ongoing review and monitoring. Internal audit will be conducted to review the procedures and documentation to ensure compliance with this Policy.

Any updates to this Policy will be posted under the “Corporate Policies” section under the Corporate and Talent Development Department on the Company’s intranet (<http://iii.nwd.com.hk>).

Inquiries regarding legal issues of conflict of interest should be addressed to the Legal & Company Secretarial Department.

Other inquiries regarding the application of this Policy should be addressed to Group Internal Audit of the Company.

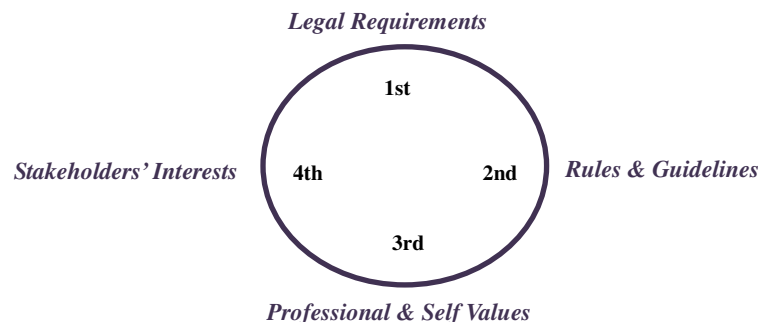
## “RADAR” Road Map

### Recognize

- Recognize relationship or transaction that may result in actual or perceived conflict of interest

### Ask

- Ask the right questions and guide the decision making with each of the four pointers of the following Ethics Compass before choosing the most appropriate course of action



- Sunshine test should always be applied while conducting corporate affairs to assess whether the issue can be discussed openly and the decision can be disclosed without misgivings

### Declare

- Avoid situations that may lead to or involve any actual or perceived conflict of interest; AND
- Declare and report to the immediate supervisor, Department Head and the Board, where appropriate, any potential conflicts of interest

### Action

- Refrain from concerned duties; AND/OR
- Reassign the duties

### Review

- Review and update the declaration of potential conflict of interest regularly and stay alert

## **Acknowledgment on Conflict of Interest Policy**

I, \_\_\_\_\_ (name of director/employee), hereby acknowledge and agree on Conflict of Interest Policy ( this “Policy”), and I will abide by this Policy all the times and take measures to avoid any actual or perceived conflict of interest related to my duties in \_\_\_\_\_ (name of employer) (the “Company”).

I understand that in cases where I or my connections engage or consider to be engaging in business, investments or activities that might have actual or perceived conflict of interest, directly or indirectly, with the Company, it is my responsibility to make full disclosure in writing immediately to Group Internal Audit, the Department Head and/or my immediate supervisor, where appropriate, as specified in this Policy.

I also fully understand that should I be found violating this Policy, I am liable to disciplinary action, including summary dismissal. In addition, the Company reserves the right to make a report to the Independent Commission Against Corruption (ICAC) and/or other government bodies if the breach of this Policy would constitute an offence under the Prevention of Bribery Ordinance or other related offences.

Name and Position: \_\_\_\_\_

Signature: \_\_\_\_\_

Department: \_\_\_\_\_

Date: \_\_\_\_\_

## Declaration of Interest

I, \_\_\_\_\_ (name of director/employee), have read Conflict of Interest Policy (this “Policy”). I am hereby writing to declare to \_\_\_\_\_ (name of employer) (the “Company”) that to the best of my knowledge:

(Please tick (✓) as appropriate)

neither I nor my connections have any connection, direct or indirect private interest(*Note*) with any individual, corporation, partnership or organization which competes with the Company or with which the Company has business dealings.

(Authorized Person’s endorsement is not required if you tick this box).

I/my connections\* have connection, direct or indirect private interest(*Note*) with the following individual, corporation, partnership or organization which competes with the Company or with which the Company has business dealings.

(Authorized Person’s endorsement is required if you tick this box).

Name of the concerned Individual/Company/Organization	Relationship with the Company (Supplier/Customer/Competitor/Others)	Nature of Private Interest( <i>Note</i> )	Name of the concerned person and relationship with myself

I certify that the information outlined above is true and correct and declare that, to the best of my knowledge, none of this private interest, if any, conflicts with any of my duties in the Company. Regarding the above declaration, I understand that in cases where actual or perceived conflict of interest between my/my connections’ private interests and the Company’s interests, directly or indirectly, arises, it is my responsibility to make full disclosure in writing immediately to Group Internal Audit, the Department Head and/or my immediate supervisor, where appropriate. I also fully understand that should I be found violating this Policy, I am liable to disciplinary action, including summary dismissal. In addition, the Company reserves the right to make a report to the Independent Commission Against Corruption (ICAC) and/or other government bodies if the breach of this Policy would constitute an offence under the Prevention of Bribery Ordinance or other related offences.

\_\_\_\_\_  
Signed by the director/employee involved  
Name and Position:  
Department:  
Date:

\_\_\_\_\_  
Signed by Authorized Person  
(As defined in Clause II.2 of this Policy)  
Name and Position:  
Date:

(\*Delete as appropriate)

*Note:* If personal investment is involved, 5% or more of the issued shares held legally or beneficially in companies, public or private, should be disclosed.

## **Declaration of Potential Conflict of Interest**

### **Part A – Declaration (To be completed by the director/employee involved)**

I, \_\_\_\_\_ (name of director/employee), have read Conflict of Interest Policy (this “Policy”). I am hereby writing to declare to \_\_\_\_\_ (name of employer) (the “Company”) that to the best of my knowledge:

I/my connections\* will engage or consider to engage in business, investments or activities that might have potential conflict of interest, directly or indirectly, with the Company. I would like to declare the potential conflict of interest situation as follows:-

- (a) Persons/companies with whom/which I/my connections have private interests and details of the private interests:  
(Relationship of concerned persons/companies with me/my connections should be given, where appropriate)

\_\_\_\_\_  
\_\_\_\_\_

- (b) Brief description of my duties which may give rise to a potential conflict with the persons/companies or the private interests mentioned in item (a) above

\_\_\_\_\_  
\_\_\_\_\_

I certify that the information outlined above is true and correct. Regarding the above declaration, I understand that in cases where actual or perceived conflict of interest between my/my connections’ private interests and the Company’s interests, directly or indirectly, arises, it is my responsibility to make full disclosure in writing immediately to Group Internal Audit, the Department Head and/or my immediate supervisor, where appropriate. I also fully understand that should I be found violating this Policy, I am liable to disciplinary action, including summary dismissal. In addition, the Company reserves the right to make a report to the Independent Commission Against Corruption (ICAC) and/or other government bodies if the breach of this Policy would constitute an offence under the Prevention of Bribery Ordinance or other related offences.

Name and Position: \_\_\_\_\_

Signature: \_\_\_\_\_

Department: \_\_\_\_\_

Date: \_\_\_\_\_

(\*Delete as appropriate)

## **Declaration of Potential Conflict of Interest**

### **Part B – Record of Resolution *(To be completed by the Company)***

With respect to the declaration in Part A, the resolution is:-

- \_\_\_\_\_ *(name of the director/employee making the declaration)* should refrain from performing or getting involved in performing the duties, as described in Part A, which may give rise to a potential conflict.
  
- \_\_\_\_\_ *(name of the director/employee making the declaration)* may continue to handle the concerned duties, provided that there is no change in the information declared in Part A. Justification is required to be stated as below:  
\_\_\_\_\_  
\_\_\_\_\_
  
- Others (Please specify)  
\_\_\_\_\_

\_\_\_\_\_  
Signed by Authorized Person  
(As defined in Clause II.2 of this Policy)  
Name and Position:  
Date: