CHARTERED SECRETARIES
特許秘書

# Corporate Governance Paper Competition on 'Corporate Governance and Business Sustainability' and Presentation Award 2017

# Contents

## The Hong Kong Institute of Chartered Secretaries
## 香港特許秘書公會

(Incorporated in Hong Kong with limited liability by guarantee)

The Hong Kong Institute of Chartered Secretaries (HKICS) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies as well as the development of the profession of Chartered Secretary in Hong Kong and throughout Mainland China.

HKICS was first established in 1949 as an association of Hong Kong members of the Institute of Chartered Secretaries and Administrators (ICSA) of London. It was a branch of ICSA in 1990 before gaining local status in 1994 and has also been ICSA's China/Hong Kong Division since 2005.

HKICS is a founder member of Corporate Secretaries International Association (CSIA) which was established in March 2010 in Geneva, Switzerland. In 2017, CSIA was relocated to Hong Kong in which it operates as a company limited by guarantee. CSIA aims to give a global voice for corporate secretaries and governance professionals.

HKICS has over 5,800 members and 3,200 students.

## 香港特許秘書公會
## The Hong Kong Institute of Chartered Secretaries

（於香港註冊成立的擔保有限公司）

香港特許秘書公會（公會）是一個獨立專業團體，一直致力於訂定與執行良好公司治理政策，在香港以至中國內地提升會員所擔當的角色，同時推動「特許秘書」專業的發展。

公會於1949年成立，最初為設立在英國倫敦的特許秘書及行政人員公會 (ICSA) 的屬會，於1990年成為ICSA的香港分會，並於1994年在香港正式註冊成為獨立專業團體，亦從2005年至今為ICSA的中國／香港屬會。

公會亦是公司秘書國際聯合會 (CSIA) 的創會成員之一，CSIA於2010年3月於瑞士日內瓦成立，從2017年CSIA遷移至香港，並以香港擔保有限公司形式運作，在國際上代表全球公司秘書和管治專業人士發聲。

公會現擁有超過5,800名會員及3,200名學員。

# Theme: Corporate Governance and Business Sustainability

It is my honour to provide the foreword for this publication as the Education Committee Chairman. The topic for this year's Corporate Governance Paper Competition is 'Corporate Governance and Business Sustainability'.

Good corporate governance is essential for corporations nowadays with ever higher standards expected from regulators, investors and stakeholders. Better corporate governance can improve not only performance, effectiveness and efficiency but is also crucial to maintaining business sustainability.

The objective of this paper competition is to offer opportunities to students to conduct topical research and work in groups. Through this competition, they can gain more knowledge and learn about the topic from different perspectives. I am delighted to see that there are individual groups with students from different universities this year. I would also like to congratulate the top six teams on their achievements at the presentation.

Furthermore, credits should also be given to the contributions of our academic reviewers, paper judges and presentation panellists for their valuable time and contribution in assessing the papers of this competition. Without their help, we would not be able to organise this successful competition.

Congratulations again to the winning teams for their accomplishments!

**David Fu FCIS FCS(PE)**
**Education Committee Chairman**
**The Hong Kong Institute of Chartered Secretaries**

December 2017

# Foreword

# Corporate Governance Paper Competition

The HKICS Corporate Governance Paper Competition has been organised since 2006 in order to raise the awareness of the importance of good governance among undergraduates of local universities. Participants are required to submit a paper of not more than 5,000 words in English on the theme of the year's competition.

Six teams with the highest total scores were invited to present their papers to compete for the Best Presentation Award.

**Topics of previous years' competition:**
2006: Corporate Governance Reform: Adding value?
2007: Corporate Social Responsibility
2008: Corporate Risk
2009: Investor Relations
2010: Disclosure & Transparency
2011: Best Practices vs Practicality
2012: The 21st Century Board
2013: Corporate Governance means more Reports and Disclosure?
2014: Changing Rules, Changing Roles – Managing It All
2015: Risk Management and Corporate Governance
2016: Internal and External Forces for Better Corporate Governance

## Prizes of the competition:

### Paper Competition

| | |
|---|---|
| Champion | HK$11,000 plus publication of the paper in '*CSj*', the monthly journal of the Institute |
| First runner up | HK$7,000 |
| Second runner up | HK$5,000 |
| Three Merit Prizes | HK$1,000 each |

### Paper Presentation

| | |
|---|---|
| Best Presenter Award | HK$6,000 |
| First runner up | HK$3,000 |
| Second runner up | HK$2,000 |
| Three Merit Prizes | HK$1,000 each |

# Champion


Bao Shiyao
BBA (Honours) in Management
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Prize presented by Arthur Lee FCIS FCS,
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## Corporate Governance and Business Sustainability: An Implication for Chinese Family-Controlled Firms

### Abstract

Most studies concentrating on corporate governance and business sustainability have been conducted on enterprises that are not in family hands. Amid the current economic revolution and transformation in China, private firms are occupying a stronger and more critical position, the substantial part of which is run and owned by one family. This paper aims to analyze the great influence that corporate governance would have on family businesses, especially those in China where such firms are generally revealed as not being professional and as short-lived. We explain how good governance among companies would increase business sustainability and make suggestions and proposals for both the government and firms to improve performance.

Keywords: Corporate governance, Business sustainability, China, Private firms, Family-controlled business

### Current Situation of Corporate Governance and Business Sustainability

Corporate governance has been brought into public focus since accounting scandals at such prominent companies as Enron, Tyco and Toshiba were disclosed, deeply shaking both large and small shareholders' confidence in companies (Agrawal and Chadha, 2005). In recent years, especially after the 2008 economic crisis, a great deal of attention has focused on the field of corporate governance. Simply searching for 'corporate governance' in Google Scholar brings 11,960,000 results into view within 0.05 seconds with 246,000 related items having been composed over the last five years. Global Custodian, one of the world's leading magazines covering the international securities services industry, which provides daily updating news about financial industry, published an article in 2011 claiming that investors have become incredibly appreciative of corporate governance and that the whole industry is becoming much more transparent (Gubert, 2011). Aras and Crowther (2008) suggested that corporate governance is important in every sphere of society, including general society, the corporate environment, and even the political environment. Given resources are more becoming limited and constrained, corporate governance is being seen as a way to promote social welfare (Durnev and Kim, 2005).

As the decade wears on, natural resources are reducing at an accelerating rate as a result of global capitalism (Hart and Milstein, 2003). In the context of rapidly changing market and environmental conditions, the term 'business sustainability' is becoming a fashionable and timely topic (Sambhanthan, Potdar & Chang, 2017). Unilever announced on 26 November 2010 that it would no longer release its earnings statement quarterly; instead, it would release its earnings figures every six months. Although the company's share price fell immediately after the announcement, it went back to the original level and rose even higher over the following two years. Bansal and DesJardine (2014) argue that the CEO of Unilever, Paul Polman, aimed to double revenue and cut the company's carbon footprint. However, this goal could only be achieved if Unilever's net income were not subject to shareholders' short-term interests and returns. Unilever's case shows that companies nowadays value creating longer term business value instead of treating shareholders in the short run. Barney (1991) also suggested that firms obtained their sustained competitive advantages by neutralising internal organisational weaknesses and outside threats, implying the importance of properly governing the whole organisation and resources.

As mentioned above, corporate governance may promote the welfare of society and it also contributes to the sustained development of an organisation. However, although the two separate concepts of corporate governance and business sustainability are understood to be crucially important, the correlation and relationship between them still needs to be defined and be better accounted for. Gouldson, Sullivan, Rory & Afionis, Stavros (2014) claimed that companies, as important roles in modern society, must realise their critical position for promoting a more sustainable society and economic environment. Corporate governance is increasingly applied to broader elements of monitoring corporate activities including the organisation's impact on the natural environment as well as its impact on society (Judith & Pascual, 2015). The additional responsibilities that corporations are taking on mainly result from stakeholders' requirements and demands.

So far, we have obtained a general picture of how important corporate governance is to the whole organisation and how it can affect the sustainability of a corporation. However, most of the studies and research in relation to the above issues are global and mainly concentrate on public corporations that are not owned by one family. With an Asian perspective in mind, this paper pulls the issue back to East Asia countries, especially China, which is undergoing huge development and transformation, to generate new ideas and opinions for the country. In the late 1970s, China began its opening up and economic restructuring process and these reforms continue today (Chen, Firth, Gao & Rui, 2006). According to Cao, Qian and Weingast (1999), by implementing these reforms, China has moved towards a free-enterprise system including privatisation of state-owned enterprises (SOEs), development of modern stock markets and formation of joint-stock companies. Chen, Firth and Rui (2000) concluded that it is the private non-listed enterprises in China that serve as the strongest driven power of the nation's economic growth. According to a report released at the 12th International Forum on Entrepreneurship and Family Business, held in Zhejiang University, China, more than 90% of those private enterprises were established by one family (Nan, 2017). Despite the prominent position of these Chinese family companies, poor governance was found to constrain their performance and sustained development.

The objective of this paper is to focus on the current situation and development of Chinese family-controlled firms. By comparing China to countries which are pioneers and leaders in progressing family businesses, the study sets out the problems and constraints of Chinese family-controlled firms and seeks solutions to solve these challenges. The comparison and analysis are discussed under the corporate governance and business sustainability frameworks and from various perspectives which will be explained later.

## Theoretical Background

### China's Ownership Structure and Governance Structure

It is generally acknowledged that the legal environment of a country influences its corporate governance and firm performance a lot. To analyse the situation of corporate governance and business sustainability of Chinese firms, first we should place ourselves in the centre of the Chinese legal and economic environment. According to Clarke (2003), China has its unique ownership characteristics and governance structures. The mixed ownership structure in China is dominated by three major groups of shareholders: the state (central government), legal entities (institutions) and individuals (Xu and Wang, 1999). On average, about 30% of shares are owned by the state, the ministries and local or regional government, with another 30% owned by legal entities and the remaining 40% held by private individuals and private institutions (Chen, Firth, Gao & Rui, 2006). Since legal entities are owned by the state ultimately, the inference can be drawn that the ownership structure in China is highly concentrated.

China adopted its reform strategy to restructure the economy in 1978. A series of policies were carried out to help the country transition from a centrally planned economy to a mixed economy (Bettelheim, 1988). The reform process was designed to assign higher autonomy to board directors and managers so they could run firms with less intervention from the state. Ellman (1986) argued that these policies are very radical and they constitute a logical step in view that China is still in the 'primary stage of socialism'. At the start of the reform process, there were few commercial laws and almost no laws in relation to property rights, which led to inconsistent decisions made by the regulators and which put the reform progress in peril. To remedy the chaotic situation, China ruled that the China Securities and Regulatory Commission (CSRC) was to be the main regulator of Chinese securities market. The CSRC is responsible for several key issues including providing advice on the change to laws, formulating regulations, and supervising companies, investment institutions, stock exchanges and other professional entities (Dahya, Karbhari, Xiao & Yang, 2003). It is also responsible for reviewing the supervisory board report (SBR) in listed companies' annual reports.

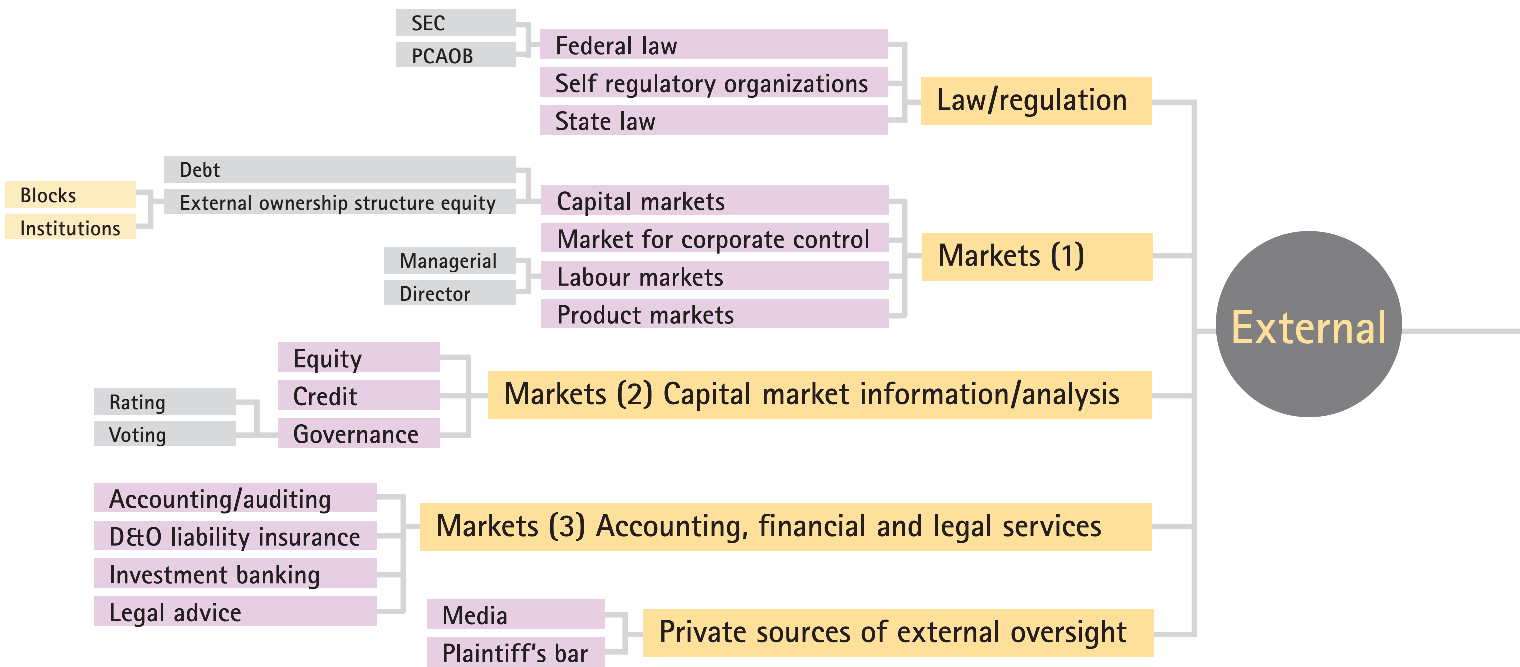
### Chinese Family-Controlled Business

Discussion about major drivers of modern capitalism in Asia brings different opinions from different perspective (Zheng, 2012). In Taiwan, Hong Kong and some Southeast Asian countries, family-controlled businesses are generally considered to be the engines that drive societies ahead (Yeung and Olds 2000, Amsden and Chu 2003). Although state ownership or public ownership is still the mainstream in China, the role of private business should never be neglected, especially small and medium-sized family-owned businesses. Nowadays in China, owing to the strong emphasis on entrepreneurship, more and more people prefer to start their own business and become their own boss, which has led to a proliferation of family-controlled businesses in many Chinese cities. Family business has served as one of the key factors fueling the economic take-off in East and Southeast Asia since the 1960s (Redding 1990, Mackie 1992).

PwC releases its Global Family-Controlled Businesses Report every two years. The report explores global trends of family business, and covers issues such as challenges, business goals, impact of globalisation, family involvement and succession. The 2016 report interviewed 100 senior corporate executives of family-controlled enterprises (48 from mainland China and 52 from Hong Kong) and revealed that family business is contributing to much of the increase in the employment rate as well as to GDP growth. Furthermore, according to Tharawat magazine, an Indian publication aiming at inspiring entrepreneurs and family enterprises, 84.5% of privately owned businesses in China are family businesses. These family-controlled businesses help to employ 65% of all the working population and contribute more than 65% of China's GDP (Pwccn.com, 2017).

Despite having attained this leading position in China, Chinese family-controlled business still faces severe problems that constrain its sustainability and further expansion. Traditionally, family-controlled enterprises are unaware of the general principles of corporate governance and more problems are reported in these companies. Hence it has been found that family businesses are less efficient in generating profits (Yasser, 2011). Moreover, it is claimed that the average survival time of Chinese private firms is 2.9 years; only 3% of all firms are able to last for more than 8 years (Wang, 2012). A lesser awareness of corporate governance principles and the inability to engage in sustained development are becoming the main constraints on the prosperity of Chinese family-controlled businesses.

Figure 1. Corporate governance: a broad framework



**Corporate Governance**

The definition of corporate governance differs based on one's position and view of the world. Generally speaking, corporate governance is an integrated system of principles, practices and processes (Investopedia, 2003). It is typically applied as an essential way of balancing stakeholders' interests, where stakeholders include shareholders, customers, suppliers, government and community. Taking a broad perspective on corporate governance, Aras and Crowther (2008) claimed that there are four principles of good corporate governance. These principles are:

(1) Fair treatment of all stakeholders
(2) Ethical behaviour and integrity
(3) Responsibility of the board of directors
(4) Transparency and accountability of information

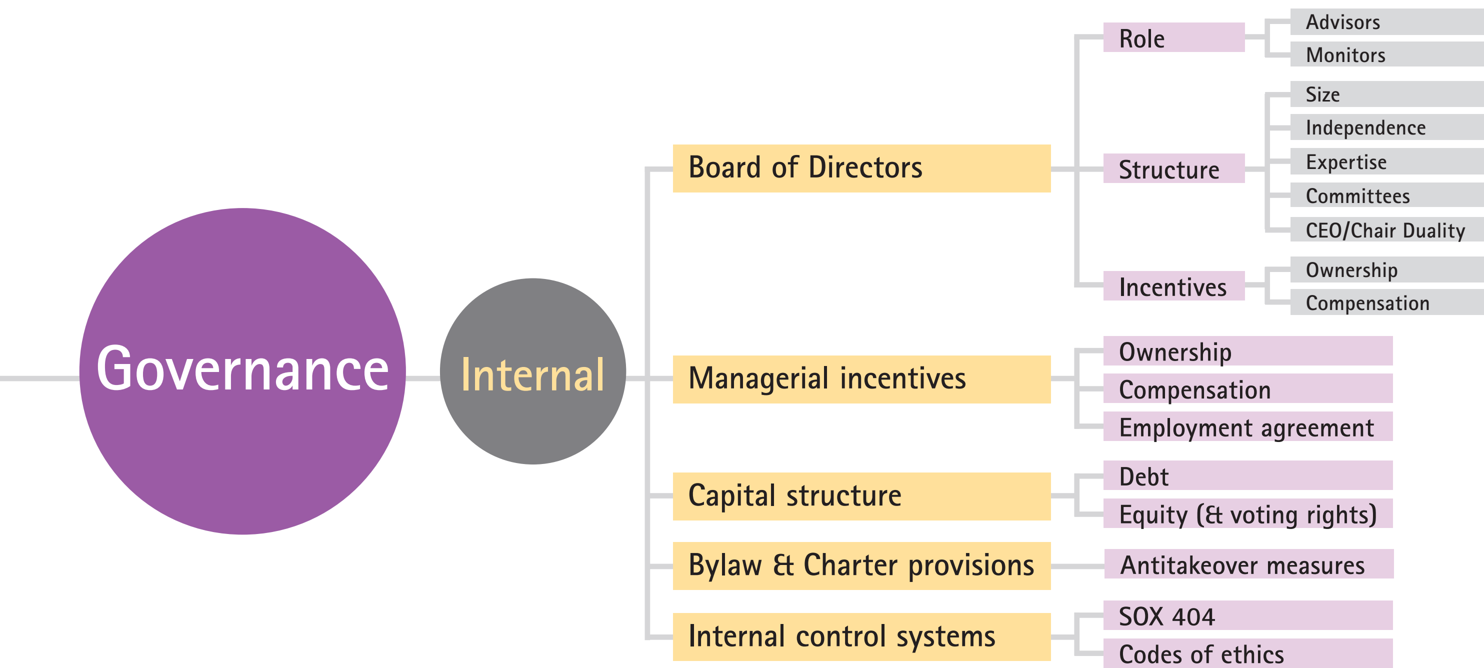
The four principles imply what good corporate must be. According to Pacala (2012), although the main corporate governance issue is to balance the relationship between shareholders, especially big shareholders and management, it is generally recognised that principles of corporate governance go beyond this.

Gillan (2006) suggested that corporate governance shall be divided into internal governance and external governance. Figure 1 provides a general picture of the basic corporate governance framework. Internal governance covers the board of directors, managerial incentives, capital structure, internal control system as well as bylaw and charter provisions; while external governance deal with law and regulations, market factors, legal services and private services.

In conclusion, corporate governance is concerned with balancing the company's economic goals and its corporate behaviour in the social environment. Implementing good corporate governance should help foster the sustainability of a company.

**Business Sustainability**

As discussed above, the principles of corporate governance are related to balancing economic goals and with the business's sustainable value. In other words, corporate governance is concerned with a firm's corporate social responsibility, utilising resources, accountability of power usage and appropriate corporate behaviour in society (Sethi, 2002).



We could find no universally acknowledged definition of sustainability. The World Commission on Environment and Development (2017) define sustainability as 'meeting the needs of the present without compromising the ability of future generations to meet their own needs'. Applying the same logic to business sustainability, shareholders and managers want their business to generate as much profit as it did in the past and in the meantime, build a solid foundation for future profit growth. Business sustainability could be defined as a firm's ability in response to short-term needs without compromising its ability to meet future needs (Bansal & DesJardine, 2014).

As with corporate governance, there are several principles regarding business sustainability. Pojasek (2007) suggested some examples of business sustainability include the following:

(1) Focus on sustainable achievement of goals, value and outcomes
(2) Release people's talents, encourage employee creativity
(3) Improve business and operational systems continuously
(4) Behave in an ethical, environmentally friendly and socially responsible manner

## Recommendations and Proposals for Improvement

Good corporate governance is the cornerstone of a firm's sustainable development. The following part elaborates on several challenges and problems faced by Chinese family-controlled firms and provides some proposals for both the company and the government or policy makers to improve the current situation and promote the prosperity of Chinese family businesses.

### Rationalization of Ownership and Management Structure

Owing to Chinese traditional ideology that the family head should have absolute power over the whole family, it is very common that in Chinese family-controlled enterprises, the founder (usually also the parent of a family) has the highest authority and has the power to make the final decisions. However, given increasingly fierce market competition, continuous expansion of business and the escalation of technology and systems, the drawbacks of this kind of ownership structure begin to appear. A lack of internal and external corporate governance bring a higher risk of uncertainty associated with decisions on strategic issues, for example, the likely development direction of the company. Yeh, Lee & Woidtke (2001) investigated 208 Taiwanese family-controlled business and came to a result that those who have the highest relative performance usually gain a high level of control over the company but have relatively lower levels of board representation. The study concluded that high levels of ownership and low levels of family board representation help to mitigate the conflict between majority and minority shareholders and hence result in higher performance. Following Taiwanese firms' experience, Chinese family-controlled businesses should seek a balance between the family's ownership over the company and managerial authority.

In the United States, where the family business is well-developed, the owners of the company usually exercise real control but are not involved in daily operation and management. Owing to sophisticated capital markets in the US, the stock price responds to the fair value of a company, which provides a reference for the family business owner to evaluate the manager's performance. It is very common in the United States for professional executives to be responsible for the company's daily operations and the ownership and management are relatively separate. Such a structure helps to enhance management efficiency and promote the long-term stable development of the company.

**Establish Business Sustainability Framework and Integrated Management System**

Details of the business sustainability framework are discussed in the previous section. Pojasek (2007) claimed that the business sustainability framework must be supported by an integrated management system. It is very common nowadays for companies to apply an internal quality management system such as ISO 9001. However, using an integrated management system could help the organisation increase efficiency and effectiveness and reduce costs while at the same time minimise the disruption of an external audit. An integrated management system also provides a direction through which a company can increase performance, satisfying both employees and customers and improving sustainability.

An integrated management system should focus on the processes of doing business instead of management procedures. This is especially important for Chinese family-controlled firms, where bureaucracy and formalism have been a custom since ancient times.

**Consummate Legal Environment and Economic Regulations**

The institutional environment at the macro level, combined with the local entrepreneurial state policy of micro level, could offer explanations, context, and extent of the development of Chinese entrepreneurship during the last two decades (Veleva and Ellenbecker, 2000). As discussed, the government should provide a strong and powerful guarantee for the development of family businesses. According to Japan's Corporate Governance Code, the mission and vision of Japanese companies are to seek sustainable corporate growth and increase corporate value over the mid- to long term (Jpxcojp, 2017). The code clearly sets out the general principles of corporate governance, shareholders' rights and equal treatment, cooperation with other stakeholders, transparency and disclosure of appropriate information, board responsibilities and dialogue with shareholders. By releasing this code of conduct, the government plays an important role in effecting related policies and providing guidelines for companies. We can also see the shadow of government intervention from the historical change in systems of family enterprises in the United States. In the process of transition from a government planned economy to a market economy, the government has the responsibility to play a more effective role in organising, guiding and coordinating the interests and rights of various stakeholders. In the modern market economy, the core of government control and management of economic affairs is the system capacity of the government. It is necessary to gradually change from governing the country by policy to by system. System governance is mainly by virtue of the system and legal governance. It does not exclude the policy of governing the country, but aims to make power by the system and the legal constraints, to ensure policy coordination and continuity.

## Limitations of this Paper

Time and resource limitations make it difficult for the author to conduct a field study and gather live data. All the discussions and statements are made based on the analysis of previous findings and data. It would be better for future researchers to investigate Chinese family enterprises and collect both internal and external data. Data collected should include the ownership structure, family ties and board composition of the businesses.

Furthermore, the paper reflects on corporate governance and explains the problems of Chinese family-controlled businesses mainly from the corporate governance perspective. However, it should be acknowledged that not all problems arise from poor governance of corporations. When it comes to improving the performance of Chinese family-controlled enterprises, it should be noted that other issues must also be taken into account: for example, cultural and historical factors and educational background.

Last but not least, turning to business sustainability, the definition of business sustainability is not universal and different opinions may occur standing on a different position. We cannot simplify the issue into a firm's ability to create long-term value. From a more integrated perspective, the term business sustainability should also contain a firm's emphasis on corporate social responsibility, which implies that it is essential for a firm to attach importance to its social behaviour and to promote the welfare of society as a whole. Future researchers should pay more attention to the field of corporate social responsibility and help to establish a more sustained society instead just a sustained corporation.

## Conclusion

Family business, with its vital position in quantity and economies of scale, plays an important role in the global economy and in both developed and developing countries. It is suggested that family business is one of the most important ingredients in the economy and its key economic role should not be ignored. Family business is also the main driving force for promoting entrepreneurship and innovation. Turning to China's unique ownership structure and economic reform process, we should lay emphasis on family business to promote social development and let it become the economic vector of inheritance and Chinese traditional culture. Amid many challenges and constraints, the study aims to provide some guidance for these companies to help them survive under fierce competition and gain sustained development. Business sustainability has become an emerging field in corporate issues in recent years; however, it is still a relatively young topic. This paper discusses the relationship between business sustainability and corporate governance, which is an old topic but which is the subject of current attention. By putting the issue in the context Chinese family-controlled business, the paper elaborates on the constraints and challenges that restrict further the development and expansion of Chinese family enterprises. By comparing Chinese family-controlled enterprises with those in Japan and the United States, where family business has a long history and is now well-developed, the paper explores the differences and provides many suggestions for both Chinese government and Chinese firms to improve the current situation.

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# First runner up


Yau Tsz Kwan Cecilia (left)
BBA (Honours) in
Corporate Governance
Hang Seng Management College

Yen Hiu Lui (middle)
BBA (Honours)

Chan Po Kei (right)
BBA (Honours)

Hong Kong Shue Yan University

Prize presented by Arthur Lee FCIS FCS,
Assistant President, Company Secretary & General Manager of Investor Relations CGN New Energy Holdings Co, Limited

## Introduction

Owing to the failure of Enron and WorldCom, among others, business sustainability has become an important element of corporate governance. In recent years, its importance has become more noticeable. A corporation should not just focus on its financial returns, but also on its influence on the environment, society and the corporation's operations. As a result, it can bring long-term success to the corporation and make it sustainable to compete in its industry.

This paper aims to investigate how good corporate governance can achieve better business sustainability. The first part elaborates the specific terms in the hopes of having a better understanding of this issue. Second, it mentions the advantages and disadvantages of corporate governance and how good governance maintains business sustainability. Third, it illuminates the concepts used by adopting case studies, through examples of success and failure. Fourth, it brings out some recommendations so as to enhance business sustainability. Finally, it draws a conclusion to sum up.

### Specific terms

*What is corporate governance?*

Corporate Governance is widely defined as 'the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place' [1]. The Organization for Economic Co-operation and Development (OECD) sets out six principles, published in 2004 [2]:

- Ensuring the basis for an effective corporate governance framework
- The rights of shareholders and key ownership functions
- The equitable treatment of shareholders
- The role of stakeholders in corporate governance
- Disclosure and transparency
- The responsibilities of the board

***What is business sustainability?***

Business sustainability is defined as dealing with the triple bottom line[3]. According to a paper published by Hanan Alhaddi, the triple bottom line provides a framework to measure the success of a corporation in terms of its economic, social and environmental aspects[4]. These three perspectives are also called profits, people and planet. In addition, business sustainability requires companies to stick to the principles of sustainable development. Referring to the World Council for Economic Development, sustainable development stands for development through which a corporation can meet needs in the present as well as in the future. Therefore, if a corporation is sustainable, it is more likely to appeal to and maintain employees and customers and less likely to undergo financial risks. There are a few best practices for business sustainability[5], including:

- Stakeholder engagement
- Environmental management systems
- Reporting and disclosure
- Life cycle analysis

***How does corporate governance relate to business sustainability?***

In the past, corporations focused more on how to maximise shareholders' wealth; as a result, they tended to look for the short-term returns. Therefore, corporate governance was linked to some phrases such as short-term goals, financial risks and false accounts. In short, it was more likely to trigger to the failure of a corporation which made it unsustainable. Back to today, corporate governance has extended to environmental and social concerns as well as the relationship between the stakeholders, regardless of whether these are substantial or minor stakeholders[6].

As mentioned above, since corporate governance is the system by which companies are directed and controlled, the board of directors and shareholders matter in the corporation's decision-making processes. Good corporate governance can increase and maintain business sustainability. For instance, if corporations set up a corporate social responsibility (CSR) committee, they will more likely look for the environmental, social and economic impacts that they might have. Therefore, they will make decisions based on a more all-round considerations, meaning they will not only concentrate on short-term success, but on long-term outcomes.

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1 Cadbury Report (The Financial Aspects of Corporate Governance). (1992). *ECGI*. Retrieved from http://www.ecgi.org/codes/documents/cadbury.pdf

2 OECD principles of Corporate Governance - 2004 Edition. (2004). Retrieved from https://www.oecd.org/corporate/ca/corporategovernanceprinciples/31557724.pdf

3 Definition of business sustainability. (n.d) *THE FINANCIAL TIMES*. Retrieved from http://lexicon.ft.com/Term?term=business-sustainability

4 Alhaddi, H. (2015). Triple Bottom Line and Sustainability: A Literature Review. *Redfame*. Retrieved from https://doi.org/10.11114/bms.v1i2.752

5 Definition of business sustainability. *THE FINANCIAL TIMES*. Retrieved from http://lexicon.ft.com/Term?term=business-sustainability

6 Walls, J & Berrone, P. (2017). How Corporate Governance Affects Corporate Sustainability and Why It Matters. *HuffPost*. Retrieved from http://www.huffingtonpost.com/alliance-for-research-on-corporate-sustainability-/how-corporate-governance_b_8259354.html

## Pros and cons of corporate governance

***Pros***

One of the pros of corporate governance is improving the business's reputation. This can enhance the confidence of stakeholders towards the company. With good corporate governance, companies should disclose their policies and information to the public. The more the understanding of the structure and interest within the company, the greater the willingness of stakeholders to cooperate with the company. This also prevents scandals from happening, which significantly boosts stakeholders' confidence about working with a company. As regards the investors, most of them are willing to pay more for the same number of shares from a well-governed company than from an ineffectively-governed one[7]. Corporate governance helps improve the transparency and communication between the investors and the company. This can attract investment by giving confidence to the investors. Lenders, who focus on a company's financial status and internal controls, see corporate governance as one of the good factors of a well-governed company as this makes it difficult to hide any financial loopholes. The risk of lending is diminished. Hence, the credit line can be increased by the creditors. The company can raise funds easier. Thus, enhancing the company's reputation can eventually facilitate the expansion of the business.

Another advantage of corporate governance is that it can ensure the company complies with the law. Nowadays, many countries have enacted laws and regulations to monitor listed companies. In Hong Kong, all registered companies must follow the Companies Ordinance. Moreover, issuers and listed companies must state whether they have complied with the Environmental, Social and Governance Reporting Guide in their annual report[8]. With corporate governance, companies need to make sure they have taken specifics steps to comply with regulations. This helps prevent lawsuits and penalties. For example, according to the Companies Ordinance (Cap 622) sections 405 and 406, a listed company's auditor must prepare a report on the financial statements for the members before holding an annual general meeting, and state if the financial statements have been prepared in compliance with the ordinance. If the company disobeys the regulations, both the company and the auditor face fines and penalties[9]. This will have a negative impact to the company in terms of finance, goodwill and morale. Therefore, complying with the law is important and corporate governance acts as a constructive tool to achieve this.

Corporate governance also helps decrease corrupt practices and conflicts of interest. According to Outline of Part XV of the Securities and Futures Ordinance (Cap. 571) – Disclosure of Interest, every substantial shareholder, director and the chief executive of a listed company must complete forms to notify the company registrar about their interests under different circumstances. This can avoid potential conflicts of interest like raking-off or signing contracts to the benefit of family members. As mentioned

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7 Investor Opinion Survey. (2000). McKinsey & Company. Retrieved from https://www.oecd.org/daf/ca/corporategovernanceprinciples/1922101.pdf

8 Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide. (2015). *Hong Kong Exchanges and Clearing Limited*. Retrieved from https://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201507cc.PDF

9 Consultation on Proposals to Improve the Regulatory Regime for Listed Entity Auditors Consultation Conclusions. (2015). *Financial Services and the Treasury Bureau*. Retrieved from http://www.fstb.gov.hk/fsb/ppr/consult/doc/conclu_rpirrlea_e.pdf

above, companies have to prepare financial statements which are audited by independent auditors, while the auditor needs to bear part of the responsibility of scrutinizing the company. By doing this, problems of fraud and conflicts of interest can be restrained.

***Cons***

One of the major problems of corporate governance is the agency problem[10]. Most of the corporation's shareholders recruit professionals to manage the business. Since there is a separation of power between the owners of the company (i.e. the shareholders) and the management of the company (i.e. the board) principal-agent conflicts will arise. The goals and interests of the owners and the managers are different. For instance, a manager will make decisions which benefits his/her job but might not be in the interest of the owners. On the other hand, the owners focus on capital growth and dividend income. Hence, the conflicts emerge between the company's shareholders and managers due to the different perspectives. In this case, shareholders must form contractual agreements to reduce this conflict.

The second disadvantage of corporate governance is that the costs of regulation are increasing. To comply with corporate governance procedures, the company needs to pay administrative costs and other kinds of cost to prepare documents. Various business activities that must be reported to the authorities, including stock trading; appointment, removal and resignation of directors; and annual registration. Some companies may not have employees with the required professional licences so they have to outsource all the corporate formalities to other firms which provide services like accounting and auditing. This usually involves at least a few thousand dollars of expenses. Therefore, this will increase the cost and negatively affect the profit.

The last disadvantage of corporate governance is that there may be illegal insider trading. Since there are more individuals, such as directors and auditors, who can access the non-public information of the company, the threat of insider trading increases. Once insiders make use of this non-disclosed information (which will probably affect the company's stock price) to trade the company's stock or prompt someone else to buy or sell shares so as to gain profit and avoid loss, they are considered to be contravening the law. In Hong Kong, the first jail sentence for insider trading happened in 2009. Two people were sentenced to jail while the other defendants were fined[11]. Illegal insider trading does not only affect the interests of the public and other stakeholders in the company, but is also unfavorable to the company's reputation.

## How corporate governance can maintain business sustainability

Nowadays, people pay more attention to corporate management for the sake of environmental protection. Several standards and guidelines measure the corporation's' activities to assess any damage to society and to the environment. In addition to requiring companies to adhere to the Principles for Responsible Investment issued by United Nation, HKEX requires companies to issue an annual Environmental, Social and Governance Report to

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10 Principal-Agent Problem. (n.d.) *Investopedia*. Retrieved from http://www.investopedia.com/terms/p/principal-agent-problem.asp

11 First jail sentence for insider dealing in Hong Kong. (2009). *Securities and Futures Commission*. Retrieved from https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=09PR37

reveal their ESG information[12]. As the scope of corporate governance has been extended to the social and natural environment, companies should plan for the ESG reporting. Under the ESG reporting guide, issuers must report on the 'comply or explain' provisions and are encouraged to report on the recommended disclosures. To maintain their good environmental and social record, companies should act positively in respect of areas such as labour rights, pollution emissions and supply chain management. The more information the company discloses, the more confidence will be given to the stakeholders. If a company provides limited information in its ESG report, it may be suspected doing something that will worsen the social and natural environment. Even when the company discloses all of the related information, if the index reflects a poor performance, the company will suffer from a negative image. Therefore, companies attempt to behave well in respect of their corporate governance in order to maintain business sustainability.

## Case studies on business sustainability and corporate governance

Poor corporate governance may influence a corporation's development and success. Therefore, effective corporate governance is crucial to maintaining a company and making it sustainable. In this section, CLP Holdings Limited and Enron are adopted as a as a success story and a failure in order to reveal the importance of business sustainability as well as corporate governance.

### A successful example: CLP Holdings Limited

CLP Holdings Limited (CLP) supplies electricity to millions of users across the Asia Pacific region. CLP has expanded its businesses worldwide, aiming to 'meet Asia-Pacific's energy challenge in a sustainable manner from one generation to the next'.CLP is a famous listed company in Hong Kong. In the Hang Seng Index Category, CLP ranked the diamond position in the '2016 Best Corporate Governance Disclosure Awards' and was the winner of the 'Sustainability and Social Responsibility Reporting Awards' organised by the Hong Kong Institute of Certified Public Accountants. But why did CLP receive these awards? The following sections explain the reasons[13].

#### *Stakeholder engagement*

CLP is actively devoted to stakeholder engagement through its transparent and open ways of communication. CLP has a stakeholder engagement framework directing its employees with few steps, including (1) lining up the engagement objectives with CLP's business objectives; (2) mapping the matters; (3) recognising the appropriate stakeholders; (4) establishing channels of communications with corresponding stakeholders; (5) launching some engagement events; (6) taking feedback or comments; and (7) reporting the results[14].

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12 Consultation Conclusions on Review of the *Environmental, Social and Governance Reporting Guide. (2015). Hong Kong Exchanges and Clearing Limited.* Retrieved from https://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201507cc.PDF

13 Awards & Recognitions. (n.d). *CLP Holdings Limited.* Retrieved from https://www.clpgroup.com/en/about-clp/company-profile/awards-recognitions

14 2016 Sustainability Report. (n.d). *CLP Holdings Limited.* P.63. Retrieved from https://www.clpgroup.com/en/Sustainability-site/Report%20Archive%20%20Year%20Document/SR_Full_2016_en.pdf

Since happy stakeholders represent the fundamental success of the corporation, CLP has also identified their key stakeholders and hence established the engagement channels. Taking the stakeholders who offer money to CLP such as the investors and shareholders, CLP can engage them through Annual General Meetings, Annual and Interim Reports, to name but a few. What is more, CLP also encourages all employees to conduct their engagements with stakeholders based on the Code of Conduct and Value Framework[15].

***Disclosure and transparency***

The corporate governance framework of CLP has two vital elements. First is to disclose corporate governance principles and practices thoroughly and openly. Second is to change and improve the principles and practices with reference to regulatory requirements, investor opinions and so on. CLP has also developed its own Code on Corporate Governance which complies fully with the Hong Kong Stock Exchange Code[16].

CLP reveals the interest in shares under section 329 of the Securities and Futures Ordinance (SFO), including the top ten shareholders, substantial shareholders, shareholders and directors and CEO. Therefore, there is no doubt that the information on shareholders and board members can be seen clearly by investors and the public[17]. Furthermore, CLP has set up a set of Continuous Disclosure Obligation Procedures for its employees. These procedures help monitor the business development progress on potential inside transactions and the company may announce the information to the public in order to comply with requirements under the Listing Rules of Hong Kong Stock Exchange and the SFO's provisions on the disclosure of inside information[18].

***Risk management***

Even though publishing a risk management report is not yet a mandatory requirement for a listed corporation in Hong Kong, CLP will do this so as to ensure its long-term development and sustainability. There are four components to a risk management report: (1) risk management philosophy; (2) risk appetite; (3) risk governance structure; and (4) risk management process. CLP states that every employee within the group should be responsible for the risk management. This helps the company make right decisions, taking many factors into account, and it can help protect the company from risks[19].

The audit committee reviews the effectiveness of the group's risk management and internal controls during the annual report. All of the members of the audit committee are independent non-executive directors: this can mitigate conflicts of interest within the company and should make the process just and fair[20].

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15 2016 Sustainability Report. (n.d). *CLP Holdings Limited*. P.63. Retrieved from https://www.clpgroup.com/en/Sustainability-site/Report%20Archive%20%20Year%20Document/SR_Full_2016_en.pdf

16 Corporate Governance at CLP. (n.d). *CLP Holdings Limited*. Retrieved from https://www.clpgroup.com/en/about-clp/corporate-governance/corporate-governance-at-clp

17 Interest in shares. (n.d). *CLP Holdings Limited*. Retrieved from https://www.clpgroup.com/en/about-clp/corporate-governance/interest-in-shares

18 Continuous Disclosure Obligation Procedures. (n.d). *CLP Holdings Limited*. Retrieved from https://www.clpgroup.com/en/about-clp-site/PDF%20List%20%20Policies%20and%20Procedures/Continuous%20Disclosure%20Obligation%20Procedures.pdf

19 Continuous Disclosure Obligation Procedures. (n.d). *CLP Holdings Limited*. Retrieved from https://www.clpgroup.com/en/about-clp-site/PDF%20List%20%20Policies%20and%20Procedures/Continuous%20Disclosure%20Obligation%20Procedures.pdf

20 2016 Sustainability Report. (n.d). CLP Holdings Limited. P.28. Retrieved from https://www.clpgroup.com/en/Sustainability-site/Report%20Archive%20%20Year%20Document/SR_Full_2016_en.pdf

*Environmental efforts*

Since the main business of CLP is to supply electricity to the public, negative environmental influences cannot be avoided. CLP has a sustainability committee that deals with the impact of social, ethical and environmental issues on stakeholders[21]. Moreover, CLP has developed a group sustainability framework, saying that this framework can be viewed as a means to further fit sustainability into daily operations and decision making processes. In addition, CLP aims to reduce its carbon emissions to zero, maximise the use of resources sustainably, and minimise its impacts on biodiversity[22]. Therefore, CLP is not merely focusing on its businesses, but also on its duty to minimise its environmental.

**A failed example: Enron**

Enron Corporation was an energy-trading and utilities company founded in the US in 1985. Within several years, the company had expanded its business into many non-energy-related fields including online marketplace services, broadband services and different financial services[23]. Before its declaration of bankruptcy in 2001, it had ranked as the 7th largest U.S. company with more than 21,000 employees in over 40 countries[24]. Fortune Magazine had named it as 'America's most innovative company' from 1996 to 2001. The share price of Enron reached a peak of US$90.75 in 2000. However, at the end of 2001 Enron filed for bankruptcy, setting a new American record and destroying more than US$74 billion of shareholder value. The share price declined to US$0.67 by January 2002. This piece of news shocked and alerted the world. Until today, Enron continues to be the best-known example of bad corporate governance. We analyse what happened at Enron using the standard principles of the Cadbury Report , the OECD and the Sarbanes-Oxley Act of 2002.

***Transparency and accountability***

In good corporate governance practice, auditors and accountants should be governed by The Securities Exchange Act 1934[25] and International Standards on Auditing (ISAs)[26]. They must certify all the financial reports comply with generally accepted auditing standards (GAAS) and generally accepted accounting principles (GAAP). The auditors should review and make sure all the reports are true (free from material misstatement[27]), fair (faithful representation) and the internal controls of the company are properly maintained.

- Accounting loopholes hide the truths
  In Enron case, the CEO and Arthur Andersen LLP, Enron's auditors, tried to use mark-to-market accounting[28] to hide the company's debt and the financial losses by measuring asset values

21 Board committees. (n.d). *CLP Holdings Limited.* Retrieved from https://www.clpgroup.com/en/about-clp/leadership/board-committees#sustainabilityCommittee

22 Sustainable environment. (n.d). *CLP Holdings Limited.* Retrieved from https://www.clpgroup.com/en/sustainability/our-approach/sustainable-environment

23 Enron. (n.d.). *Wikipedia.* Retrieved from https://en.wikipedia.org/wiki/Enron#Misleading_financial_accounts

24 Business | Enron scandal at-a-glance (2002). *BBC.* Retrieved from http://news.bbc.co.uk/1/hi/business/1780075.stm

25 Securities Exchange Act of 1934(2015). *Investopedia.* Retrieved from http://www.investopedia.com/terms/s/seact1934.asp

26 International Standards on Auditing (ISAs) |IAASB | IFAC. (2012). International Federation of Accountants. Retrieved from https://www.iaasb.org/clarity-center/clarified-standards

27 Definition of material misstatement: (1) overstatement, (2) understatement, (3) omission, (4) wrong presentation, (5) wrong classification.

28 Mark To Market – MTM (2014). *Investopedia.* Retrieved from http://www.investopedia.com/terms/m/marktomarket.asp

at current market value instead of at historical cost. Therefore, Enron's auditors were failed to fulfill their responsibilities. The company had hidden the real financial situation by keeping huge amount of debts off hidden to boost its trading income. Furthermore, in October 2001 the auditors refused to release a balance sheet with the company's earnings statement of the company and destroyed all Enron files, except for the most basic documents. But the earlier misleading statements attracted many investors, and Enron profited from this.

- Lack of independence
  Enron's auditor failed to act independently. In addition to fulfilling the role of being an internal auditor, the firm Arthur Anderson was also the external auditor of and provided consultancy to Enron. For all this, the firm received more than the ordinary service fee. Therefore, after the fraud of Enron, Arthur Anderson LLP lost its credibility and collapsed. After that, the Sarbanes-Oxley Act raised penalties for unlawful activities between the auditor and accountant.

***The function of board***

The responsibilities and duties of the directors derive from many resources, such as case law, statue law and regulation. They are divided into two types: duty of trust and duty of care. The duty of trust is the duty to exercise fiduciary responsibility[29] to all shareholders. The duty of care is the duty to exercise reasonable care, diligence and skill. From Companies Registry (Hong Kong): 'If a person does not comply with his duties as a director he may be liable to civil or criminal proceedings and may be disqualified from acting as a director.'[30] However, Enron's board failed to satisfy these requirements.

- Fiduciary failure
  Enron's board of directors failed to exercise good faith in accumulating shareholders' profit. They neglected the consequences of approving a high-risk accounting method and failed to recognise the potential risks. Although they refused to admit their acknowledgment of the fraud, a chart produced by the US subcommittee showed that there was somebody who had raised the concerns to the board of the risky activities in the previous three years[31]. Moreover, the directors failed to set up an effective internal control system and compensation policy. After the collapse, the US subcommittee found that there had been many questionable practices under the management team.

29 Directors need to act in good faith of all member, ensure their decision are independence and avoid conflict of interest.

30 A Guideline on Directors' Duties (2009). *Company Registry*. Retrieved from http://www.cr.gov.hk/en/publications/docs/director_guide-e.pdf

31 Subcommittee(n.d.), Red Flags Known to Enron's Board. Appendix 1 on page 56.

- Lack of independence
  Enron's directors failed to show their independence of judgement. There were 20 directors who worked in Enron for more than 20 years[32]: this may have influenced board renewal and led them to make monopolistic decisions. Moreover, many directors had relationships with suppliers, customers or other parties. For example, Herbert Winokur was a member of a company who also had a business relationship with Enron. Likewise, Wendy Gramm and some other directors were involved in charities which received donations from Enron. Those activities may lead to insider trading and harm the company's governance.

- Conflict of interest
  A conflict of interest means a corporation or person has any personal interest or secret profit in any company transactions. In this case, the board ignored the conflicts of interest of the directors. For example, the CFO set up a private equity fund and traded with Enron. Likewise, Lord Wakeham earned US$72,000 from Enron by giving advice to its Europe business.

## Recommendations

In light of the failure of Enron and given the success of CLP Holdings Limited, this section comes up with some recommendations for corporations to improve their business sustainability.

***Gender equality***

Nowadays, many countries try to foster gender equality at work and advocate female leadership. However, it makes little effect. About half of the 100 largest companies in Latin America have never had a woman on the board in 2015[33]. Although a growing number of women have higher education, they still face double standards in the workplace. In fact, the salary gap between permanent male and female employees is around 10 percent with accordance to the Office for National Statistics. Until 2015, because of the gender inequality, only half of working age women are in the labour force, compared to 77 percent of men[34].

If gender equality is achieved, women and men will enjoy the same benefits and remuneration. A diverse and friendly workplace can enhance employee's loyalty and attract talented people. It can reduce the cost and time created by employee turnover. Moreover, women can bring different viewpoints into the board which can improve the company's productivity and organizational performance. At the same time, it can minimise the potential risks faced by the company.

Therefore, the government holds a key role in maintaining good corporate governance. It should promote the importance of gender equality by education. The government should also expand the authority of Equal Opportunities Commission[35]

32 U.S. Subcommittee (2002), The Role of the Board of Directors in Enron Collapse. *Government Printing Office*. Retrieved from https://www.gpo.gov/fdsys/pkg/CPRT-107SPRT80393/pdf/CPRT-107SPRT80393.pdf

33 2015 CWDI Report on Women Directors of the 100 Largest Latin American Companies (2015). *GlobeWomen*. Retrieved from http://www.globewomen.org/cwdi/2015LatAmreportKeyFindings.html

34 The World's Women 2015. (n.d.). *United Nations Statistics Division*. Retrieved from https://unstats.un.org/unsd/gender/chapter4/chapter4.html

35 The Equal Opportunities Commission (n.d.). Retrieved from http://www.eoc.org.hk/eoc/graphicsfolder/showcontent.aspx?content=our work-eo works

and furnish more channels of communications to employees. Moreover, it should set out guidelines on gender equality. For instance, companies should adopt a 'comply or explain' approach in having a specific proportion of women on the board; otherwise, if the corporation fails to do this, they will need to give rational reasons.

***Whistle blowing policy***

Whistleblower is a person who reports the wrongdoing of the company to the public. This information or activities usually affect public interest and may constitute fraud. A whistle blowing policy is an important tool to ensure a company can counter misconduct. In addition, it can protect the whistleblower from being unfairly treated. Whistleblowers are guarded by Occupational Safety and Health Administration (OSHA) and the Securities and Exchange Commission (SEC).

An effective whistle blowing policy can demonstrate a company's commitment to corporate governance. It can generate positive publicity and increase the confidence of investors by the company showing its integrity to the public. And it encourages a fair and comfortable working environment to employees. Hence, it can improve business sustainability. However, it comes with some drawbacks. It may harm the corporation's reputation if the wrongful act is exposed to the public. Therefore, without a doubt, it is vital to encourage employees to report the wrongdoing internally and the management team should pay attention on the matters and settle it immediately.

As a result, every company should establish an effective whistle blowing policy which can defend its employee from retaliation. Companies need to make sure the employees clearly understand this policy and accept the agreements to report wrongdoings. Moreover, the Independent Commission Against Corruption (ICAC) and other government departments should regularly conduct spot checks on the financial situation of registered companies.

***Information disclosure certificate scheme***

After the Enron scandal, the OECD published updated guidance on its voluntary disclosure programme and a final report on mandatory disclosure rules under Action 12[36] in 2015. It states that the unlawful omission of information that should be disclosed will harm corporate governance. For investors, it is crucial to have prompt and accurate financial statements and related documents to help them make their investment decision. Although HKEX will ensure listed companies disclose their information in accordance with the requirement of part XV of the Securities and Futures Ordinance, the policy on the disclosure of information is still too loose.

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36 OECD releases final report on mandatory disclosure rules under Action 12(2015). EYGM Limited. Retrieved from http://www.ey.com/Publication/vwLUAssets/OECD_releases_final_report_on_mandatory_disclosure_rules_under_Action_12/$File/2015G_CM5828_OECD%20releases%20final%20report%20on%20Action%2012.pdf

Therefore, a voluntary information disclosure certificate scheme is suggested. For instance, the Canada Revenue Agency (CRA) gives companies a chance for to update their statements to be more accurate and it can waive penalties and interest for successful applicants in a statutory basis[37]. The scheme enhances business sustainability because the government and the public are able to monitor the performance of companies and get more information. And the high level of stability will improve disclosure on the financial side and increase investor confidence. In addition, if the company fails to file some of the required documents, they may need to pay for the cost.

The government may instruct HKEX to establish a voluntary information disclosure certificate scheme. The scheme would aim to encourage voluntary disclosure and enhance the ability of Hong Kong companies in corporate governance. There could be an award for outstanding companies and they could be recommended on the website for the public's reference. The operation of the scheme could consult the Caring Company Scheme by HKCSS[38]. Moreover, a company may set up a disclosure committee and provide more information, such as an annual review, on their websites.

***Risk management system***

In the Enron case, one of the major reasons leading to the collapse was underestimating risk. This scandal raised public concern over risk management since it may affect public interest. In fact, risk is the probability of or loss in investments. There are many types of risks, such as unsystematic risk, mortgage risk and inflation risk, to name a few. The most common way to measure risk is to calculate the standard deviation of the historical average returns of a specific investment[39].

To prevent risk being underestimated or overestimated, HKEX encourages companies to set up a risk committee. According to the HKEX, the major roles and functions of the risk committee are: (1) to advise the board on risk-related issues; (2) to oversee the risk management framework to identify and deal with different risks faced by the group; (3) to approve the group's risk policies and risk tolerances, and review risk reports and breaches of risk tolerances and policies; (4) to consider emerging risks relating to the group's business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks effectively; and (5) to review the effectiveness of the group's risk control/ mitigation tools[40].

Some professional service firms such as Tricor Group will provide risk assessment services and assistance on internal control[41]. They make suggestions to clients on risk management. In order to reduce the potential risks, companies should use at least one method to protect their company. As a result, an effective risk management system can strengthen business sustainability and protect assets from unexpected events.

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37 Katz-Pearlman, S. (n.d.). Voluntary Disclosures. KPMG. Retrieved from https://home.kpmg.com/xx/en/home/insights/2015/09/tax-disputes-and-controversy-update-voluntary-disclosures.html

38 The Hong Kong Council of Social Service(n.d.) Retrieved from http://www.caringcompany.org.hk/about.php?&lang=1

39 Risk (2003). *Investopedia*. Retrieved from http://www.investopedia.com/terms/r/risk.asp

40 Risk Committee (2017). HKEX. Retrieved from http://www.hkexgroup.com/Corporate-Governance/Corporate-Governance-Framework/Corporate-Governance-Practices/Board-Committees/Risk-Committee?sc_lang=en

41 Tricor Group(n.d.). Retrieved from http://www.hk.tricorglobal.com/

***CSR committee***

The Government should mandate that listed companies set up a CSR committee or a sustainability committee. Generally speaking, listed companies tend to be large scale and involved in different areas of businesses. This means their operations may have social, environmental and economic impacts. Therefore, corporations should establish such committees, particularly to cope with and overcome the influences mentioned above.

These committees should be in charge of the Environment, Social and Governance (ESG) report which is now required every year in Hong Kong. The ESG approach is the expansion of CSR and therefore it covers more than the CSR approach. It measures the risks, sustainability and ethical influences on investments and hence it enables the investors to get a clearer understanding of the corporation. What is more, it adds insights on the quality of management and so on. In other words, the ESG approach is a more all-round one than before.

There are several advantages in having an ESG report. First of all, it can increase external accountability. If the company has a good ESG report, it shows that it has put noticeable effort into preparing the report. This helps increase the company's image and public perception of it, which can help attract investment from business partners. Second, the ESG report helps improve a company's internal controls. As it involves a consolidated overview of the business activities, it gives a comprehensive view of the corporation.

## Conclusion

Because of the failure of well-known corporations such as Enron, business sustainability is undoubtedly important to the success of companies. Having good corporate governance can help companies achieve better business sustainability. Taking CLP Holdings as an example, it is vital that the corporations should have good risk management, pay attention to environmental efforts, enhance disclosure and transparency, and improve stakeholder engagement. All these factors can help develop a more sustainable business. With the promotion of gender equality, information disclosure certification, a CSR policy and whistleblower policy, good corporate governance and culture can be improved. At the same time, the board plays a very important role in safeguarding a company's assets and reputation from potential risk and maintaining business sustainability. All unlawful and unethical activities should be prohibited.

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# Second runner up


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## Part 1 Executive summary

This report aims at discussing how companies adapt to changing expectations on corporate sustainability through adjustments in corporate governance. Success factors in dealing with these expectations were discovered through in-depth case analyze from both traditional and emerging industries. This report also aims at providing an objective outlook on how a company should improve itself to satisfy the latest trends and expectations on corporate governance and corporate sustainability.

## Part 2 Introduction

This report presents the impact of changes in attitudes towards corporate sustainability on corporate governance in the business sector. Companies which intend to acquire profit for development are regarded as business institutions. Corporate sustainability is believed to be of utmost importance to them as it could affect the amount of profit gained which is available for business scale expansion.

Under globalisation and the Internet of things, information is becoming more transparent. Exchanges and collection of variety of data is becoming increasingly available. In this case, the reputation of a business institution is becoming more significant, as customers and other external parties can get hold of information about an institution more easily and make judgements based on it [1]. Corporate sustainability is an important issue for business management since it is one of the crucial elements in building a good reputation. It is influenced by three factors: social condition, environmental conservation and public acceptance. In brief, a highly sustainable corporate can generate high profits without doing harm to the environment, and hence, create a positive reputation among global citizens. By fulfilling their social and environmental responsibility, business management can project a positive image and generate better acceptance by the public. Whereas if a corporate does not generate beliefs which are well-accepted by stakeholders, financial consequences such as consumer boycotts and fines by the government might occur [2].

In the past, companies have cared mostly about making profits since the sole purpose of their existence has been to please their shareholders. This was done by increasing the profits. Employers were believed to be the only party involved in the business. In the twenty-first century, due to information mobility, basically the whole of society has a stake in the business operation. Thus, companies have to show their brand as ethical and employee-caring [3].

To make the corporate image appealing to outsiders, management teams have to make policies and set regulations to meet the public expectation through corporate sustainability. Although the corporation might incur a higher cost in the short-term due to higher monitoring costs, higher payroll or community engagement, the monetary cost might be lower due to lower reputational risks. In recent years, environmental protection and social responsibility, as well as comfortable working environment, are all issues that warrant attention from management board of the business sector.

Brand building is always regarded as an investment for attracting customers. Yet, as the concept of sustainability evolves, external parties might decide a direction of change in the company's' positioning in a bottom-up approach. This ultimately affects corporate governance. There has been much study on how corporate governance affects an organisation's corporate sustainability, but there was not much literature on the reverse relation. Hence this paper aims at finding out current changes in the concept of corporate sustainability and how corporate governance is affected by such change accordingly, through the study of six cases.

This report first discusses the two core concepts: corporate governance and corporate sustainability. Afterwards, it goes on to lay out the scope, target and the methodology of study. The Findings Section highlights important measures in corporate governance of six companies that are designed to meet modern requirements in corporate sustainability. For each selected corporation, the report briefly introduces the background of the companies, followed by the current corporate governance guidelines or companies' policies. Through discussions on the existing arrangements, there will be findings on the success factors between corporate governance and corporate sustainability. The report also provides further recommendations in the summary. In the conclusion, insights are drawn from the findings and recommendations on how companies could adapt to changing requirements of public.

## Part 3 Literature review

**Literature review – corporate governance**

Corporate governance is commonly understood as 'rules, processes and mechanisms in which a company is directed and controlled' [4], which does not differ much from the definition used in academia. Corporate governance is believed to involve three common elements:

(1) It is concerned with the way in which a company is directed instead of any organisation within the company;
(2) It determines a company's direction and;
(3) It involves management of the relationship with stakeholders [5].

Corporate governance usually involves internal and external mechanisms of control. Internal mechanisms are organisationally based mechanisms that help internal stakeholders ensure that they are on the right track towards achieving organisational goals. External mechanisms are guidance and standards imposed by external parties to constrain the organisation [6] [7]. Since this paper aims at finding the impact of changes in external requirements on corporate governance of companies, the focus is on internal control mechanisms.

In any company, the board of directors is the central organ of corporate governance. The identification of roles and responsibilities, transparency in the appointment of directors, the structure of the board (i.e. the proportion of inside and outside directors, whether their profession and experience is enough to make sound judgements for the company, etc.,) and even the remuneration of directors could affect the board's ability in fulfilling its responsibility as monitor of the executives. This is proved by Dionne and Triki by showing that financially-educated directors encourage safer investments in financial institutions such as hedging. As a result, shareholders are better-off [8].

However, as argued by Walsh and Stewart, the board of directors on its own might not enough to ensure the company is on the right track simply because it is hard to distinguish whether the company performance is a result of the executives' behaviours or the influence of the external environment [9]. Hence, other internal control functions including risk management and internal audit are also important for providing useful information to the board and external stakeholders to facilitate monitoring and alert them to mischief [10].

Measures involving external parties are also important parts of corporate governance also and emphasise maintaining relationships with stakeholders. According to NCCG and OECD Principles, transparency is one of the essential principles of good corporate governance. Companies are expected to disclose updated information regularly through their annual reports or on their official websites to inform relevant stakeholders about existing policies and recent changes [11] [12]. In this sense, the public can make informed decisions involving the companies. Moreover, they are able to monitor the company to prevent the company from intervening in their rights, hence lowering the chance of the company misbehaving.

As a key element of corporate governance, the company should also maintain good relationships with stakeholders and ensure that their interests are taken care of. In recent years, society has gradually accepted that good corporate governance could bring about business growth. The idea that corporate governance is essential to sustainable growth has even strengthened in the aftermath of 2008 financial crisis. This is proved by increasing tendency of regulation on financial institutions. At the same time, the advancement of ICT developments have brought challenges to corporate governance [13]. These developments have changed people's expectations about a company's corporate governance.

**Literature Review – Corporate Sustainability**

Corporate sustainability was not a key issue in the past since it was believed that companies should only focus on costs and benefits. Increasing accounting profits was emphasised as the only business goal. It was only until the publication of the Brundtland Commission's Report, Our Common Future (1987) [14], that the above belief started to be disputed by stakeholders.

According to the report, sustainable development is defined as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. Going along this line of thought, John Elkington (1994) [15] has developed the concept of the Triple Bottom Line, which has laid out categories that should considered in doing business: people, profit and planet.

Profit is the basic bottom line. It relates to the traditional measurement of success: accounting profit. Under this bottom line alone, the board of directors and management team should be solely responsible to the investors. By increasing revenue and minimising costs incurred, they shall be considered competent. Earning high profit was seen as the norm. However, by digging into the financial figures, it was hard to know whether companies had compromised social responsibilities while earning huge profits. In face of this question, other bottom lines have been derived.

People is the second bottom line. This refers to the responsibility that a company should maintain towards different stakeholders while conducting business operations. For instance, employees should be placed on top priority in this context. Even though payroll expense is an essential cost of business operation, in order to incentivise the employees to exert their full potential on production, companies should pay a salary that is proportionate to the amount of work done. The key of this bottom line is that people's dignity should be a top priority.

Planet is the third bottom line. This focusses on the responsibility a company should have towards the environment. The megatrend on environment protection has increased the demand of green businesses. In the twenty-first century, most companies have performed corporate social responsibility. The PwC Global CEO survey (2016) [3] revealed that more than half of the interviewed CEOs think that corporate social responsibility is a core element of their business rather than being a stand-alone programme. This shows that environmental protection has already become a non-negligible business trend.

The triple bottom lines remind corporations to be aware of different stakeholders. As an international organisation for public-private cooperation, the World Economic Forum has been focusing on understanding the 'fourth industrial revolution', solving the problems of the Global Commons and addressing global security issues. To cater for the needs of the current trend, corporate governance might be a good direction to start with for individual companies.

## Part 4 Methodology

**Scope**

As stated in the introduction, this report aims at showing how companies are managed under changing concept of business sustainability. By constructing case studies, we can observe how companies adapt themselves to the new situation. Due to the limitations of scope, we have analysed a limited range of companies. The companies are selected by dividing the economy into old and new sectors based on the time of the first occurrence of the industry. We analyse the relationship between corporate governance and corporate sustainability through these studies.

**Target**

The differentiation between old and new industries was based on the degree of influence of globalisation and Web 3.0. Old industries are businesses that first occurred before the era of rapid globalisation in twenty-first century. New economy refers to those that have occurred during this era. For the old economy, we have chosen banking, retail and transportation industries as our target industries, from which HSBC, Nike and MTR are chosen as the subjects of the study. These subjects are chosen since they are typical representatives of the established economic sectors of finance, manufacturing and service, and public utility. These subjects were also considered to be reputable companies in their respective industries.

For new economy, we have chosen software, hardware and shared economy to be the target group, and have chosen Tencent, Apple and Uber respectively. They are chosen mainly because they are either the largest players or pioneers within their industry.

Because of the current trend, all targets face increasing pressures on corporate governance and corporate sustainability. Here, we analyse their strategies on addressing this issue.

**Data collection**

Qualitative analysis was adopted to analyse the target companies. This mainly relied on the following sources:

- Annual report of the company
- Environmental, social and governance section (ESG)
- Company goals and objectives
- Corporate governance guidelines
- Statistics of external reports
- News report on target companies

Every year, target companies are required to release interim reports and annual reports to the public. By reviewing the ESG performance in those reports, we compared how different corporations adapt themselves to new situations. In addition, the company goals and objectives are also essential for our analysis since these outline the objectives the company aims to achieve. Following the definition outlined in the literature review, we aim to understand the policies companies have adopted by analysing materials provided on their official website.

## Part 5 Results and Findings

**Case studies for old industries**

The traditional industry business model has proven to be successful over past years. However, in order to fulfil more demanding requirements from various stakeholders, companies in these industries have to abandon the usual profit-maximisation mindset of success by embracing new concepts and new methods.

***Transportation industry – MTR Corporation Limited***

Mass Transit Railway (MTR) offers convenient transportation for citizens in Hong Kong. Every day, there are more than 4.5 million passengers [17]. And it was exactly its sophisticated corporate governance that marks its success.

MTR has a well-organised management system. It does not only care about profit but also about its public image. To build a better brand image, the MTR corporation has been involved in community developments and environmental conservation programmes. Nowadays, people increasingly emphasise work-life balance and a high quality of life. Therefore, the MTR re-constructed the Tsing Yi Lorry Park and made it into Maritime Square Phase II, a landscaped garden with a great variety of facilities that serves recreational purposes for surrounding community. This improves the welfare for Hong Kong residents, and helps to build a comfortable community; it can even be developed into a significant tourism spot for Hong Kong. This matches the people and planet aspects of the Triple Bottom Line, protecting the interests of the community and environment in business operations.

The MTR corporation also treats its employees well, offering them welfare and benefits. There are clubs for workers to join after work, enabling them to pursue a work-life balance [18]. With high-potential employees, the MTR corporation can sustain its business.

Also, the MTR corporation stresses balancing environmental protection and social development. Every time before starting a new project, the MTR conducts an Environmental Impact Assessment, so as to reduce the negative impact on the surroundings [19]. Although conducting the review might lower the efficiency of the project, it helps it gain more acceptance from citizens. The media also helps to promote the idea and acts as an advertiser for the corporation. This is somehow related to business ethics. The assessments do not emphasise profit-making, but social contribution [20]. The management team reviews the policies and works for higher revenue. Promoting environmental care and local culture can raise the reputation of the company and the territory that is Hong Kong.

***Retail industry – Nike, Inc.***

Retail is another industry worth discussing. Nike is one of the best-known brands in Hong Kong. It provides a tremendous range of sportswear. Production of this sportswear requires a myriad of raw materials and labour. How does Nike reply to the increasing demand of corporate governance standards?

From the planetary perspective, Nike has revisited its company policy to address increasing environmental standards. According to the environmental impact section in their website, Nike has set up the following goals: 'Nike is targeting a 10% reduction in the average environmental footprint of its shoes by 2020, paired with a goal to increase use of more sustainable materials overall.' [5]. The objectives can be obtained by implementing the following policies:

- Reduce waste: diverting 92% of total waste from landfill and incineration without energy recovery
- Replace energy sources: cutting energy per unit with its 2008 energy and carbon programme[42]

In the past, Nike just bought carbon emission quotas for legal pollution. [7] The current policy can help protect the environment and gain the company a 'clean' reputation from the public.

Regarding another element in the corporate sustainability, people, Nike was notorious for its poor labour policies. Child labour was legal in some developing regions but illegal in most developed regions. Nike's reputation was tarnished when the news reported, 'Indonesian Nike workers earning as little as 14 cents an hour' [8]. To tackle the problem, Nike has reformed its labour policy as follows:

- Publishing a 108-page report revealing labour working conditions
- Paying in its factories and acknowledging widespread issues
- Publishing a complete list of manufacturing contractors

Even though monitoring costs increased due to the above policies, Nike has avoided consumer boycotts and continues its business as one of the most famous sportswear producers in the world.

***Banking industry – The Hongkong and Shanghai Banking Corporation***

As a dynamic industry that is built on relationships and trust, the banking industry has always operated along the lines of profit and people. Hence, it is highly affected by changes in people's requirements on corporate sustainability. HSBC, one of the largest banking and financial service providers, is a typical example to illustrate how banks modify their corporate governance strategy to keep up with modern demands.

HSBC positions itself as a bank that 'connects customers to opportunities, enables businesses to thrive and economies to prosper', and hence is committed to building long-lasting relationships based on trust [25]. Hence, corporate governance is taken seriously in the group. Indeed, HSBC has established a sophisticated procedure in ensuring that the bank is on the right track. As the heart of its corporate governance, the board of directors are offered the power to oversee the group's operation and retains

42 http://justmeans.com/blogs/how-nike-turns-trash-into-footwear

power of approval on matters that are crucial to the group's operations, such in determining the bank's risk appetite and major changes in management and accounting procedures. Despite its large power, the majority of the board directors are non-executive directors. The board includes two committees that are responsible for overseeing accounting matters and financial reporting (i.e. GAC and GRC), which increases the objectiveness in decisions made within the board.

HSBC also places a great deal of importance on its internal control and internal audit functions, especially in ensuring that these functions function well to maintain integrity and compliance with regulation. Recently, in order to satisfy the requirements of section 404 of the Sarbanes-Oxley Act, the group endorsed the COSO 2013 framework for monitoring its risk management and internal control systems. The group has also adopted the three lines of defence framework in its risk management policies; this follows industry standards.

The above policies satisfy the profit and people requirements. Since the banking industry is a service industry, these two lines are often intertwined as customers are willing to return when they were treated well, bringing additional profit to the bank. However, it is still evident that HSBC puts more weight on its institutional shareholders as they can connect with the group's senior management through interpersonal meetings, while individual shareholders can hardly get that kind of personal access. But technological advancements have enhanced the transparency of HSBC. Before, disclosure was mainly through annual report. Now, most policies are also disclosed on the group's official website. As a result, individual shareholders and other external stakeholders are able to get hold of the latest policies and changes in the bank. [26]

In recent years, HSBC has put more emphasis on its corporate responsibility. The practice of sustainability is no longer a charitable act, but is introduced into the bank's daily practices. For example, HSBC has introduced green bonds, a special product for environmental projects. This also demonstrates how HSBC is determined to find new business opportunities while fulfilling the third bottom line, the environment. [27]

**Case studies for new industries**

During the era of rapid globalisation, new business models are developing. As laws may not be adequate or there may not be suitable regulations to regulate them, these industries need to come up with new ways to fulfil the public expectations.

***Software industry – Tencent Holdings Limited***

Since the company expanded its QQ and WeChat platforms, revenue growth has skyrocketed growth. According to the latest interim report, there was a 70 per cent increase in net profit during the previous 6 months. As Tencent gradually becomes the market leader, more people believe that it should bear some degree of social responsibility.

Tencent has adopted a people culture. It places employee benefit as one of their top priorities. According to its 2016 annual report [28], '… Tencent encourages its employees to innovate, but also allocates considerable resources to the research and development of new technologies and the optimization of features as well as enhancement of user experience of products'. This statement shows Tencent's emphasis on one of the elements in the Triple Bottom Line: people. Rather than earning high profit and distributing dividends to shareholders only, Tencent places employee benefit in a high position. Since 2008, Tencent started to distribute share options to its employees. [29] This can help it retain productive employees. As a result, the financial performance has kept improving over the past periods.

Furthermore, Tencent emphasises the importance of the environment. Revenue generated from games is one of the main income sources for Tencent.

However, gaming is easily addictive to children. Instead of gaining as much profit as it can from games, Tencent has installed a user time restriction for its bestselling game, Honour of Kings [30]. This action shows how Tencent, as an online-game supplier, takes responsibility for both its investors and users. Despite the fact that it may earn less profit, this action strengthens its reputation as a socially responsible business. In addition, the share price of Tencent has increased by around 20 percent from its lowest point in July ($269 per share) to its highest point in mid-August ($330.2 per share) [31]. This shows that the restriction on company revenue may indeed bring a positive impact to the company.

***Hardware industry – Apple Inc***

Since the iPhone was first released in 2007, the revenue generated by Apple Inc. has skyrocketed. It has also marked Apple as the emperor of the technology and hardware industries. Steve Jobs, the most influence Apple CEO, not only created Apple's reputation but also brought more social responsibility to the company.

People is one of the most valuable assets to Apple Inc at present. In the past, Apple's products contractor, Foxconn, was notorious for poor working conditions and low-paid salaries. Since the Fair Labour Association's investigation was conducted in 2012[32], Apple has continuously improved its workers' situation. Currently, diversity among employees is one of company's key goals. According to the supplier responsibility section of its annual report, Apple clearly points out that, 'Products made to have a positive impact. On the world and the people who make them.' [33]. The blueprint is made by the following strategies:

- Helping suppliers meet the highest standards in the industry
- Leading the way on how suppliers should improve the environment
- Investing in workers by educating and empowering them

This policy satisfies the 'people' element in the Triple Bottom Line. Unlike the tradition profit-making approach, Apple has become a people-oriented enterprise.

However, electronic waste is a key issue affecting Apple Inc. The regulation of electronic waste is less restrictive than regulations in traditional industries like retail industries (as in the Nike example). This is because electronic waste is a relatively new concept. However, as Nike is a multi-national company, its policies and decisions made is monitored by society's stakeholders. In order to accomplish their expectations, Apple, Inc has announced environmental progress in China and applauds supplier commitments to clean energy. [34]

Under globalisation, information has become more transparent. Instead of hiding pollution news, telling the public and accepting the monitor by the public seems to be a better resolution. This may be a new signal to differentiate a successful firm from an ordinary firm.

***Shared economy industry – Uber Technologies Inc***

The railway is certainly a traditional industry applying different standards of corporate governance under the changing public expectations on business sustainability. In a more modern industry, Uber is facing a similar situation. Uber develops high market strategies and operates car transport as well as food delivery services. Uber drivers use their own cars or rent a car to give customers a ride. Shareholders of business sectors do not only focus on profit and loss, but also on social responsibility. Uber tends to motivate the city and provide opportunities for citizens.

The Triple Bottom Line emphasises the people aspect. In the past, employees wanted to earn as much as they could, and their income was their major concern. But now, earnings are certainly one of their priority of concerns, but having a work-life balance is also in their sights. That is the reason why people choose to be an Uber driver rather than a taxi driver. [35]

What sets an Uber driver apart from a taxi driver is freedom and flexibility. More than half of drivers in the US choose to work 10 hours a week or fewer. [36] Drivers can spend more time on their family members, their hobbies or the things they like after work. Given the freedom in choosing their working time, employees take sufficient rest so they will put more effort into their work. This can increase the sense of belonging for them, and also their loyalty to the business sector. The work flexibility arouses media interest too. [37]

This can project a positive image for the company and attract the public to use its service. In the new generation, with improvements in technology and knowledge of outsourcing, fewer people work for a long time. This is why drivers can choose their own working hours, and this increases the labour supply of drivers. There are fewer permanent employees in the company, so it can cut costs on the benefits and welfare payments it makes to staff. This is another way for the company to save money and to lower its financial payment. This policy alters the company's finance, so the governance of the management team changes too. In addition to profit, the working environment of the employees and the corporate culture matters too. The management team builds a comfortable workplace for its workers so as to attract people to be an Uber driver.

## Part 6 Conclusion and recommendations

As a result of the study, interesting features regarding the focuses of corporate governance of old and new industries are found.

Old industries generally have more sophisticated corporate governance due to the fact that they are more established and have already developed their own way of doing business. Apart from profit and people aspects of corporate sustainability, they also emphasise the environmental aspect. In addition, they intend to merge environmental protection into their daily operations instead of treating it as a mere charity project. This corresponds to increasing environmental awareness in recent years and the public demand businesses to fulfil their social responsibilities through internalising the externalities they have caused instead of creating facades by 'green washing'.

Corporate governance in new industries are relatively less developed when compared to those in traditional industries. Most of them focus on people and profit, even though they have tried to blend their responsibilities into their daily operations. However, since most of them are high tech companies, they are more flexible in utilising information technology in bettering their corporate governance in order to fulfil public expectations.

It is also observed that almost all companies were able to fulfil the people aspect of corporate governance. This suggests that it has become a common understanding that companies can only thrive if they manage the relationships with their different stakeholders well, especially relationships with their customers and employees.

During the twenty-first century, the business environment will undergo drastic changes. As technology continues to develop, traditional industries are going to face major challenges. One of example is the FinTech revolution that has occurred in financial technology in recent years. In adopting such new technologies, traditional corporate governance procedures might be challenged. By that time, industries might not only need to embrace new concepts of corporate governance, but also new expertise. Hence, businesses ought to treat the people aspect of corporate sustainability more seriously in order to face future challenges.

On the other hand, as environmental protection is becoming an increasingly pressing issue. The public places higher expectations on business to fulfil its responsibility in protecting the environment.

Environmental protection is no more than a basic requirement in daily operations. For instance, banks are expected not to lend to customers whose business operation could cause potential harm to the environment. And transportation companies are expected to conduct environment impact assessments before approval of their projects. Unfortunately, many companies are still some way from developing sustainable operations. If they fail to do this, they might lose potential opportunities in the future.

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## Photo Gallery

The top six teams were invited to present their papers on 21 October 2017 and compete for the Best Presenter Award. The six final teams are:


Bao Shiyao
The Hong Kong Polytechnic University


(From left to right)
**Phen Hok Hei, Lin Ching Hsuan and Li Tsz Lok**
The Hong Kong Polytechnic University

(From left to right)
**Wong Shun Kit Charles**
The Hong Kong University of Science and Technology
**Kwok Tsz Wing Nicole**
Hong Kong Baptist University
**Law Pui Ying Velma**
The Chinese University of Hong Kong


(From left to right)
**Chan Yin Lun Ambrose**
The Chinese University of Hong Kong
**Kit Wing Fung**
The University of Hong Kong
**Wang Tsz Him**
City University of Hong Kong

(From left to right)
**Yau Tsz Kwan Cecilia**
Hang Seng Management College
**Chan Po Kei and Yen Hiu Lui**
Hong Kong Shue Yan University


(From left to right)
**Kan Kwan Yi and Cheung Tsz Ying**
Hang Seng Management College

## Awardees of Paper Writing Competition

Arthur Lee FCIS FCS, Assistant President, Company Secretary and General Manager of Investor Relations CGN New Energy Holdings Co, Limited, presenting certificates to the awardees of Paper Writing Competition 2017 in appreciation of their achievement.

### Champion


**Bao Shiyao**
The Hong Kong Polytechnic University

### First runner up

(From left to right)
**Yau Tsz Kwan Cecilia**
Hang Seng Management College
**Yen Hiu Lui**
**Chan Po Kei**
Hong Kong Shue Yan University

### Second runner up

(From left to right)
**Lin Ching Hsuan**
**Li Tsz Lok**
**Phen Hok Hei**
The Hong Kong University of Science and Technology

Polly Wong FCIS FCS(PE), the Institute's Education Committee Vice-Chairman, presenting the certificates to the awardees of Paper Presentation Competition 2017 in appreciation of their achievement.

## Best Presenter Award

(From left to right)
**Wong Shun Kit Charles**
The Hong Kong University of Science and Technology
**Law Pui Ying Velma**
The Chinese University of Hong Kong
**Kwok Tsz Wing Nicole**
Hong Kong Baptist University

## First runner up

(From left to right)
**Lin Ching Hsuan**
**Li Tsz Lok**
**Phen Hok Hei**
The Hong Kong University of Science and Technology

## Second runner up

(From left to right)
**Kan Kwan Yi**
**Cheung Tsz Ying**
Hang Seng Management College

# Merit Certificates

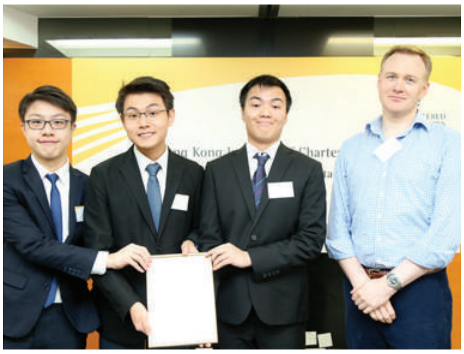
**Winnie Li FCIS FCS, the Institute's Education Committee member, presenting the Merit Certificates to awardees of Paper Writing Competition.**

(From left to right)
**Wang Tsz Him**
City University of Hong Kong
**Kit Wing Fung**
The University of Hong Kong
**Chan Yin Lun Ambrose**
The Chinese University of Hong Kong

(From left to right)
**Kan Kwan Yi**
**Cheung Tsz Ying**
Hang Seng Management College

(From left to right)
**Wong Shun Kit Charles**
The Hong Kong University of Science and Technology
**Law Pui Ying Velma**
The Chinese University of Hong Kong
**Kwok Tsz Wing Nicole**
Hong Kong Baptist University

**Robin Healy FCIS, Assistant Group Secretary, Statutory & Regulatory Reporting of HSBC Holdings plc, presenting the Merit Certificates to awardees of Paper Presentation Competition.**



(From left to right)
**Wang Tsz Him**
City University of Hong Kong
**Kit Wing Fung**
The University of Hong Kong
**Chan Yin Lun Ambrose**
The Chinese University of Hong Kong

(From left to right)
**Bao Shiyao**
The Hong Kong Polytechnic University

(From left to right)
**Yau Tsz Kwan Cecilia**
Hang Seng Management College
**Yen Hiu Lui**
**Chan Po Kei**
Hong Kong Shue Yan University

Group photo of the participants, judges and guests

## Panel judges

Samantha Suen FCIS FCS(PE), the Institute's Chief Executive, presenting the souvenirs to the judges and reviewers of the Corporate Governance Paper Competition and Presentation Award 2017 in appreciation of their support.


**Polly Wong FCIS FCS(PE)**
Company Secretary/Financial Controller of Dynamic Holdings Limited


**Winnie Li FCIS FCS**
Director of CWCC


**Arthur Lee FCIS FCS**
Assistant President, Company Secretary & General Manager of Investor Relations of CGN New Energy Holdings Co, Limited

**Robin Healy FCIS**
Assistant Group Secretary, Statutory & Regulatory Reporting of HSBC Holdings plc

## Reviewers


**Dr Linsey Chen**
Assistant Professor Department of Accountancy of Hang Seng Management College


**Anna Sum FCIS FCS** received the souvenir on behalf for Dr Candy Liu, Assistant Professor – both of them are from Lee Shau Kee School of Business & Administration of The Open University of Hong Kong


**Dr Mark Ng**
Assistant Professor Department of Business Administration of Hong Kong Shue Yan University


**Dr Raymond Wong**
Associate Head & Associate Professor Department of Accountancy of City University of Hong Kong

# Acknowledgement

The Institute would like to thank the following individuals and organisations for their contribution to the Corporate Governance Paper Competition and Presentation Award 2017.

(Names are in chronological order of surnames)

**Reviewers**

1. Dr Linsey Chen, Assistant Professor, Department of Accountancy, Hang Seng Management College
2 Prof David Donald, Professor, Faculty of Law, The Chinese University of Hong Kong
3. David Lai, Lecturer, Department of Accounting, The Hong Kong University of Science and Technology
4. Dr Candy Liu, Assistant Professor, Lee Shau Kee School of Business and Administration, The Open University of Hong Kong
5. Dr Lu Haitian, Associate Head and Associate Professor in Law, School of Accounting and Finance, The Hong Kong Polytechnic University
6. Dr Mark Ng, Assistant Professor, Associate Head and Programme Leader (MSMCP), Department of Business Administration, Hong Kong Shue Yan University
7. Prof Richard Simmons, Professor of Teaching, Department of Accountancy, Lingnan University
8. Dr Raymond Wong, Associate Head and Associate Professor, Department of Accountancy, City University of Hong Kong
9. Dr Davy Wu, Senior Lecturer, Department of Accounting & Law, Hong Kong Baptist University

**Papers panel judges**

1. Joseph Mau FCIS FCS(PE), Managing Director-Listing & Regulatory Affairs & Company Secretary, Hong Kong Exchanges and Clearing Limited
2. Prof James Pong FCIS FCS, Executive Director, Sundart Holdings Limited
3. Paul Yeung, Commission Secretary, Commission Secretariat, Securities and Futures Commission

**Papers Presentation judges**

1. Arthur Lee FCIS FCS, Assistant President, Company Secretary & General Manager of Investor Relations CGN New Energy Holdings Co, Limited
2. Winnie Li FCIS FCS, Director, CWCC
3. Polly Wong FCIS FCS(PE), Company Secretary/Financial Controller, Dynamic Holdings Limited
4. Robin Healy FCIS, Assistant Group Secretary, Statutory & Regulatory Reporting, HSBC Holdings plc

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