REPORT

International Conference
"Corporate Governance and Sustainable Development – Industries, Higher Education, NGO's"

May 4, 2017, Hong Kong

International Conference "Corporate Governance and Sustainable Development – Industries, Higher Education, NGOs" was held in Hong Kong on May 4th, 2017 with the joint organizational participation of the publishing house "Virtus Interpress", Prof. Shirley Yeung, Director of the Centre for Corporate Sustainability and Innovations (CCSI), Hang Seng Management College and Virtus Global Center for Corporate Governance.

The main purpose of the conference was to explore the interrelation of sustainable development and corporate governance in corporate sector, NGOs and education. The event was aimed to provide a platform for academics and practitioners to analyze recent trends and upcoming challenges in the following areas: corporate governance, sustainability and reporting, audit, corporate law, corporate governance regulation, accounting disclosure, earnings management, corporate transparency issues, board practices, risk management, corporate control, corporate finance, sustainable development on micro- and macro level.

The conference has started with the welcome and opening remarks of the conference host from Hang Seng Management College – Prof. **Shirley Yeung**. She has greeted the participants and outlined the importance and relevance of the main focus of the conference – governance and sustainability. Prof. Yeng told to the delegates about successes of CCSI in developing the theme of sustainability on national and international levels. This welcome speech was continued by the representative of the Virtus Global Center for Corporate Governance – Dr. **Yaroslav Mozghovyi**, who wished delegates to have a productive event and passed the floor to the first key-note speaker, who has delivered a deep analysis of the possible consequences that financial markets may face if the companies fail to adhere to the key principles of good corporate governance.

The first key-note speaker Prof. **Hugh Grove** from School of Accountancy, Daniels College of Business, University of Denver made a presentation titled "Weak corporate governance and $1.5 trillion of investment losses". He has mentioned that weak corporate governance facilitated over $1.5 trillion in investment losses in the 21st Century in just 17 primarily U.S. public companies. Thirteen prominent U.S. business leaders from industry, asset management firms, and an activist investment firm secretly worked for one year to develop corporate governance principles that would become a pathway for the future. The importance of implementing good corporate governance principles, as developed by this committee in 2016, is stressed by these $1.5 trillion of investment losses. The speech of Prof. Grove has highlighted the lessons learned from these scandals to reinforce these corporate governance principles as a pathway to avoid such malpractices in the future. The presentation was followed by the active discussion with the audience.

The conference flow was continued by the plenary session and three exceptionally interesting papers outlining various issues of governance. The first presentation in the plenary part was delivered by Mr. **Kobsidthi Silpachai**, Head - Capital Markets Research, Capital Markets Business Division at Kasikornbank and DBA researcher at School of Management, Asian Institute of Technology, Thailand. His presentation was titled "Corporate governance, information asymmetry and investor relations". Mr. Silpachai mentioned that banking crises have been around since there have been money as one of the instruments for exchange. Recent decades have seen a large share of banking scandals ending up in bankruptcies and investors losing large amounts of money. In a post crises era a renewed emphasis are placed on both external and internal corporate governance mechanisms to earn back investor confidence. Internal corporate governance mechanisms, board of directors and the role of investor relations officers (IROs) received more attention. Kobsidthi presented a key dilemma of investors with respect to corporate governance, that is, information asymmetry and how IROs can help reduce such imbalances. He found evidence in the banking sector that investors are willing to pay a premium for stock which offers better earnings visibility.

The floor was then provided to Prof. **Maclyn Clouse**, representing Daniels College of Business, University of Denver who made a speech titled "The role of risk management in corporate governance: guidelines and applications". Mac mentioned that risk management should be a key concern of board members to enhance corporate governance in any organization. He has presented a research that advocated eleven key numbers, ratios, and models for risk management analyses in order to research a case study of the company, that destroyed $12.9 billion in four different types of investments: $2.2 billion in stock market value, $0.3 billion in private equity investments, $2.5 billion in global bonds, and $7.9 billion in Chinese short-term and long-term debt. Thus, the use of key financial statement metrics, including fraud models and ratios, has been shown by the speaker to provide enhanced corporate governance with risk management guidelines and applications.

The third presentation during the plenary session was made by Prof. **Hyonok Kim** from Tokyo Keizai University, Japan with the speech titled "Business risk disclosure and firm risk: evidence from Japan". Prof. Kim empirically examined the effect of mandatory business risk disclosure and found that there is a negative association between total risk and the mandatory business risk disclosure. This suggests that an increase in business risk disclosure contributes to reduce a firm's cost of capital, which is contrary to the results found in previous research. Prof. Kim mentioned that research also found that there is a positive relationship across firms and years after the inception between the amount of business risk disclosure and total risk, indicating that mandatory business risk disclosure has an impact on increasing investors' assessment of firms' risk. Although the two effects offset each other, the effects of enhanced disclosure of business risks on reducing the cost of capital exceed the effects on increasing the cost of capital.

After the lunch break the conference was continued by the second key-note speech delivered by Prof. **Andy Hor**, Vice-President and Pro-Vice-Chancellor (Research), Hong Kong University. The title of Prof. Hor's presentation was "Sustainable growth of tertiary institutes in a knowledge-based economy". During his speech Prof. Hor outlined experience of Hong Kong University in sustainable growth in terms of modern development of research, science and economy. He has shared important cases and ideas of how this process can be repeated by other institutions and why it is crucial for countries and humanity.

During the discussion of the speeches the importance of sustainability and high quality governance was raised. Industry and academia should collaborate more in order for theory to be implemented in practice and bring a fruitful results.

The conference was then divided into 2 parallel sessions. The first parallel session was titled "Corporate Governance: Trends and Challenges" and the second parallel session was held under the title "Corporate Governance, Disclosure and Sustainable Development".

The first parallel session, which was devoted to general issues of governance was lead by session chair Prof. Mac Clouse.

The session has started with the presentation of Prof. **Anthony Nwafor** from University of Venda (RSA). His study outlined the goal of corporate rescue in company law in different countries. Prof. Nwafor concluded that the powers of the directors to initiate business rescue proceedings under the law is a purely business decision, as such, the judicial attitude should follow the business judgment rule approach to such decision. He argued that while under the UK statutory provisions, the Insolvency Practitioner could pursue alternative goals of either rescuing the company or achieving better results for the creditors, the South African and Indian statutory provisions do not provide such alternatives for the Business Rescue Practitioner or the Administrator as the case may be and that the seeming ancillary purpose of crafting a fair deal for the stakeholders under the South African Companies Act's provision should be pursued within the context of the goal of restoring the company to business viability.

This presentation was followed by the talk of Prof. **Mukhtaruddin** from Sriwijaya University (Indonesia). The researcher aimed to identify the effect of good corporate governance (institutional ownership, managerial ownership, frequency of board meeting, frequency of audit committee meeting), firm size, and leverage on the earning management. The results of the research showed that partially, only leverage has significant effect on earning management, while other variables have no significant effect on earning management on their own unless they are brought together which should be taken into account by the stakeholders of the companies.

Prof. **Shame Mugova** from Durban University of Technology (RSA) explored the limits of corporate governance in financial sector development. He used a fixed effect regression of financial sector development and trade credit of firms listed on the Johannesburg Stock Exchange to ascertain the impact of financial sector development on trade credit use. The Socially Responsible Index (SRI), which measures corporate governance, was also calculated by the researcher. It was found that good corporate governance practices do not result in substituting of trade credit despite its high implicit costs with bank loans for working capital financing.

Presentations of research on corporate governance was continued by Prof. **Taufan Maulamin** & Prof. **Dwi Pramaya Bhakti** who empirical examined the connection between corporate governance, tax reforms and tax management. The researchers found out that most companies practiced tax management together with earning management; tax management performed by companies depends on tax facility; earning management practiced by companies depends on financial condition of company; proactive approach executed by both board of commissioner and of director might be able to lessen company's tax expense.

The last presentation in the first session was delivered by Prof. **Wellington B. Zondi** representing University of KwaZulu-Natal (RSA) who wanted to assess over a three year period how strategic South African state-owned enterprises (SOEs) have performed with regards to corporate governance. The study revealed that while there was evidence of sound governance practices in some areas the South African SOEs, they are still faced with serious transgressions of corporate governance. The study showed that the SOEs still lacked leadership in a variety of areas such as expenditure management leadership, governance and risk management just a few to mention. It was recommended by Prof. Zondi that political affiliation must not be a consideration when board members are appointed since the SOEs are expected to operate like private companies, skill and experience must therefore be the main considerations.

The second parallel session, which was devoted to the issues of corporate governance, disclosure and sustainable development was chaired by Prof. Shirley Yeung, Hang Seng Management college, Hong Kong.

The first presenter was Prof. **Mukhtaruddin** from University of Sriwijaya, Indonesia, who, together with his colleagues attempted to analyze the effect of company characteristics (company size, company age, and profitability) and good corporate governance (board of commissioner and audit committee) on social disclosure of the companies. Results of the presented study indicated that board of commissioner has significant influence on CSR disclosure, but company size, company age, profitability and the audit committee did not show a significant effect.

Mr. **Francis Awolowo** from Sheffield Hallam University, the UK as a specialist in corporate audit made a presentation titled "Financial statement fraud: auditors are not to be blamed". He argued that auditors are not to be blamed for their inability to detect fraud in the financial statements, as financial statement audit is not designed to uncover financial deception in the first place. Therefore, he proposed that, for auditors to do a better job at uncovering financial deception, the current accounting paradigm of reporting and procedural auditing will need to change to a forensic accounting paradigm. The researcher argued that this is the only way out of the complex and unpleasant state that financial statement frauds have brought to the accounting profession.

Further on Prof. **Haitham Nobanee** representing both Abu Dhabi University and University of Liverpool Management School made a presentation titled "Corporate governance and sustainability disclosure: evidence from UAE banks: Islamic versus conventional". The research was aimed at determining the impact of corporate governance (board of directors, auditing committee, and remuneration committee) on the sustainability disclosure by differentiating between Islamic and conventional banks. The researcher examined the impact of the corporate governance on the degree of sustainability disclosure as well as the impact of the sustainability disclosure on profitability of listed banks on the UAE financial markets during the period 2003-2013. The conclusions caused an active discussion with the audience.

The next presentation titled "Commitment for sustainable development and UN initiatives – returns and performance shown" was delivered by Prof. **Shirley Yeung**, and Prof. **David Chui**, bot from Hang Seng Management College. Researchers wanted to reflect the commitment of organizations in ESR reporting. Based on organizations of China and Germany selected from Bloomberg database, it was found that the selected organization in China and selected organizations in Germany are found without any CSR training for employees though they have training policy and ESG reporting in place in past years. It was suggested by the researchers to integrate the 17 sustainable development Goals of United Nations to empower women with decent jobs for economic and social impacts, to link up ISO 26000 CSR guidelines to inclusion, for example, community involvement and employee issues, and making the criteria of ESG reporting to be more specific, for example, covering the number of times of CSR training and ways of involving women workforce in decision-making.

The concluding talk was delivered by Prof. **Wachyudhi. N.** from Krisnadwipayana University, Indonesia. His study was aimed at examining the role of loyalty program to moderate the effect of satisfaction on positive word of mouth. The results indicated that service quality has positive effects on sustainable development and word of mouth, as well as the tuition fees has positive effects on sustainable development and stakeholder engagement in higher education.

The international conference has become a platform for researchers to share their work and brought to them an important opportunity to expand the international network and open new ways for the future collaborations.

This international conference as always was conducted in the atmosphere of interesting communication between aspired researches with common views on the key issues discussed at the conference.

Organizers of the conference would like to express their gratitude to all participants and supporters who joined our international network and visited Hong Kong to make their deposit by high quality presentations, interesting discussions and feel unique atmosphere of the fruitful scientific gathering.

CONFERENCE ORGANIZING COMMITTEE

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