



ASIAN CORPORATE GOVERNANCE ASSOCIATION

CG WATCH 2020:

“FUTURE PROMISE: ALIGNING GOVERNANCE AND ESG IN ASIA”

Agenda

1. CG Watch 2020: New market rankings and scores
2. Changes in market rankings
3. Ecosystem relative performance
4. Category “heat map”
5. Comments on rising scores
6. Aligning governance and ESG in Asia

CG Watch 2020: New market scores and rankings

Rank	Total (%)	Change vs 2018 (ppt*)
1. Australia	74.7	+3.7
=2. Hong Kong	63.5	+3.5
=2. Singapore	63.2	+4.2
4. Taiwan	62.2	+6.2
=5. Malaysia	59.5	+1.5
=5. Japan	59.3	+5.3
7. India	58.2	+4.2
8. Thailand	56.6	+1.6
9. Korea	52.9	+6.9
10. China	43.0	+2
11. Philippines	39.0	+2
12. Indonesia	33.6	-

Source: ACGA

*ppt = percentage point

CG Watch 2020: How market rankings have changed

2018 ranking	2020 ranking	2020 ranking change
1. Australia	1. Australia	-
2. Hong Kong	=2. Hong Kong	-
3. Singapore	=2. Singapore	+1
4. Malaysia	4. Taiwan	+1
5. Taiwan	=5. Malaysia	-1
6. Thailand	=5. Japan	+2
=7. India	7. India	-
=7. Japan	8. Thailand	-2
9. Korea	9. Korea	-
10. China	10. China	-
11. Philippines	11. Philippines	-
12. Indonesia	12. Indonesia	-

Source: ACGA

Legend:
Green = improved ranking
Red = reduced ranking

CG Watch 2020: Ecosystem relative performance*

Market	Stronger performance	Weaker performance
1. Australia	CG Rules; Audit Regulation	Government; Regulators
=2. Hong Kong	CG Rules; Regulators	Investors; Listed Companies
=2. Singapore	CG Rules; Audit regulation	Investors; Listed Companies
4. Taiwan	Government; Listed Companies	Investors; CG Rules
=5. Malaysia	CG Rules; Audit regulation	Government; Civil Society
=5. Japan	Government; Civil Society	Listed Companies
7. India	Investors; Civil Society	Government; Investors
8. Thailand	CG Rules; Listed Companies	Government; Civil Society
9. Korea	Government; Investors	CG Rules; Civil Society
10. China	CG Rules	Investors; Civil Society
11. Philippines	Audit regulation	Investors; Civil Society
12. Indonesia	Audit regulation	Investors; Regulators

Sources: ACGA; and ACGA, ARE for listed companies.

*Relative: compared to other markets in the survey; except for CH, PH and ID, where the “stronger” column represents their highest score.

CG Watch 2020: Ecosystem heat map

Category scores: 2020 vs 2018												
	AU	CH	HK	IN	ID	JP	KR	ML	PH	SG	TW	TH
Government	Green	Red	Green	Green	Green	Green	Green	Red	Green	Green	Green	Red
Regulators	Green	Red	Green	White	Green	Green	Red	Red	Green	Green	Green	Green
CG Rules	Green	Green	Green	Green	White	Green	Green	Green	Green	Green	Green	Green
Listed Companies	Green	Green	Green	Green	Red	Red	Green	Green	Green	Red	Green	Red
Investors	Green	White	Green	Green	White	Green	Green	Green	White	Green	Green	Green
Auditors	Green	Red	Green	Green	Red	Green	Green	Green	Red	Green	Green	Green
Civil Society	Green	White	White	Green	Red	White	Green	Red	Red	Green	Green	Red

Sources: ACGA; and ACGA, ARE for listed companies

Legend:

Green box = higher score than 2018

Red box = lower score than 2018

White box = no change in score

Comments on rising scores

There are three possible reasons for the higher scores in CG Watch 2020:

1. Genuine improvements have occurred in market performance.
2. Effect of our more granular scoring methodology in 2020.
3. Errors from 2018 have been corrected.

Comments on rising scores

Our conclusion is that rising scores are mostly a function of points 1 and 2, since the number of errors corrected from 2018 are relatively small.

Methodological factors appear to have affected three sections of the report in particular: CG Rules, Listed Companies, and Investors.

We nevertheless see substantive improvements across all seven categories of our survey and in most markets. Despite some obvious areas of backtracking (eg, dual-class shares), overall we see forward movement in corporate governance and ESG in Asia.

Future promise: Aligning governance and ESG in Asia

The links between corporate governance, ESG, and sustainable development are weak or fragmented across much of Asia. Eg;

- CG codes say little about how boards should prepare for climate risk, oversee the ESG reporting process, or upskill for broader ESG risks and opportunities.
- Listed companies need clearer and more practical guidance on ESG/sustainability reporting, a rapidly changing arena with multiple standards.
- There is little discussion on the proper role for ESG-report assurance.

Future promise: Aligning governance and ESG in Asia

- Stewardship codes and CG codes are not well-aligned.
- The internal governance of institutional investors receives limited attention.
- The quality of investor reporting on stewardship varies considerably.
- The green finance and sustainability policy aspirations of central banks, securities commissions, and stock exchange are often not well-aligned.
- We make a series of recommendations for improving the alignment of governance and ESG.

For more information contact:

Jamie Allen

Secretary General

Jamie@acga-asia.org

Asian Corporate Governance Association Ltd

18th Floor, Wilson House

19-27 Wyndham Street, Central, Hong Kong

Tel: +852 2160 1788 (office)

Visit our website: www.acga-asia.org

