



Regional overview: Asia's choices

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Questions

Board governance in Asia: still form over substance?

Are there limits to what Asia-Pacific can achieve in CG reform?

Will sustainability and climate change be catalysts for better governance?

Will investor stewardship be a catalyst for better governance?

Which markets are currently the fastest growers?

Asia's hybrid governance

	Historic form of board	Complicating structural factors
Australia	Single-tier	-
China	Dual: board + supervisory board	Party Committees
Hong Kong	Single	-
India	Single	-
Indonesia	Two-tier: board of directors + board of commissioners	Outside experts on audit committees
Japan	Two-tier: board of directors + statutory audit board	Now 3 options: traditional; 3 Committees; A+S Committee. + voluntary nomination/remuneration committees
Korea	Dual: board + auditors (supervisors)	Larger listed companies must have audit committees instead of auditors (supervisors). NC only selects INEDs.
Malaysia	Single	-
Philippines	Single	-
Singapore	Single	-
Taiwan	Dual: board + supervisors	Listed companies must now have audit committees instead of supervisors; Legal-entity (ie, corporate) directors.
Thailand	Single	-

Source: ACGA research

Dominant ownership / control

	Historic form of board	Complicating structural factors	Dominant ownership form
Australia	Single-tier	-	Dispersed
China	Dual: board + supervisory board	Party Committees	Concentrated (state and family)
Hong Kong	Single	-	Concentrated (family)
India	Single	-	Concentrated (state and family)
Indonesia	Two-tier: board + commissioners	Outside experts on audit committees	Concentrated (state and family)
Japan	Two-tier: board + statutory auditors	3 options: traditional; 3 Committees; A+S Committee. + Voluntary NC/RCs	Dispersed with entrenched management; high cross-shareholdings
Korea	Dual: board + auditors (supervisors)	ACs mandatory for larger caps. NC only selects INEDs.	Dispersed but with family or state control
Malaysia	Single	-	Concentrated (state and family)
Philippines	Single	-	Concentrated (state and family)
Singapore	Single	-	Concentrated (state and family)
Taiwan	Dual: board + supervisors	ACs now mandatory; legal entity directors	Dispersed but with family or state control
Thailand	Single	-	Concentrated (state and family)

Source: ACGA research

Board leadership: not independent

	Historic form of board	Complicating structural factors	Dominant ownership form	Board chairman (typical)
Australia	Single	-	Dispersed	Independent
China	Dual	Party Committees	Concentrated	Non-independent
HK	Single	-	Concentrated	Non-independent
India	Single	-	Concentrated	Non-independent
Indonesia	Two-tier	Outside experts on AC	Concentrated	Non-independent
Japan	Two-tier	3 options. + Voluntary NC/RCs	Dispersed + friendly	Non-independent
Korea	Dual	ACs for larger caps	Dispersed, controlled	Mixed (large caps)
Malaysia	Single	-	Concentrated	Independent (large caps)
Philippines	Single	-	Concentrated	Non-independent
Singapore	Single	-	Concentrated	Non-independent
Taiwan	Dual	ACs required; legal entity directors	Dispersed, controlled	Non-independent
Thailand	Single	-	Concentrated	Non-independent

Source: ACGA research

Nomination committees: independently led; independent in action?

	Board chairman (typical)	Lead INEDs? (# of 15)*	Nomination c'tee chair (typical)	INED as chair (# of 15)*	Board evaluation draft scores (0-5)
Australia	Independent: 15 of 15	n/a	Independent	14 of 15	2.5
China	Non-independent	0	Independent	15 of 15	0
HK	Non-independent	0	Independent	11 of 15	0 / 3
India	Non-independent	6	Independent	15 of 15	2
Indonesia	Non-independent	4	Independent	11 of 15	2
Japan	Non-independent	0	Independent	11 of 15	2.5
Korea	Mixed: 7 “board” chairs	0	Independent	12 of 15	1.5
Malaysia	Independent: 9 of 15 (?)	10	Independent	14 of 15	3
Philippines	Non-independent	2	Non-independent	5 of 15	2
Singapore	Non-independent	9	Independent	13 of 15	2.5
Taiwan	Non-independent	0	Non-independent	3 of 15	3.5
Thailand	Non-independent	5	Independent	11 of 15	1.5

Source: ACGA research

*Review of 180 large caps across the region; 15 per market.

INED pay: more alignment than conflict

	Base pay	Stock options/share awards	% earnings, bonuses	Other benefits
Australia	Fees	No, but most required to buy company shares.	-	Travel allowances. Pensions.
China	Fees (low)	Few hold shares.	-	Travel expenses.
HK	Fees	Stock options & restricted stock units at tech firms. But most do NOT offer them.	-	-
India	Fees	Not allowed	Payment of commission the norm: up to 1% of profits.	Travel expenses.
Indonesia	Fees / ?	Few hold shares.	Bonuses; % of profits	Festival, travel allowances; insurance
Japan	Fees	Two firms offer restricted stock units.	-	-
Korea	Fees	Stock grants (small). Some options.	One company paid bonuses.	Meeting allowances.
Malaysia	Fees	Mostly not paid.	-	Some emoluments, benefits can be significant.
Philippines	Fees	-	One company paid bonuses.	Per diems.
Singapore	Fees	Mostly not, but some paid partly in shares (30%) or encouraged to buy. Performance shares.	-	Meeting allowances.
Taiwan	Fees	-	% of earnings paid at some firms	Service expenses
Thailand	Fees	-	% of revenue. Bonuses.	

Source: ACGA research

Mixed outcomes

On average, we are still finding:

- Significant imbalance of power between executive and independent directors
- Opaque corporate governance reporting (ie, what the board does)
- Inadequate training of directors + poor disclosure
- Limited board evaluations + poor disclosure
- Limited and unambitious board diversity policies
- Limited financial literacy and expertise on audit committees
- Superficial skill matrices

More positively:

- Sustainability reporting is improving rapidly
- Individual companies in each market are out-performing
- Companies pay very close attention to what the regulator wants, hence a well-designed rule can have an outsize impact

Are there limits to what Asia can achieve? CG Watch 2020 scores suggest there is....

Rank	Total (%)	Change vs 2018 (ppt*)	Macro market highlights
1. Australia	74.7	+3.9	Banking commission spurs enforcement, still no federal ICAC
=2. Hong Kong	63.5	+3.3	New audit regulator, enforcement remains strong, ICAC disappoints
=2. Singapore	63.2	+4.4	Enforcement firming, rules improve, company disclosure disappoints
4. Taiwan	62.2	+5.8	Big CG reform push on multiple fronts, rules still complicated
=5. Malaysia	59.5	+1.5	Political turmoil erodes government scores, other areas hold steady
=5. Japan	59.3	+5.5	Ahead on climate change reporting, behind on company CG disclosure
7. India	58.2	+3.8	New audit regulator, civil society surges, public governance disappoints
8. Thailand	56.6	+1.4	Political turmoil erodes government scores, rules strong, investors improve
9. Korea	52.9	+6.7	Public governance strengthens, CG disclosure improves, regulatory opacity
10. China	43.0	+2.2	Forging its own governance path, still waiting for ESG reporting guidelines
11. Philippines	39.0	+2.3	Stronger regulatory focus on CG, investors and civil society disappoint
12. Indonesia	33.6	-0.9	CG reform continues to struggle, some stronger rules, new e-voting system

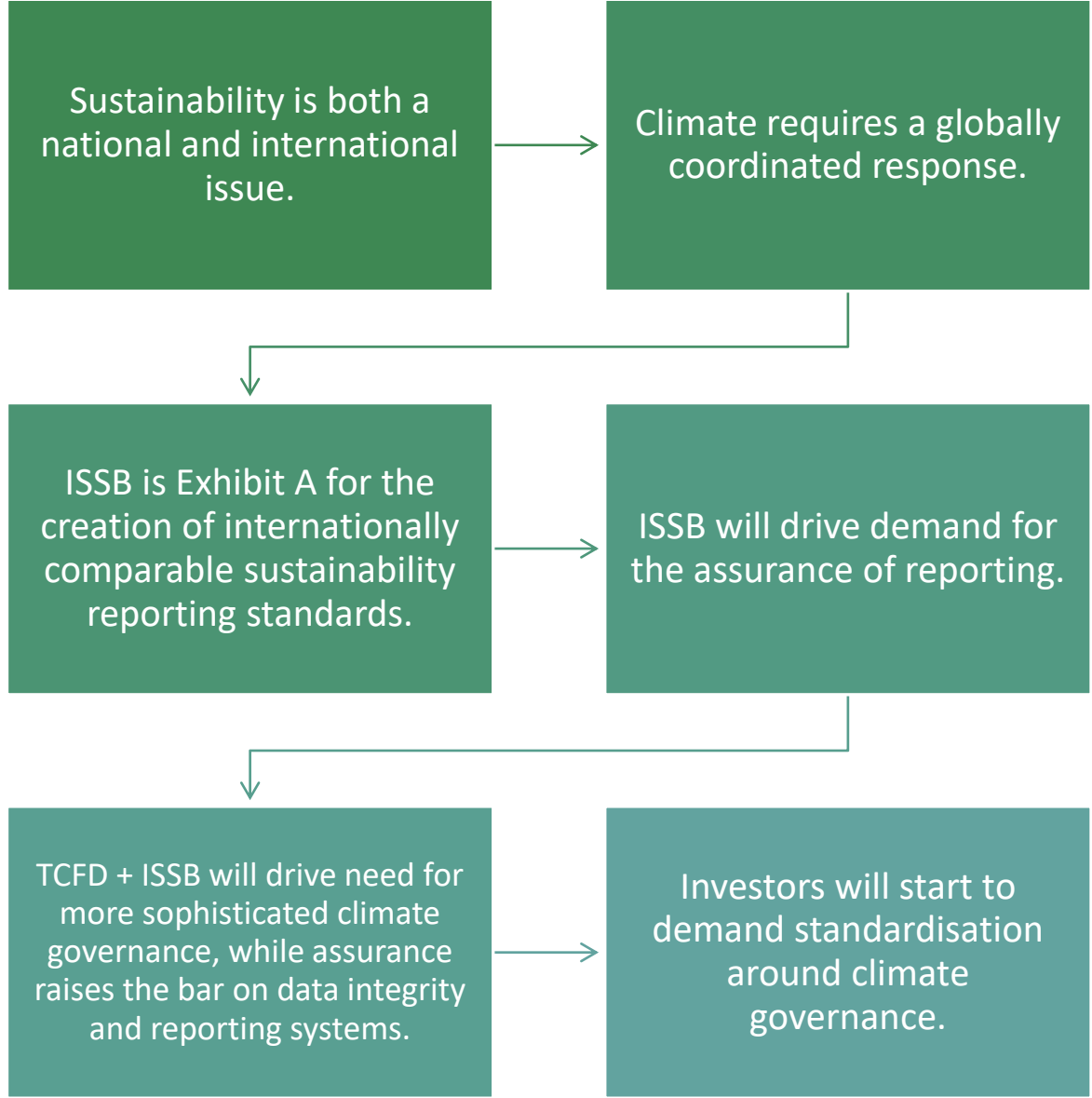
Source: ACGA, May 2021

*ppt = percentage point

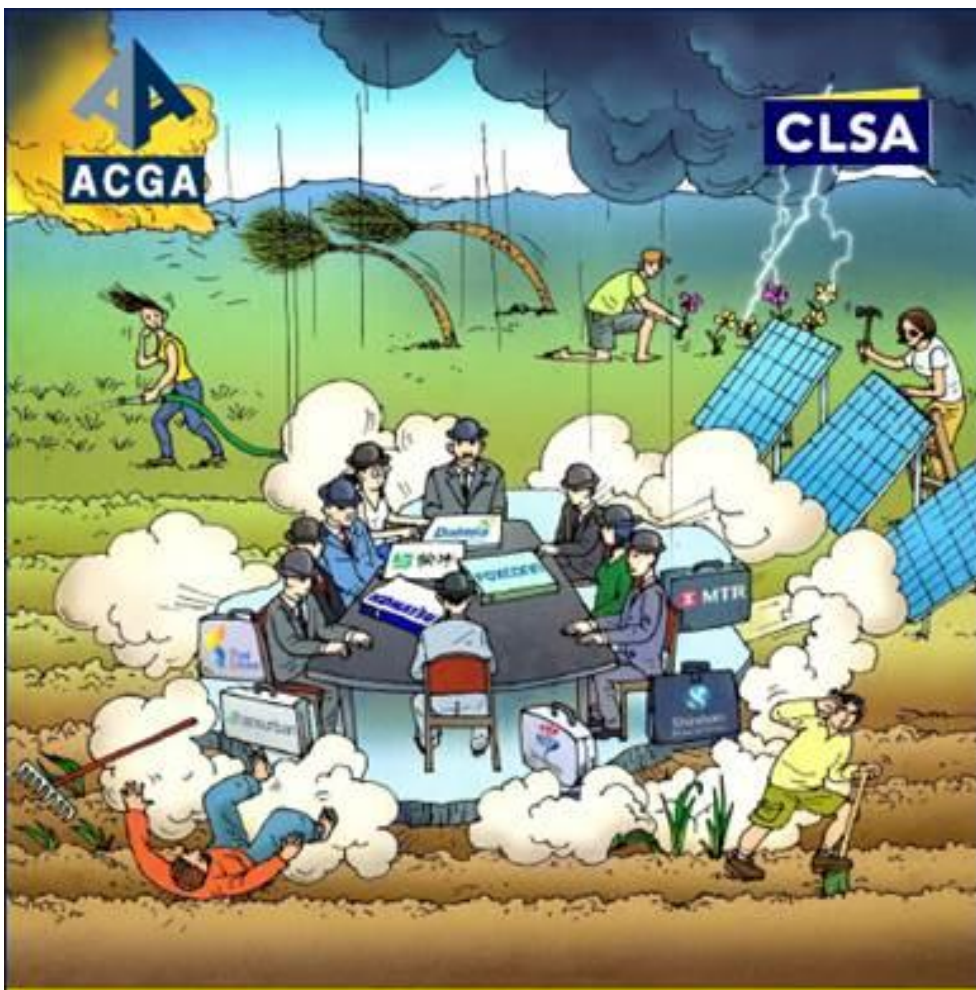
Are there
limits? It
depends on
choices and
decisions
made...

- Political uncertainty: domestic + geopolitical
- Corruption
- Weak regulators vs overly powerful regulators
- Ageing boards + lack of renewal
- Non-diverse boards

Geopolitics is not new. The GFC led to a backlash and set back the cause of reform in Japan by many years. In China it arguably contributed to the strengthening of centripetal forces that gained pace in earnest in 2011.



Sustainability
as a catalyst?
Yes



Down to earth

Climate governance case studies in Asia Pacific

Special report

December 2022

9 case studies on how companies are responding in Asia-Pacific

ISSB: Asia-Pacific is getting on board

Market	Action
Australia	Recent consultation on climate disclosure; proposing mandatory assurance
China	Seat on the ISSB Board; Beijing office responsible for emerging market promotion
Hong Kong	Recent HKEX consultation on climate disclosure; HKICPA plans to adopt S1 + S2
Japan	Seat on the ISSB Board; created Sustainability Standards Board of Japan in 2021; planning to converge and start reporting from 2025
Korea	Seat on the ISSB Board; formed KSSB under KAI in 2023; it is working on adoption of S1 + S2; new ESG disclosure framework based on ISSB from 2025
Singapore	Formed Sustainability Reporting Advisory Council in 2022; recent consultation on mandatory climate disclosure for listed + large non-listed companies
Taiwan	Sustainable Development Guidemap in 2023. Converge with ISSB over 2024 to 2027. Extending mandatory assurance to GHG inventories for large issuers from 2024.

Source: ACGA research



Stewardship as a catalyst? Yes

- The emergence of “stewardship codes” for investors in 2014 in Japan and Malaysia a potential gamechanger.
- In one sense, nothing new: investors should development a responsible investment policy, then vote and engage.
- In another, quite new. Investors should:
 - Manage conflicts of interest. This requires more sophisticated internal fund governance structures and systems.
 - Report annually on their progress in stewardship.
 - (Selected markets) Disclose voting down to the company and resolution level.
 - Engage collectively where necessary or appropriate.
- But again: this depends on the choices investors make to utilize these powers to the full or not.

Current growth markets

Japan is trying to seize the moment:

- TSE focus on capital efficiency and profitability to address low valuations of listed companies.
- FSA new “Action Programme” to accelerate CG reform. Addressing several deeply entrenched problems.
- Government driving gender diversity and women’s empowerment.
- METI pushing fairer and more transparent takeovers.

Taiwan focussing on sustainability and legal framework:

- Sustainable Development Guidemap (2022) and Actions Plans
- Mandating GHG assurance.
- “Audit Quality Indicator” (AQI) framework and transparency reporting for audit firms.
- New Commercial Court (2021).
- Lowered threshold for substantial disclosure to 5%--at last!
- New blackout period for director trading.
- Improved director remuneration disclosure.
- Encouraging disclosure of investor voting down to the company and resolution level.

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