

ASEAN Corporate Governance Scorecard

Corporate Governance: Challenges & Opportunities 20 November 2017

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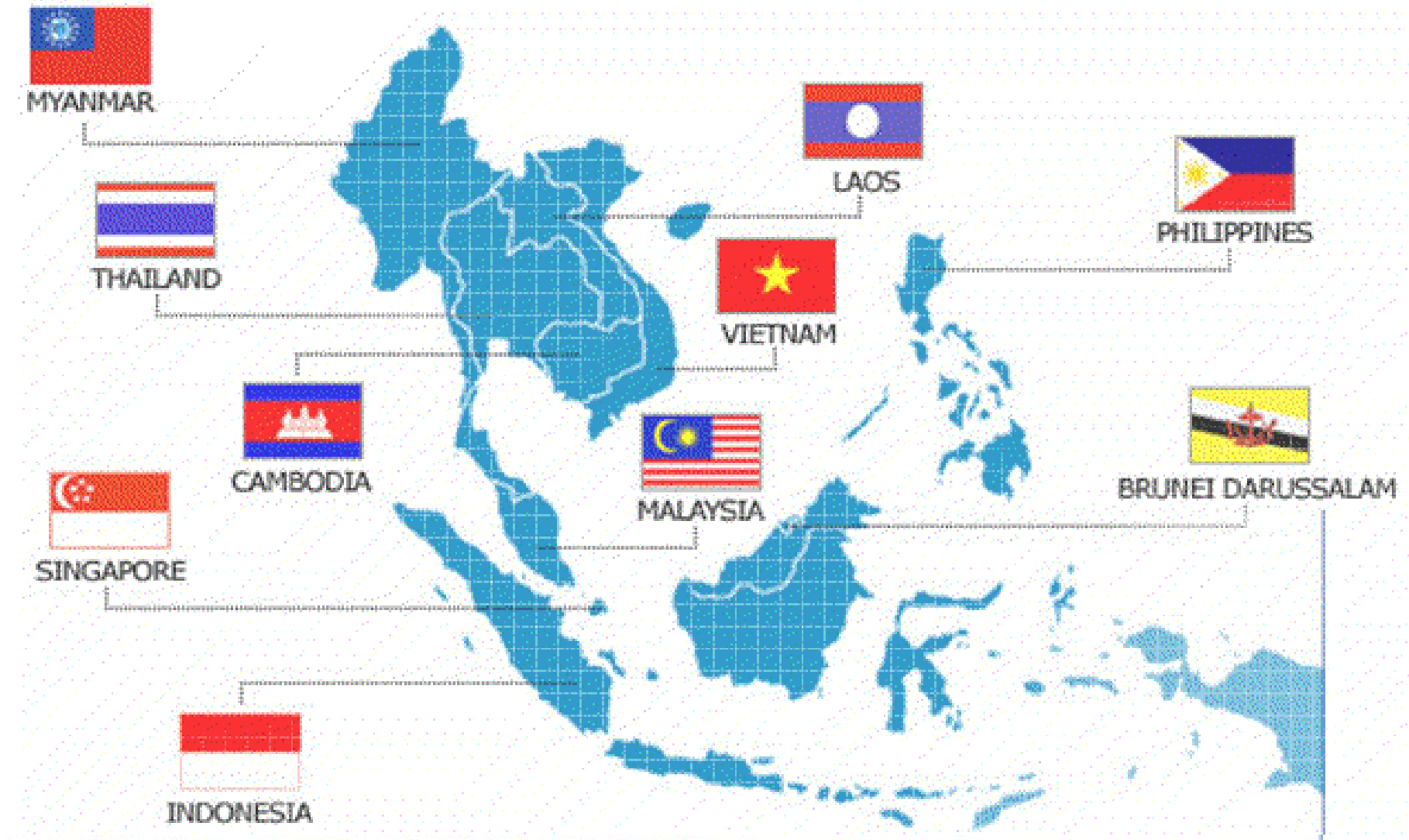
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Overview

- ASEAN Capital Market Forum (ACMF)
- Why ASEAN Corporate Governance? Goals, & Objectives
- Structure, Methodology and Assessment Process
- Overall Findings: 2012-2015 Results
- Best Practices and Areas for Improvements
- 2016 Review and Key Enhancements
- Opportunities & Challenges

ASEAN Capital Markets Forum (ACMF)



Why ASEAN Corporate Governance? Goals & Objectives

- i. Importance of corporate governance to brand ASEAN as an asset class - Showcase and enhance the visibility of well-governed PLCs regionally and internationally
- ii. Corporate Governance is an important factor in investment decision-making
- iii. Recognition that corporate sustainability and resilience hinges on good corporate governance practices
- iv. ASEAN corporates are operating across borders
- v. Well developed national systems in ASEAN countries with active domestic ranking bodies.
- vi. Commitment by securities regulators in the region
- vii. Produce regional champions

Structure & Methodology of the ASEAN CG Scorecard

The Scorecard is mainly based on OECD Principles of Corporate Governance...

...and takes into account other global and regional best practices and initiatives

Global & national best practices



OECD Principles of CG



ICGN Global CG Principles (Rev 2009)



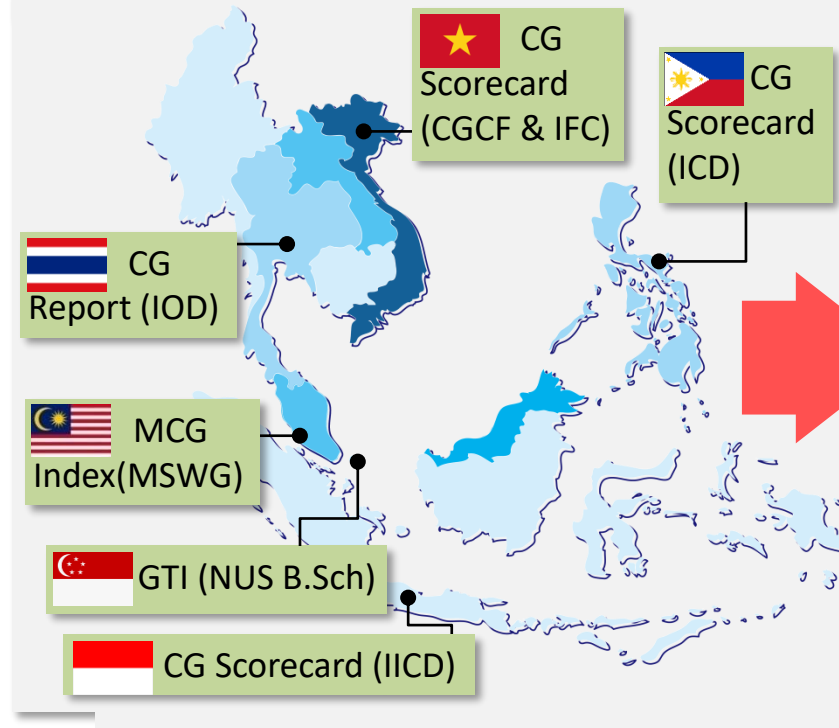
WORLD BANK GROUP

World Bank CG ROSC Assessment Template



ACGA-CLSC CG Questionnaire

Initiatives within ASEAN



Since the implementation of the ASEAN CG Scorecard, most countries have indicated their commitment to adopt the ASEAN CG Scorecard in place of their national initiatives

Structure & Methodology of the ASEAN CG Scorecard

There are two levels to the ASEAN CG Scorecard

Level 1

Five major sections that corresponds to the OECD Principles

Part A: Right of Shareholders

Part B: Equitable Treatment of Shareholders

Part C: Role of Stakeholders

Part D: Disclosure & Transparency

Part E: Responsibilities of the Board

Total no of items/ descriptors



Level 2

Two additional sections
Bonus & Penalty

Bonus items for companies that go beyond minimum standards

Penalty items for companies with poor practices

Total bonus and penalty items

ASEAN Corporate Governance Scorecard

Assessment Process

Select top 100 companies by market cap (per country)

Domestic Evaluation

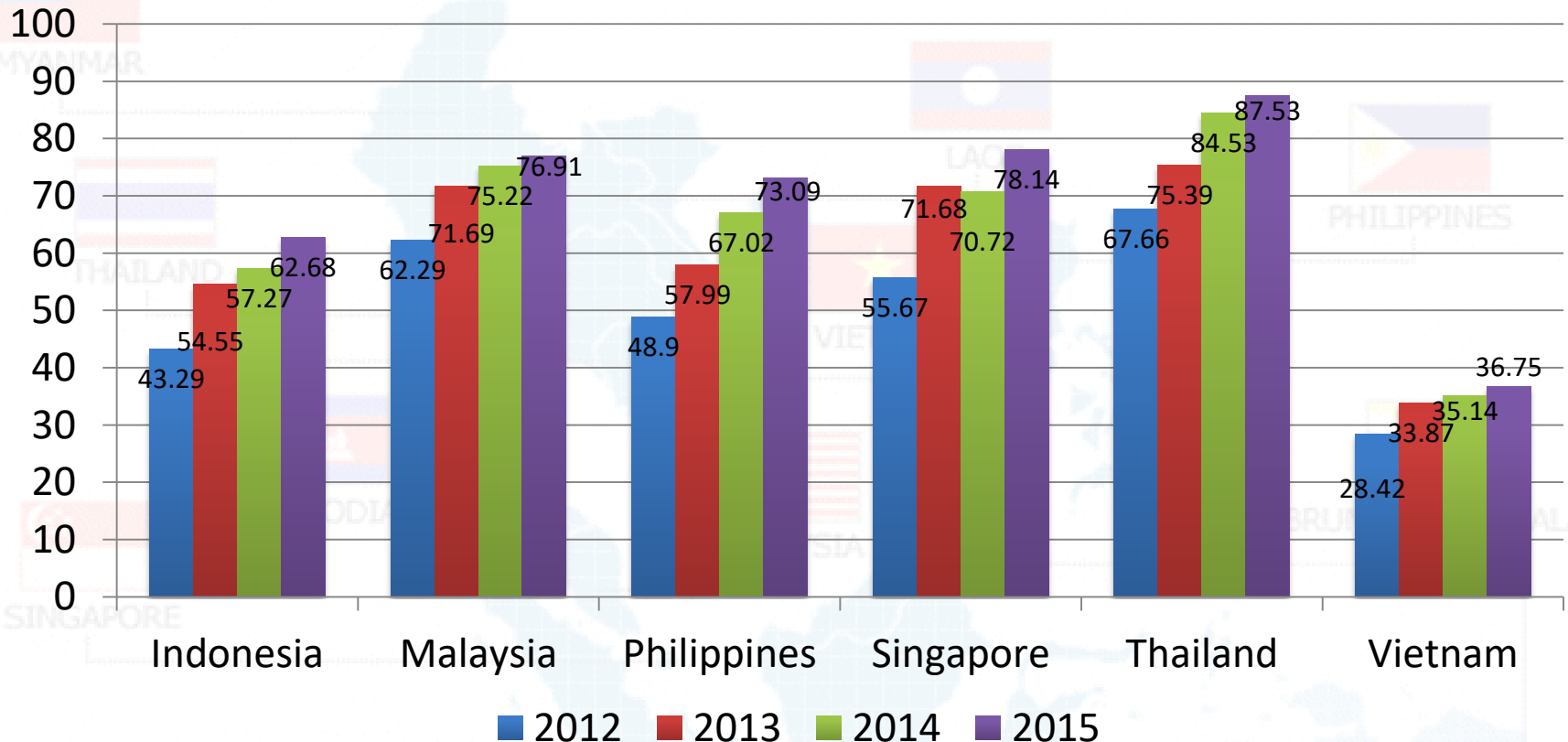
Peer Review Process

Finalization of Scores

- To ensure the consistent application of the Scorecard, detailed assessment notes have been developed for individual items
- Assessment relies primarily on publicly available and easily accessible information (i.e., annual reports, company websites, minutes, announcements, etc.)
- Information should be in English

2012-2015 ACGS Results (ASEAN)

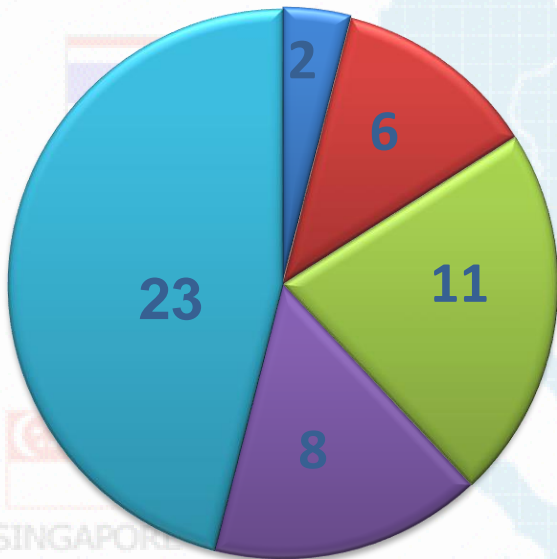
Mean Scores by Country



- Based on average scores, the best performing PLCs were from TH followed by SG and MY
- Countries with most improved average scores since 2012 are PH (49.5%) and IND (44.8%)

ASEAN Top PLCs (2015)

No. of PLCs per Participating Country



Indonesia

Malaysia

Philippines

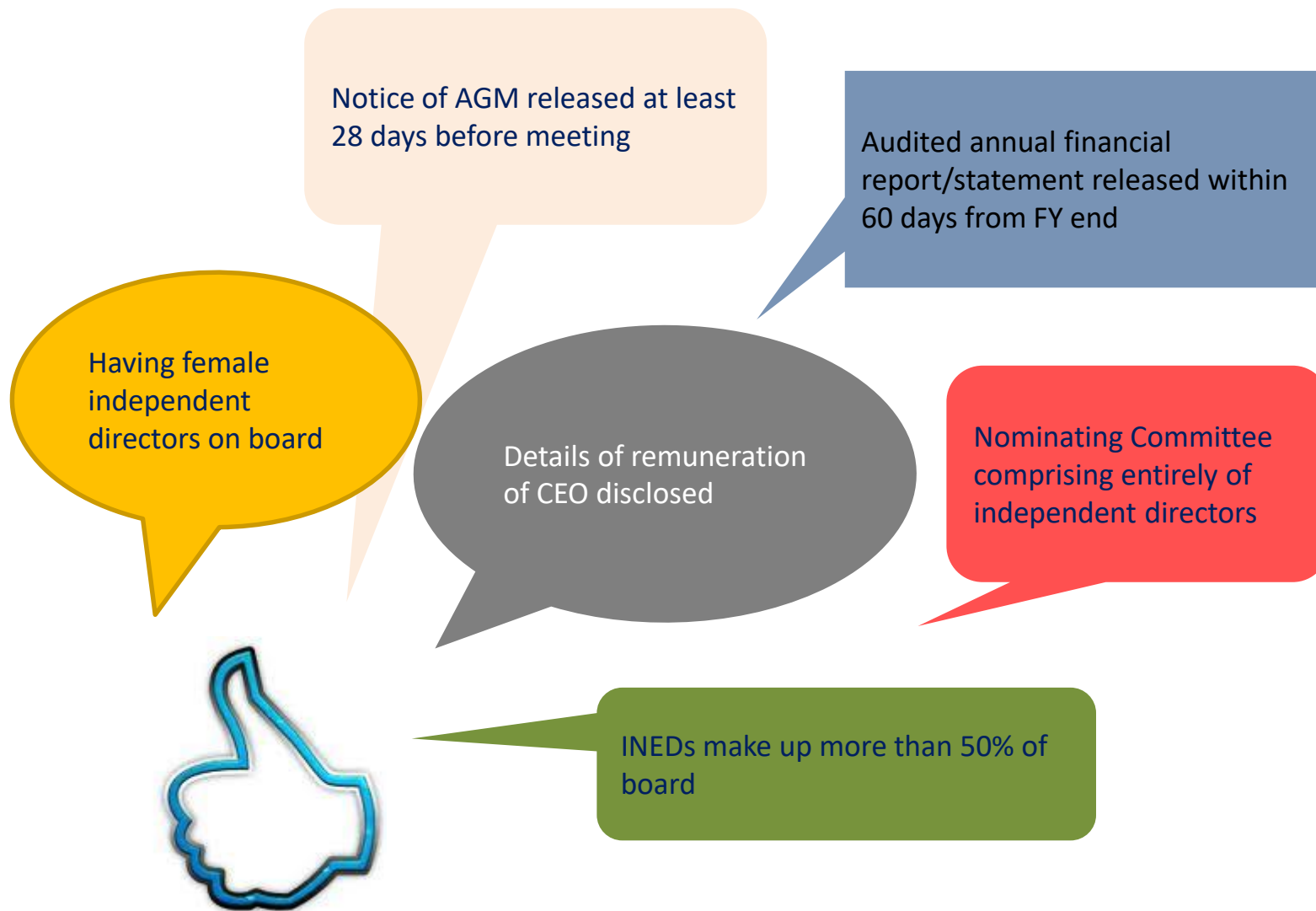
Singapore

Thailand

Top 5 ASEAN Publicly Listed Companies (Alphabetical Order)

No.	Company Name	Country
1	BURSA MALAYSIA BERHAD	MY
2	DBS GROUP HOLDINGS LTD	SG
3	PTT GLOBAL CHEMICAL PUBLIC COMPANY LIMITED	TH
4	SAMART CORPORATION PUBLIC COMPANY LIMITED	TH
5	SINGAPORE TELECOMMUNICATIONS LIMITED	SG

Some exemplary practices of ASEAN PLCs



...and areas for further improvement

Lack of adoption of sustainability practices

Lack of performance enhancing measures for employee participation

Lack of disclosure of direct and indirect (deemed) shareholdings of senior management

Lack of succession plans for CEO/Managing Director/President and key management

Lack of clarity and structure on the conduct of annual performance assessment of Board and Board Committees

2016: Holistic Review of the Scorecard

Summary of Changes

PART	ACGS v.1 No. of Items	ACGS v.2 No. of Items	ACGS v.1 Weightage	ACGS v.2 Weightage
A – Rights of Shareholders	25	20	10%	10%
B – Equitable Treatment of Shareholders	18	15	15%	10%
C – Role of Stakeholders	21	13	10%	15%
D – Disclosure and Transparency	41	32	25%	25%
E – Responsibilities of the Board	74	65	40%	40%
Level 1 Total	179	145	100%	100%
Bonus	11	13	26	30
Penalties	22	25	-59	-64

- Of the 145 questions, 31 questions, or 21% of the total, were given more weight

Key Enhancements of the Revised Scorecard

1. Reallocation of Weightage for the Sections and Certain Questions

2. Introduction of an Independent Validation Process

3. Streamlining of Questions in the Scorecard

4. Inclusion of Items/Questions Reflecting the G20/OECD Principles of Corporate Governance

5. Development of an IT System/Software for Ease of Assessment, Sharing of Information and Analysis

Opportunities & Challenges

Opportunities

- i. Scorecard can be used as a diagnostic tool to identify areas for improvement in specific ASEAN countries and ASEAN wide. Year to year comparison can identify trend of improvement or areas that are digressing.
- ii. Recommendations in the Scorecard should also guide development of national CG Guidelines & blueprints.
- iii. Compliment other ASEAN regional integration initiatives such as ASEAN dispute resolution framework & ASEAN Stars

Opportunities & Challenges

Challenges

- i. Sustainability & cost recovery : Assessment using the scorecard should be continuous, several iterations before scorecard becomes stable and sustainable – annual or biennial event to award top performing PLCs
- ii. Private sector dissemination: How to make the Scorecard relevant to the private sector including to fund managers and investment advisors? CG is not the only but an important factor in cross border investment decision making

Comments Welcomed

Thank you