

95.2

88.5

ASEAN CORPORATE GOVERNANCE SCORECARD COUNTRY REPORTS AND ASSESSMENTS 2014

JOINT INITIATIVE OF THE ASEAN
CAPITAL MARKETS FORUM
AND THE ASIAN DEVELOPMENT BANK

ASEAN CORPORATE GOVERNANCE SCORECARD COUNTRY REPORTS AND ASSESSMENTS 2014

**JOINT INITIATIVE OF THE ASEAN
CAPITAL MARKETS FORUM
AND THE ASIAN DEVELOPMENT BANK**



Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)

© 2016 Asian Development Bank
6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 632 4444; Fax +63 2 636 2444
www.adb.org

Some rights reserved. Published in 2016.
Printed in the Philippines.

ISBN 978-92-9257-310-2 (Print), 978-92-9257-311-9 (e-ISBN)
Publication Stock No. RPS157824

Cataloging-In-Publication Data

Asian Development Bank.

ASEAN corporate governance scorecard: Country reports and assessments 2014.
Mandaluyong City, Philippines: Asian Development Bank, 2016.

1. Corporate governance. 2. Association of Southeast Asian Nations. I. Asian Development Bank.

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB in preference to others of a similar nature that are not mentioned.

By making any designation of or reference to a particular territory or geographic area, or by using the term “country” in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

This work is available under the Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO) <https://creativecommons.org/licenses/by/3.0/igo/>. By using the content of this publication, you agree to be bound by the terms of this license.

This CC license does not apply to non-ADB copyright materials in this publication. If the material is attributed to another source, please contact the copyright owner or publisher of that source for permission to reproduce it. ADB cannot be held liable for any claims that arise as a result of your use of the material.

Attribution—In acknowledging ADB as the source, please be sure to include all of the following information:

Author. Year of publication. Title of the material. © Asian Development Bank [and/or Publisher]. URL. Available under a CC BY 3.0 IGO license.

Translations—Any translations you create should carry the following disclaimer:

Originally published by the Asian Development Bank in English under the title [title] © [Year of publication] Asian Development Bank. All rights reserved. The quality of this translation and its coherence with the original text is the sole responsibility of the [translator]. The English original of this work is the only official version.

Adaptations—Any adaptations you create should carry the following disclaimer:

This is an adaptation of an original Work © Asian Development Bank [Year]. The views expressed here are those of the authors and do not necessarily reflect the views and policies of ADB or its Board of Governors or the governments they represent. ADB does not endorse this work or guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use.

Please contact publications@adb.org if you have questions or comments with respect to content, or if you wish to obtain copyright permission for your intended use that does not fall within these terms, or for permission to use the ADB logo.

Notes:

In this publication, “\$” refers to US dollars.
ADB recognizes “China” as the People’s Republic of China and “Vietnam” as Viet Nam.
Corrigenda to ADB publications may be found at <http://www.adb.org/publications/corrigenda>

Acknowledgment and Disclaimer

This report was prepared by a group of Association of Southeast Asian Nations (ASEAN) Corporate Governance Experts composed of James Simanjuntak (Indonesian Institute for Corporate Directorship); Lya Rahman (Minority Shareholder Watchdog Group, Malaysia); Ricardo Jacinto (Institute of Corporate Directors, Philippines); John Lim (Singapore Institute of Directors); Bandid Nijathaworn (Thai Institute of Directors); and Hien Thu Nguyen (Vietnam National University of Ho Chi Minh City). The Asian Development Bank and the Securities Commission Malaysia jointly led the publication of this report.

The ASEAN Corporate Governance Scorecard is an initiative under the ASEAN Capital Markets Forum (ACMF). The ACMF endorsed the ASEAN Scorecard and the methodology used in the ranking exercise but was not involved in the assessment and selection of the publicly listed companies in the sample.

The terms “publicly listed companies,” “listed companies,” and “companies” are used interchangeably in this report.

Contents

| | |
|--|----|
| Tables, Figures, and Boxes | vi |
| Abbreviations | ix |
| Foreword | x |
| 1. Executive Summary | 1 |
| Background | 1 |
| Assessment Methodology | 2 |
| Level 1 | 3 |
| Level 2 | 4 |
| Total Score | 4 |
| Default Items | 5 |
| Peer Review Process | 5 |
| Overall Results and Analysis | 5 |
| Conclusion | 11 |
| 2. Country Reports and Assessments | 12 |
| Indonesia | 13 |
| Background of Corporate Governance Framework | 13 |
| Overall Analysis of Corporate Governance Disclosures | 14 |
| Corporate Governance Performance of Each Part in Level 1 | 17 |
| Part A: Rights of Shareholders | 17 |
| Part B: Equitable Treatment of Shareholders | 19 |
| Part C: Role of Stakeholders | 20 |

| | |
|--|----|
| Part D: Disclosure and Transparency | 20 |
| Part E: Responsibilities of the Board | 21 |
| Bonus and Penalty | 22 |
| Conclusions and Recommendations | 23 |
| Malaysia | 27 |
| Background of Corporate Governance Framework | 27 |
| Overall Analysis of Corporate Governance Disclosures | 27 |
| Part A: Rights of Shareholders | 30 |
| Part B: Equitable Treatment of Shareholders | 32 |
| Part C: Role of Stakeholders | 33 |
| Part D: Disclosure and Transparency | 34 |
| Part E: Responsibilities of the Board | 36 |
| Bonus and Penalty | 38 |
| Conclusions and Recommendations | 39 |
| Philippines | 41 |
| Background of Corporate Governance Framework | 41 |
| Overall Analysis of Corporate Governance Disclosures | 41 |
| Part A: Rights of Shareholders | 45 |
| Part B: Equitable Treatment of Shareholders | 45 |
| Part C: Role of Stakeholders | 46 |
| Part D: Disclosure and Transparency | 47 |
| Part E: Responsibilities of the Board | 48 |
| Level 2: Bonus and Penalty | 50 |
| Conclusions and Recommendations | 50 |
| Singapore | 52 |
| Background of Corporate Governance Framework | 52 |
| Overall Analysis of Corporate Governance Disclosures | 53 |
| Part A: Rights of Shareholders | 56 |
| Part B: Equitable Treatment of Shareholders | 58 |
| Part C: Role of Stakeholders | 59 |
| Part D: Disclosure and Transparency | 60 |
| Part E: Responsibilities of the Board | 61 |
| Bonus and Penalty | 62 |

| | |
|--|----|
| Conclusions and Recommendations | 63 |
| Thailand | 65 |
| Background of Corporate Governance Framework | 65 |
| Overall Analysis of Corporate Governance Disclosures | 65 |
| Part A: Rights of Shareholders | 67 |
| Part B: Equitable Treatment of Shareholders | 68 |
| Part C: Role of Stakeholders | 69 |
| Part D: Disclosure and Transparency | 70 |
| Part E: Responsibilities of the Board | 71 |
| Bonus and Penalty | 72 |
| Conclusions and Recommendations | 73 |
| Viet Nam | 76 |
| Background of Corporate Governance Framework | 76 |
| Overall Analysis of Corporate Governance Disclosures | 76 |
| Part A: Rights of Shareholders | 80 |
| Part B: Equitable Treatment of Shareholders | 80 |
| Part C: Role of Stakeholders | 82 |
| Part D: Disclosure and Transparency | 83 |
| Part E: Responsibilities of the Board | 85 |
| Bonus and Penalty | 86 |
| Conclusions and Recommendations | 87 |

Tables and Figures

TABLES

| | | |
|-----|---|----|
| 1: | Comparison of Question Numbers and Scores in 2012, 2013, and 2014 | 3 |
| 2: | Composition and Structure of Level 1 | 3 |
| 3: | Composition and Structure of Level 2 | 4 |
| 4: | Comparison of Total Scores, 2012–2014 | 7 |
| 5: | Comparison of Level 1 Scores, 2012–2014 | 7 |
| 6: | Comparison of Level 2 Scores, 2012–2014 | 7 |
| 7: | Indonesia—Top 50 Publicly Listed Companies Based on 2014 Total Score | 24 |
| 8: | Malaysia—Distribution of Average Scores for Top 100 Publicly Listed Companies | 29 |
| 9: | Malaysia—Top 50 Publicly Listed Companies Based on 2014 Total Scores | 40 |
| 10: | Philippines—Top 50 Publicly Listed Companies Based on 2014 Total Scores | 51 |
| 11: | Singapore—Market Capitalization of Top 100 Publicly Listed Companies | 53 |
| 12: | Singapore—Summary Results of Top 100 Publicly Listed Companies | 54 |
| 13: | Singapore—Top 50 Publicly Listed Companies Based on 2014 Total Scores | 64 |
| 14: | Thailand—Corporate Governance Performance by Category | 66 |
| 15: | Thailand—Corporate Governance Performance by Industry Group | 66 |
| 16: | Thailand—Corporate Governance Performance by Market Capitalization | 67 |
| 17: | Thailand—Top 50 Publicly Listed Companies Based on 2014 Total Scores | 74 |
| 18: | Viet Nam—Top 30 Publicly Listed Companies Based on 2014 Total Scores | 87 |

FIGURES

| | | |
|----|--|----|
| 1: | Number of Publicly Listed Companies Assessed by Country, 2014 | 6 |
| 2: | Distribution of Publicly Listed Companies Based on Market Capitalization, 2014 | 6 |
| 3: | Distribution of Total Scores | 8 |
| 4: | Mean Scores by Country | 9 |
| 5: | Level 1 Scores by Part | 10 |
| 6: | Process in Strengthening Regulatory Framework | 13 |
| 7: | Indonesia—Overall Scores of Publicly Listed Companies | 14 |
| 8: | Indonesia—Comparison of 2013 and 2014 Scores | 15 |

| | | |
|-----|---|----|
| 9: | Indonesia—Corporate Governance Scores for Highly Regulated Publicly Listed Companies against Others | 16 |
| 10: | Indonesia—Corporate Governance Scores for Highly Regulated Publicly Listed Companies against Others | 16 |
| 11: | Indonesia—Average Corporate Governance Scores | 17 |
| 12: | Indonesia—Strengths and Areas for Improvement in Rights of Shareholders | 18 |
| 13: | Indonesia—Strengths and Areas for Improvement in Equitable Treatment of Shareholders | 19 |
| 14: | Indonesia—Strengths and Areas for Improvement in Role of Stakeholders | 20 |
| 15: | Indonesia—Strengths and Areas for Improvement in Disclosure and Transparency | 21 |
| 16: | Indonesia—Strengths and Areas for Improvement in Responsibilities of the Board | 22 |
| 17: | Indonesia—Net Bonus and Penalty Scores | 22 |
| 18: | Indonesia—Strengths and Areas for Improvement in Disclosure and Transparency | 23 |
| 19: | Malaysia—Industry Distribution | 28 |
| 20: | Malaysia—Overall Corporate Governance Score of Top 100 Publicly Listed Companies | 28 |
| 21: | Malaysia—Overall Corporate Governance Score of Top 100 Publicly Listed Companies By Band | 29 |
| 22: | Malaysia—Exemplary Public Listed Companies | 30 |
| 23: | Malaysia—Strengths and Areas for Improvement in Rights of Shareholders | 31 |
| 24: | Malaysia—Strengths and Areas for Improvement in Equitable Treatment of Shareholders | 32 |
| 25: | Malaysia—Strengths and Areas for Improvement in Role of Stakeholders | 34 |
| 26: | Malaysia—Strengths and Areas for Improvement in Disclosure and Transparency | 36 |
| 27: | Malaysia—Strengths and Areas for Improvement in Responsibilities of the Board | 38 |
| 28: | Malaysia—Strengths and Areas for Improvement in Bonus and Penalty Sections | 39 |
| 29: | Philippines—Profile of Top 100 Publicly Listed Companies by Market Capitalization | 42 |
| 30: | Philippines—Profile of Top 100 Publicly Listed Companies by Sector | 43 |
| 31: | Philippines—Distribution of Scores for Each Part | 44 |
| 32: | Philippines—Average Scores of Top 100 Publicly Listed Companies by Market Capitalization | 44 |
| 33: | Philippines—Strengths and Areas for Improvement in Rights of Shareholders | 45 |
| 34: | Philippines—Strengths and Areas for Improvement in Equitable Treatment of Shareholders | 46 |
| 35: | Philippines—Strengths and Areas for Improvement in Role of Stakeholders | 47 |
| 36: | Philippines—Strengths and Areas for Improvement in Disclosure and Transparency | 48 |
| 37: | Philippines—Strengths and Areas for Improvement in Responsibilities of the Board | 49 |
| 38: | Philippines—Strengths and Areas for Improvement in Bonus and Penalty Sections | 50 |
| 39: | Singapore—Profile of the Top 100 Publicly Listed Companies | 54 |
| 40: | Singapore—Distribution of Top 100 Publicly Listed Companies | 55 |
| 41: | Singapore—Average Level 1 Scores of the Top 100 Publicly Listed Companies | 55 |
| 42: | Singapore—Comparison of Mean Scores by Each Component | 56 |
| 43: | Singapore—Strengths and Areas for Improvement in Rights of Shareholders | 57 |
| 44: | Singapore—Strengths and Areas for Improvement in Equitable Treatment of Shareholders | 59 |
| 45: | Singapore—Strengths and Areas for Improvement in Role of Stakeholders | 60 |
| 46: | Singapore—Strengths and Areas for Improvement in Disclosure and Transparency | 61 |
| 47: | Singapore—Strengths and Areas for Improvement in Responsibilities of the Board | 62 |

| | | |
|-----|---|----|
| 48: | Thailand—Strengths and Areas for Improvement in Rights of Shareholders | 68 |
| 49: | Thailand—Strengths and Areas for Improvement in Equitable Treatment of Shareholders | 69 |
| 50: | Thailand—Strengths and Areas for Improvement in Role of Stakeholders | 70 |
| 51: | Thailand—Strengths and Areas for Improvement in Disclosure and Transparency | 71 |
| 52: | Thailand—Strengths and Areas for Improvement in Responsibilities of the Board | 72 |
| 53: | Thailand—Strengths and Areas for Improvement in Bonus and Penalty Sections | 73 |
| 54: | Viet Nam—Corporate Governance Performance in Each Section | 77 |
| 55: | Viet Nam—Distribution of Publicly Listed Companies in Each Score Scale | 77 |
| 56: | Viet Nam—Maximum, Average, and Minimum Scores in Each Area | 78 |
| 57: | Viet Nam—Strengths and Areas for Improvement in Rights of Shareholders | 81 |
| 58: | Viet Nam—Strengths and Areas for Improvement in the Equitable Treatment of Shareholders | 82 |
| 59: | Viet Nam—Strengths and Areas for Improvement in the Role of Stakeholders | 83 |
| 60: | Viet Nam—Strengths and Areas for Improvement in Disclosure and Transparency | 84 |
| 61: | Viet Nam—Strengths and Areas for Improvement in the Responsibilities of the Board | 86 |

Abbreviations

| | |
|-------|--|
| ACGR | annual corporate governance report |
| ACMF | ASEAN Capital Markets Forum |
| AGM | annual general meeting |
| ASEAN | Association of Southeast Asian Nations |
| ASM | annual stockholders' meeting |
| CEO | chief executive officer |
| DRB | domestic ranking body |
| ICD | Institute of Corporate Directors (Philippines) |
| MAS | Monetary Authority of Singapore |
| OECD | Organisation for Economic Co-operation and Development |
| PLC | publicly listed company |
| RPT | related party transaction |
| SEC | Securities and Exchange Commission (Philippines) |
| SGX | Singapore Exchange |

Foreword

Goh Ching Yin, Chair, ASEAN Corporate Governance Taskforce

The Association of Southeast Asian Nations (ASEAN) stands as a region with huge economic potential. According to the International Monetary Fund, with its gross domestic product expanding threefold since 2001, ASEAN is now the seventh-largest economy in the world. *The Economist* reports that if ASEAN were to grow at the forecasted annual average rate of 5.6%, it would rank as the world's fifth-largest economy by 2018 with a gross domestic product of \$3.875 trillion. ASEAN has also become a magnet for portfolio investments and a launchpad for new companies within the region, and according to the McKinsey Global Institute, accounts for about 38% of Asia's market for initial public offerings.

With ASEAN integration and a facilitative investment environment, corporate governance would stand out as the key differentiating factor influencing the conditions under which companies can access the capital market, and the terms under which investors are able to participate in corporate value creation. The corporate governance standards of ASEAN companies will remain as a key priority in the efforts to strengthen ASEAN's global competitiveness and enhance the visibility of ASEAN as an asset class.

The Securities Commission Malaysia is honored to continue leading the ASEAN Corporate Governance initiative, which is one of the success stories of the ASEAN Capital Markets Forum (ACMF) Implementation Plan. I am pleased to note that the ASEAN Corporate Governance initiative is hitherto the most inclusive initiative under the ambit of the ACMF with a strong participation of six out of 10 ASEAN member countries.

As the ASEAN Corporate Governance working group embarks on its fourth round of assessment, significant milestones have been achieved, one of which is this publication, which can be used as a reference for policy makers and companies in their efforts to improve their corporate governance framework or standards. This initiative has not only been recognized by the ASEAN companies and regulators but also by global entities such as the Organisation for Economic Co-operation and Development, ICGN, ACGA, and IFC which would pave the way for greater networking and collaboration opportunities.

This year 2014 is especially important for Malaysia as chair of ASEAN, and for Securities Commission Malaysia as chair of the ACMF. An action plan will be devised for the implementation of ACMF's priorities for the next 5 years, 2016–2020. Given the different levels of development and institutional structures within ASEAN member states, the action plan will be supported by the ACMF Market

Development Programme with the objectives of facilitating market building and industry readiness to enable member countries to meet the prerequisites of regional integration initiatives.

As corporate governance will continue to be a key priority area, it would be timely for this initiative, which started in 2011, to be re-evaluated for further enhancement. As a first step, the ASEAN Corporate Governance Scorecard will undergo a comprehensive review in 2016, taking into consideration global developments and the recent revisions to the Organisation for Economic Co-operation and Development's Principles of Corporate Governance. The assessment methodology and process will also be recalibrated and strengthened to ensure that it remains credible and independent.

Our priority in the near term would be to secure greater buy-in and acceptance from our stakeholders through greater engagement and outreach efforts. We would also work toward facilitating greater participation from the other four ASEAN member countries that may benefit from discussions and lessons from our experiences. In this regard, I am fully supportive of the inaugural ASEAN Corporate Governance Conference to be held on 14 November 2015 in Manila, Philippines where for the first time, we will publicly recognize the top ASEAN companies with exemplary corporate governance practices.

This aspiration under the ASEAN Corporate Governance initiative would not have been possible without the commitment and collective efforts infused by our fellow regulators and the group of domestic ranking bodies (DRBs). I would like to express my utmost gratitude to the Securities and Exchange Commission of Thailand, the Financial Services Authority of Indonesia, the Securities and Exchange Commission of the Philippines, the Monetary Authority of Singapore, and the State Securities Commission of Viet Nam for their cooperation and assistance to Securities Commission Malaysia.

I would also like to extend our sincere appreciation to the Asian Development Bank for its continued support under Regional Technical Assistance project to ensure that the objectives of this initiative are met. The DRBs from each participating country have played a critical role without whose hard work, perseverance, and unwavering commitment; we would not have achieved such significant progress.

The initiative is now on a stronger footing, and with continued collective efforts between the regulators, companies, and DRBs, this initiative will bring ASEAN corporate governance standards to greater heights.

1

Executive Summary

Background

The Association of Southeast Asian Nations (ASEAN) Corporate Governance initiative, composed of the ASEAN Corporate Governance Scorecard and assessment and ranking of ASEAN publicly listed companies (PLCs), is among several regional initiatives of the ASEAN Capital Markets Forum (ACMF). This initiative has been a collaborative effort of ACMF and the Asian Development Bank since 2011.

The ACMF Working Group D is responsible for this initiative, which is led by the Securities Commission Malaysia, whose members include capital market regulators and corporate governance proponents from the region. The ASEAN Scorecard was developed based on national benchmarks such as the Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance (2004), International Corporate Governance Network Corporate Governance Principles, as well as best practices from the ASEAN and the world.

The first and second editions of the annual *ASEAN Corporate Governance Scorecard: Country Reports and Assessments*¹ provided the impetus in raising the public's awareness on this initiative and in profiling the top domestic PLCs from each participating country. This 2014 report, which is the fourth assessment round, continues the momentum toward elevating the visibility of ASEAN PLCs among investors. For this round, ASEAN corporate governance experts consisting of domestic ranking bodies (DRBs) from Indonesia, Malaysia, the Philippines, Singapore, and Thailand; including a corporate governance expert from Viet Nam, undertook the corporate governance assessment of ASEAN PLCs, which concluded in November 2014. The DRBs were (i) Indonesian Institute for Corporate Directorship; (ii) Minority Shareholder Watchdog Group, Malaysia; (iii) Institute of Corporate Directors, Philippines; (iv) Singapore Institute of Directors and the Centre for Governance, Institutions and Organisations of the National University of Singapore Business School; and (v) Thai Institute of Directors.

¹ ASEAN Corporate Governance Scorecard Country Reports and Assessments 2012-2013 and ASEAN Corporate Governance Scorecard Country Reports and Assessments 2013-2014.

Assessment Methodology

The OECD Principles of Corporate Governance were used as the main benchmark for the ASEAN Scorecard. Many of the items in the Scorecard are international and regional best practices that may go beyond the requirements of national legislation.

The ASEAN corporate governance experts also drew from the existing body of work and ranking initiatives in the region, including those of institutes of directors, shareholder associations, and universities, to guide the initial inclusion of items in the ASEAN Scorecard.

The Scorecard covers the following five areas of the OECD principles:

- (i) Part A: rights of shareholders,
- (ii) Part B: equitable treatment of shareholders,
- (iii) Part C: role of stakeholders,
- (iv) Part D: disclosure and transparency, and
- (v) Part E: responsibilities of the board.

The use of two levels of scoring is designed to better capture the actual implementation of the substance of good corporate governance. Level 1 comprises descriptors or items that are, in essence, indicative of (i) the laws, rules, regulations, and requirements of each ASEAN member country; and (ii) basic expectations of the OECD principles. Level 2 consists of (i) bonus items reflecting other emerging good practices, and (ii) penalty items reflecting actions and events that are indicative of poor governance.

The assessments on corporate governance standards of PLCs were based on publicly available and accessible information such as annual reports, corporate websites, notices, circulars, articles of association, minutes of shareholders' meetings, corporate governance policies, codes of conduct, and sustainability reports. For a company to be assessed and ranked, most of the available documents must be in English. To be given points on the Scorecard, all disclosures must be unambiguous and sufficiently complete.

Prior to the commencement of assessment, the ASEAN corporate governance experts held rigorous discussions, reviewing each item in the ASEAN Scorecard to ensure clarity of the questions and assessment guidance. The review of the Scorecard prior to this fourth year assessment resulted in several changes, including rewording of some items, removal or addition of items, and enhancements to the assessment guidance.

Following the review, the respective weights of each of the five parts in level 1 remained the same while the score allocation for bonus and penalty sections was recalibrated such that bonus and penalty scores would be more proportionate. As a result of the review, the maximum attainable score decreased from 142 points in 2013 to 128 points in 2014 (Table 1).

Table 1: Comparison of Question Numbers and Scores in 2012, 2013, and 2014

| | | Number of Questions | | |
|---------|---------|---------------------|--------------|--------------|
| | | 2012 | 2013 | 2014 |
| Level 1 | Part A | 26 [10] | 25 [10] | 25 [10] |
| | Part B | 17 [15] | 17 [15] | 17 [15] |
| | Part C | 21 [10] | 21 [10] | 21 [10] |
| | Part D | 42 [25] | 40 [25] | 41 [25] |
| | Part E | 79 [40] | 76 [40] | 75 [40] |
| Level 2 | Bonus | 11 [17] | 9 [42] | 11 [28] |
| | Penalty | 23 [(90)] | 21 [(53)] | 21 [(50)] |

(-) = negative.

Note: Numbers in brackets denote maximum attainable scores for each part. However, for the penalty section, numbers in brackets denote maximum deductible scores.

Source: ACMF Working Group D Secretariat 2014.

Level 1

Level 1 consists of 179 items and is divided into five parts corresponding with the respective OECD principles. Each part carries a different weight in relation to the total level 1 score of 100 points based on the relative importance of the area. The composition and structure of level 1 is provided in Table 2.

Table 2: Composition and Structure of Level 1

| Level 1 | Number of Questions | Weight (% of total level 1 score) | Maximum Attainable Score |
|---|---------------------|--------------------------------------|--------------------------|
| Part A: Rights of Shareholders | 25 | 10 | 10 points |
| Part B: Equitable Treatment of Shareholders | 17 | 15 | 15 points |
| Part C: Role of Stakeholders | 21 | 10 | 10 points |
| Part D: Disclosure and Transparency | 41 | 25 | 25 points |
| Part E: Responsibilities of the Board | 75 | 40 | 40 points |

Source: ACMF Working Group D Secretariat 2014.

The weighted score of each part is obtained using the following formula:

$$\text{Score} = \frac{\text{No. of items scored by PLC}}{\text{Total no. of questions}} \times \text{Maximum attainable score of part (in points)}$$

where total number of questions is computed after adjusting for items that is not applicable for a PLC.

As an example, if PLC1 scores in 24 out of the 25 items in part A, then

$$\text{PLC1's score in Part A} = \frac{24}{25} \times 10 \text{ points} = 9.6 \text{ points}$$

The level 1 score is obtained by totalling the scores for parts A through E in level 1. The maximum attainable score of level 1 is therefore 100 points.

Hence, if PLC1 scores 9.6 points in part A and perfect in each of parts B through E in level 1, then

$$\text{PLC1's Level 1 score} = 9.6 + 15 + 10 + 25 + 40 = 99.6 \text{ points}$$

Level 2

Level 2 consists of bonus and penalty items that are meant to enhance the robustness of the ASEAN Scorecard in assessing the extent to which companies apply the spirit of good corporate governance. The purpose of the bonus items is to recognize companies that go beyond the items in level 1 by adopting other emerging good corporate governance practices. The penalty items are designed to downgrade companies with poor corporate governance practices that are not reflected in their scores for level 1, such as being sanctioned by regulators for breaches of listing rules.

Table 3: Composition and Structure of Level 2

| Level 2 | Number of Questions | Maximum Score (points) |
|---------|---------------------|------------------------|
| Bonus | 11 | 28 |
| Penalty | 21 | (50) |

() = negative.

Source: ACMF Working Group D Secretariat 2014.

Level 2 contains 11 bonus and 21 penalty items, each with a different number of points (Table 3). The maximum attainable bonus points is 28 while the maximum penalty points deductible is 50.

The level 2 score is obtained by totalling the bonus scores and penalty scores. In the best-case scenario, a PLC would obtain a perfect score in the bonus section and no penalty scores, thereby obtaining a level 2 score of 28 points.

For example, if PLC1 scores 28 bonus points and 3 penalty points, then

$$\text{PLC1's Level 2 score} = 28 + (-3) = 25 \text{ points}$$

Total Score

The total score is obtained using the following formula:

$$\text{Total score} = \text{Level 1 score} + \text{Level 2 score}$$

To illustrate, PLC1's total score = $99.6 + 25 = 124.6$ points.

The maximum attainable score is 128 points (100 points from Level 1 and 28 points from Level 2).

Default Items

Default items are accorded when a country has specific legislation or requirements that will enable all domestic companies assessed to automatically score a point for a particular item. The company is considered to have adopted the practice unless there is evidence to the contrary. To ensure transparent process, all countries must disclose their default items before the assessment process begins.

Peer Review Process

The peer review process differentiates this exercise from other types of corporate governance assessments. As in previous years, the assessment process in 2014 entailed two rounds of assessments: first, with the DRBs assessing and ranking their domestic PLCs; second, by peer review by other DRBs.

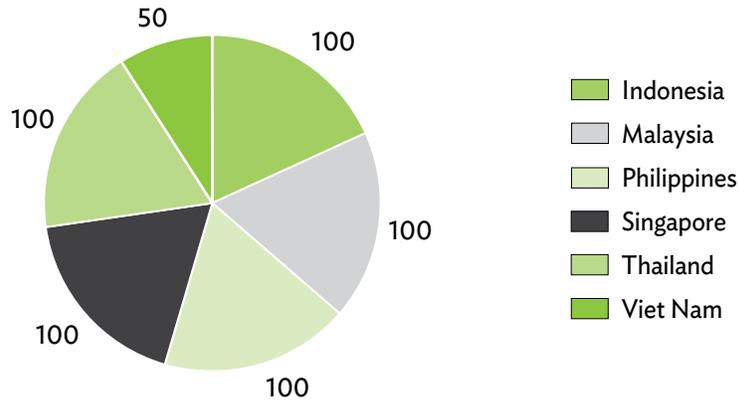
For the 2014 assessments, the top 35 PLCs, ranked according to their total scores in the preliminary assessments, were subjected to peer review by another DRB, save for the Philippines, which voluntarily subjected 50 of their PLCs to peer review. Peer reviewers were assigned randomly for each PLC, making sure that DRBs had the opportunity to assess PLCs from all the other countries. This step was incorporated in the assessment process as a measure to validate and confirm the assessment by DRB and to ensure consistency in the interpretation of questions in the Scorecard.

Following peer review, DRBs and peer reviewers carried out engagements and discussions to reconcile any differences in their scores and to agree on a final score for each PLC. Where the discussions revealed any systemic differences in the DRBs' assessment from that of the peer reviewer due to interpretation of questions, the DRB would then have to apply the revision in interpretation and reassess across all the PLCs, including those that had not been subjected to peer review. This check and balance process improves accuracy of results.

Overall Results and Analysis

For the 2014 assessment, a total of 550 PLCs were assessed, which was 4% more than the number of PLCs assessed in 2013. The number of PLCs assessed was not equally distributed given the limited availability of disclosures in English, which resulted in Viet Nam having less than 100 of their domestic PLCs being assessed (Figure 1).

Figure 1: Number of Publicly Listed Companies Assessed by Country, 2014

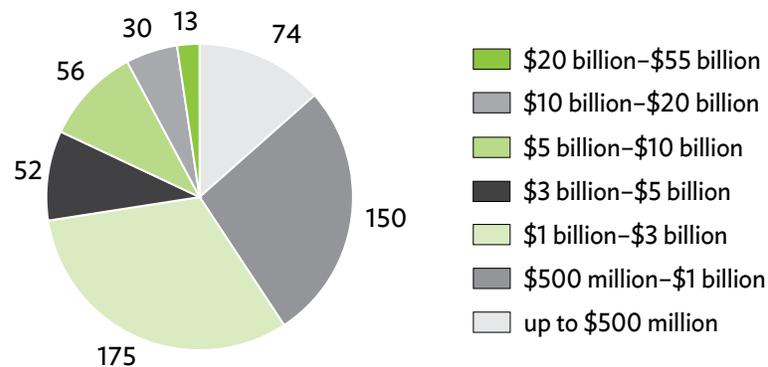


Source: ACMF Working Group D Secretariat 2014.

The market capitalization of assessed PLCs varied in the 2014 assessment round. About 59% of the PLCs assessed boasted market capitalization of more than \$1 billion (Figure 2). The average size of PLCs was \$3.3 billion, with the largest PLC being \$48.7 billion, and the smallest PLC at \$18 million.

The mean total score increased in 2014 to 67.69 points compared with 64.02 points in 2013, and 53.66 points in 2012. This resulted in a total increase of 6% from the previous year's achievement and a total increase of 26% since 2012 (Table 4).

Figure 2: Distribution of Publicly Listed Companies Based on Market Capitalization, 2014 (\$ billion)



Note: Market capitalization and currency exchange rates as of 30 April 2014

Source: ACMF Working Group D Secretariat 2014.

Table 4: Comparison of Total Scores, 2012–2014 (points)

| | 2012 | 2013 | 2014 |
|--------------------------|-------|-------|-------|
| Mean | 53.66 | 64.02 | 67.69 |
| Median | 55.79 | 64.55 | 68.29 |
| Maximum Attainable Score | 117 | 142 | 128 |

Source: ACMF Working Group D Secretariat 2014.

Specifically for level 1 (i.e., excluding level 2 bonus and penalty scores), the mean score recorded an increase of 8%, from 60.09 points in 2013 to 64.72 points in 2014, indicating that corporate governance practices in fundamental or core areas had improved quite significantly. In total, level 1 has posted an increase of 19% in mean scores since 2012 (Table 5).

Table 5: Comparison of Level 1 Scores, 2012–2014 (points)

| | 2012 | 2013 | 2014 |
|--------------------------|-------|-------|-------|
| Mean | 54.32 | 60.09 | 64.72 |
| Median | 56.91 | 61.50 | 65.56 |
| Maximum Attainable Score | 100 | 100 | 100 |

Source: ACMF Working Group D Secretariat 2014.

With the revision to level 2 scores, a slight dip to 2.98 points was recorded compared with 3.92 points in 2013 (Table 6).

Table 6: Comparison of Level 2 Scores, 2012–2014

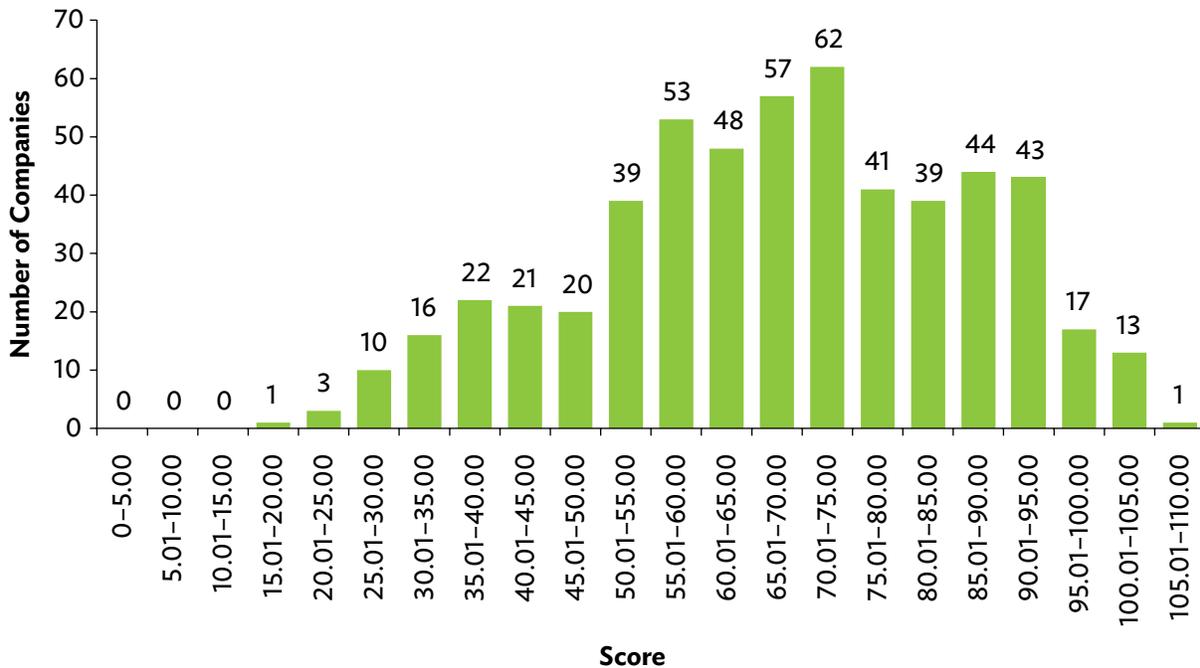
| | 2012 | 2013 | 2014 |
|--------------------------|---------|------|------|
| Mean | (-0.66) | 3.92 | 2.98 |
| Median | 0 | 3.00 | 2.00 |
| Maximum Attainable Score | 17 | 42 | 28 |

(-) = negative.

Source: ACMF Working Group D Secretariat 2014.

The scores of ASEAN companies had positively moved toward the upper scale in achieving maximum attainable scores (Figure 3). In addition to this, 14 ASEAN companies attained scores of more than 100 points, as compared with only 10 companies attaining scores of more than 100 points in 2013.

Figure 3: Distribution of Total Scores



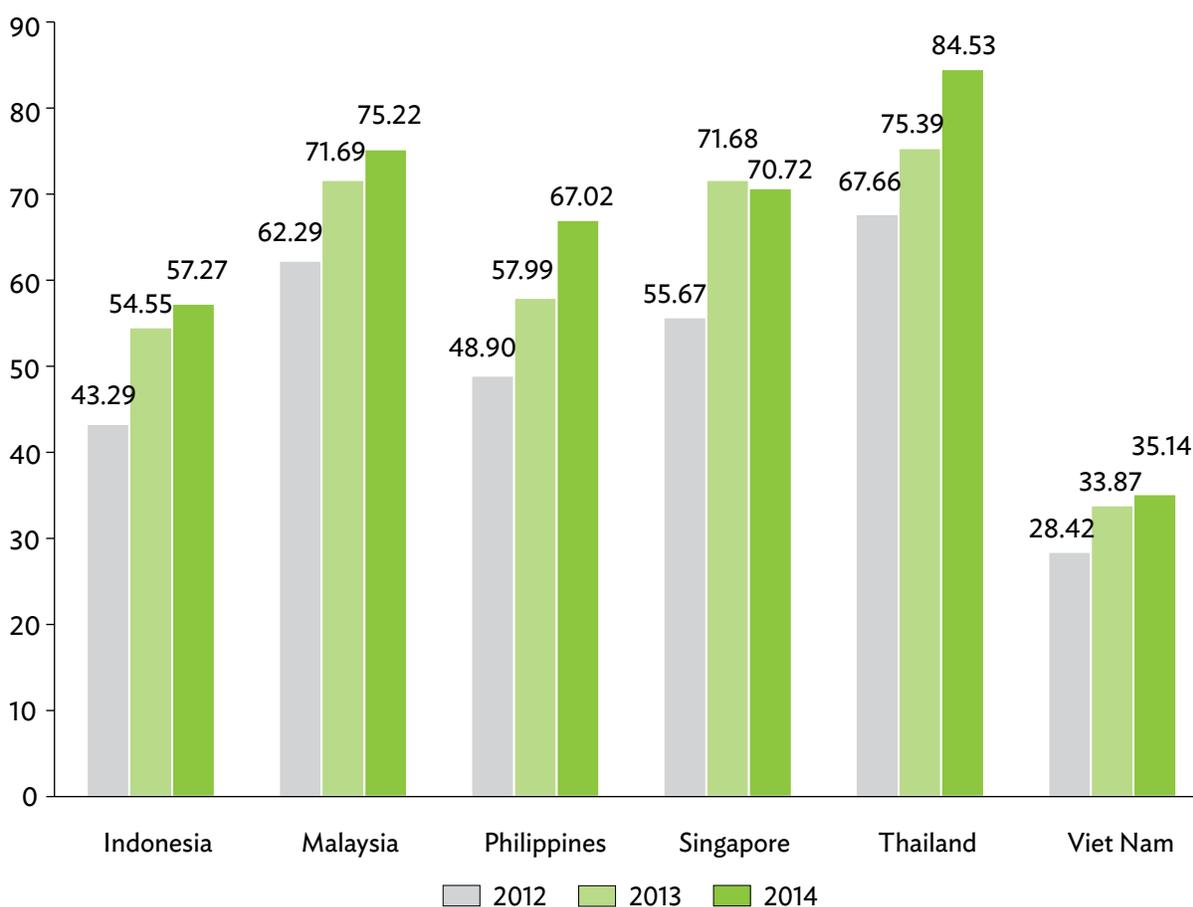
Source: ACMF Working Group D Secretariat 2014.

The increase in scores of ASEAN companies is attributed to adoption of voluntary best practices such as disclosure of outcome of annual general meetings (AGM) on the next working day, AGM minutes showing that there is an opportunity for shareholders to ask questions, and all questions and answers are recorded, no bundling of resolutions, clear policies and activities with regard to communities and environmental sustainability, separation between chair and chief executive officer (CEO), and disclosure of whistle-blowing policy.

In acknowledging the importance of good corporate reporting framework among ASEAN PLCs, the ASEAN corporate governance experts agreed to include the adoption of integrated reporting as a bonus item under level 2. The International Integrated Reporting Council had issued the Integrated Reporting <IR> framework in December 2013, which requires companies to bring together material information about its strategy, governance, performance, and prospects in a way that reflects the commercial, social, and environmental context within which it operates. The framework aims to provide a clear and concise representation of how a company demonstrates stewardship and how it creates and sustains value over time.

Thailand continued to be the overall best performer for three consecutive years. Among all participating countries, Thailand had the highest mean score followed by Malaysia and Singapore. The company with the highest individual score continued to be from Singapore. The performance of the Philippines' PLCs over the 3-year period (2012–2014) is also noteworthy, with a 37% improvement in scores. Indonesian PLCs also showed significant improvement in their 2014 scores compared to 2012 (Figure 4).

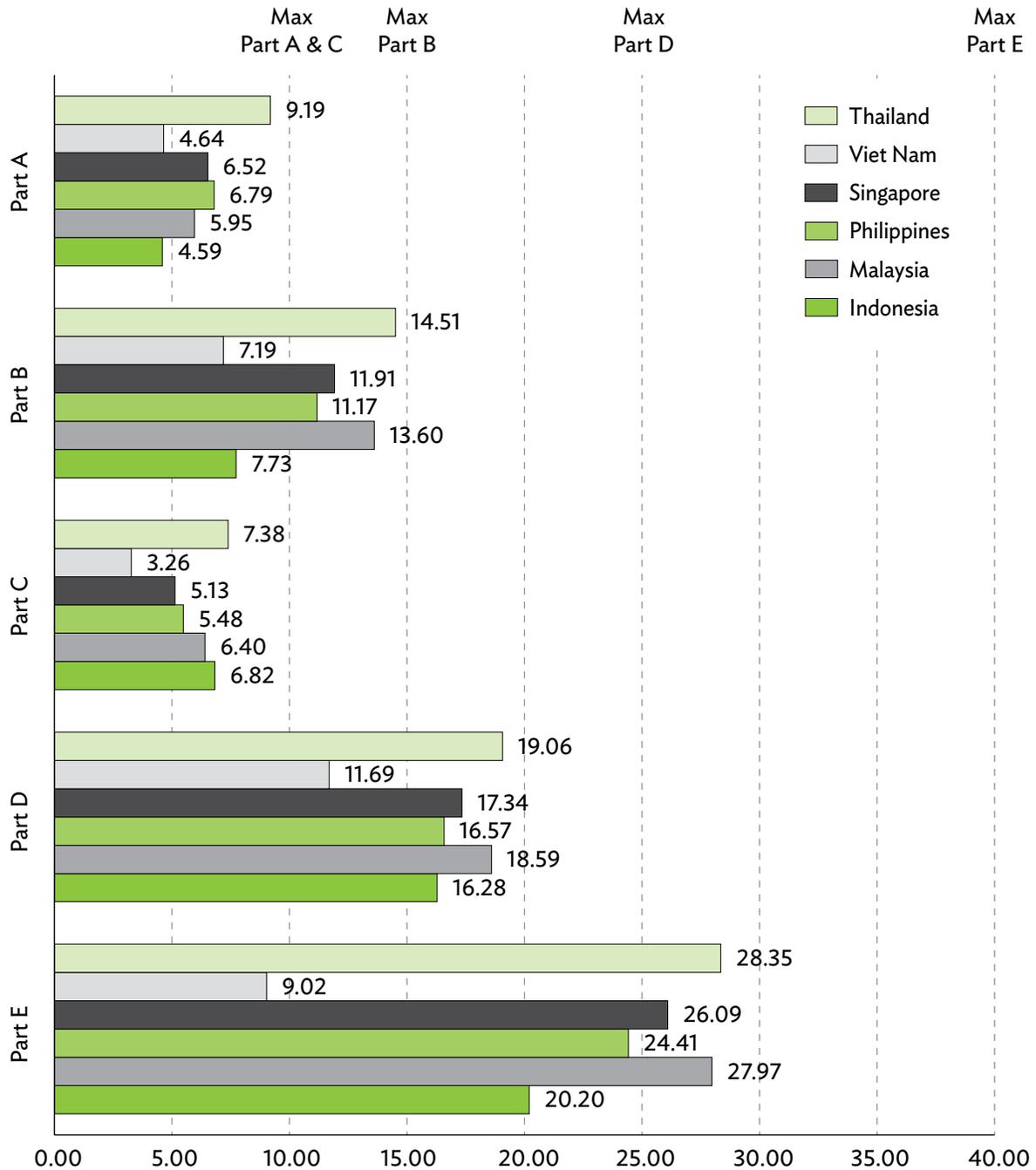
Figure 4: Mean Scores by Country



Source: ACMF Working Group D Secretariat 2014.

When the results are analyzed according to the various areas of corporate governance (Figure 5), Thailand scored the highest mean for all five parts in level 1. It is encouraging to note that there are PLCs that had scored full points in parts A, B, C, and D, while the top scorers in part E managed to score in about 90% of the questions.

Figure 5: Level 1 Scores by Part



Note: Part A = rights of shareholders, Part B = equitable treatment of shareholders, Part C = role of stakeholders, Part D = disclosure and transparency, and Part E = responsibilities of the board.

Source : ACMF Working Group D Secretariat 2014 .

Conclusion

Publicly listed companies assessed under this ASEAN Corporate Governance initiative, composed of the ASEAN Corporate Governance Scorecard, and assessment and ranking of ASEAN PLCs, have shown significant improvement in adopting corporate governance best practices. There is greater buy-in by the ASEAN PLCs on the value of adopting good corporate governance practices that will reduce emerging market vulnerability to financial crisis, reinforce property rights, reduce the cost of capital, and lead to greater capital market development. The ASEAN Scorecard continued to be applied by ASEAN PLCs as a diagnostic tool to address gaps within current practices; some regulators likewise have considered the Scorecard in strengthening laws or regulations on corporate governance. The strong momentum achieved under this initiative is a result of the strong collective efforts of the DRBs and regulators. Synergy from all stakeholders is important to ensure continued growth of this initiative. To ensure applicability and relevance to ASEAN PLCs, the DRBs will continuously recalibrate and refine the items in the Scorecard and the assessment methodology to ensure that the value proposition of this initiative is maintained.

As the region moves closer to achieving an ASEAN Economic Community by the end of 2015, the group will intensify efforts in reaching out to its stakeholders. Greater stakeholder awareness and engagements are crucial ingredients before taking this initiative to a higher level.

2

Country Reports and Assessments

INDONESIA

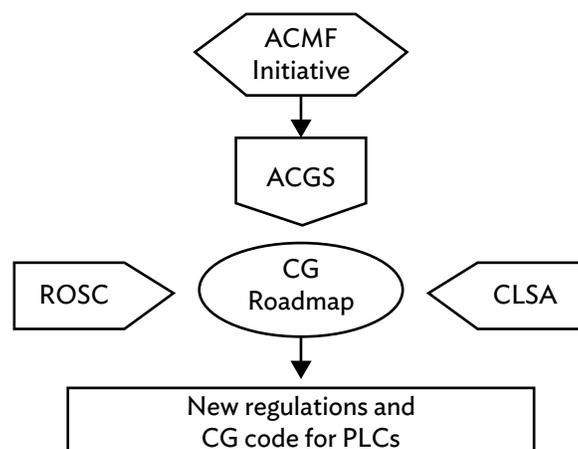
Background of Corporate Governance Framework

Indonesia has shown a high level of commitment toward improving its corporate governance standards in line with the aspirations of the ACMF's ASEAN Corporate Governance initiative. The Financial Services Authority (OJK) has strengthened the regulatory framework in relation to the implementation of good governance practices in Indonesia through amendments to existing regulations and introduction of new regulations. The four corporate governance-related regulations for publicly listed companies (PLCs) issued since the launch of Indonesia's Corporate Governance Roadmap are as follows:

- (i) OJK Regulation No. 32/POJK.04/2014 on General Shareholders Meeting;
- (ii) OJK Regulation No. 33/POJK.04/2014 on Management and Board of Commissioners;
- (iii) OJK Regulation No. 34/POJK.04/2014 on Nominating Committee and Remuneration Committee; and
- (iv) OJK Regulation No. 35/POJK.04/2014 on Corporate Secretary.

These new regulations became effective in December 2014. Figure 6 shows Indonesia's process in strengthening its regulatory framework. The findings from the ASEAN Scorecard together with those from the corporate governance reports on the Observance of Standards and Codes (ROSC) and Credit Lyonnais Securities Asia (CLSA) were recognized in formulating Indonesia's corporate governance road map and the consequent amendments to laws and regulations.

Figure 6: Process in Strengthening Regulatory Framework



Source: Indonesian Institute of Corporate Directorship 2014.

Another key initiative under Indonesia's corporate governance road map is the issuance of a Corporate Governance Code for PLCs launched in June 2015. This promotes the adoption of voluntary corporate governance best practices among PLCs in Indonesia.

The Indonesian Institute for Corporate Directorship as a domestic ranking body appointed by the OJK has played a critical role in enhancing the importance of good corporate governance practices and has encouraged Indonesian PLCs to adopt the ASEAN Corporate Governance Scorecard. Among others, the Indonesian Institute for Corporate Directorship has

- (i) actively participated in the development of Indonesia's corporate governance road map;
- (ii) provided technical expertise in setting up new regulations and corporate governance code for PLCs;
- (iii) continuously engaged Indonesian PLCs in providing clarifications on new regulations; and
- (iv) organized trainings on the ASEAN Corporate Governance Scorecard to Indonesian PLCs.

Overall Analysis of Corporate Governance Disclosures

The 2014 assessment was undertaken on 100 Indonesian PLCs based on market capitalization as of 30 April 2014. Figure 7 shows the overall scores of Indonesian PLCs from 2012 to 2014.

Figure 7: Indonesia—Overall Scores of Publicly Listed Companies

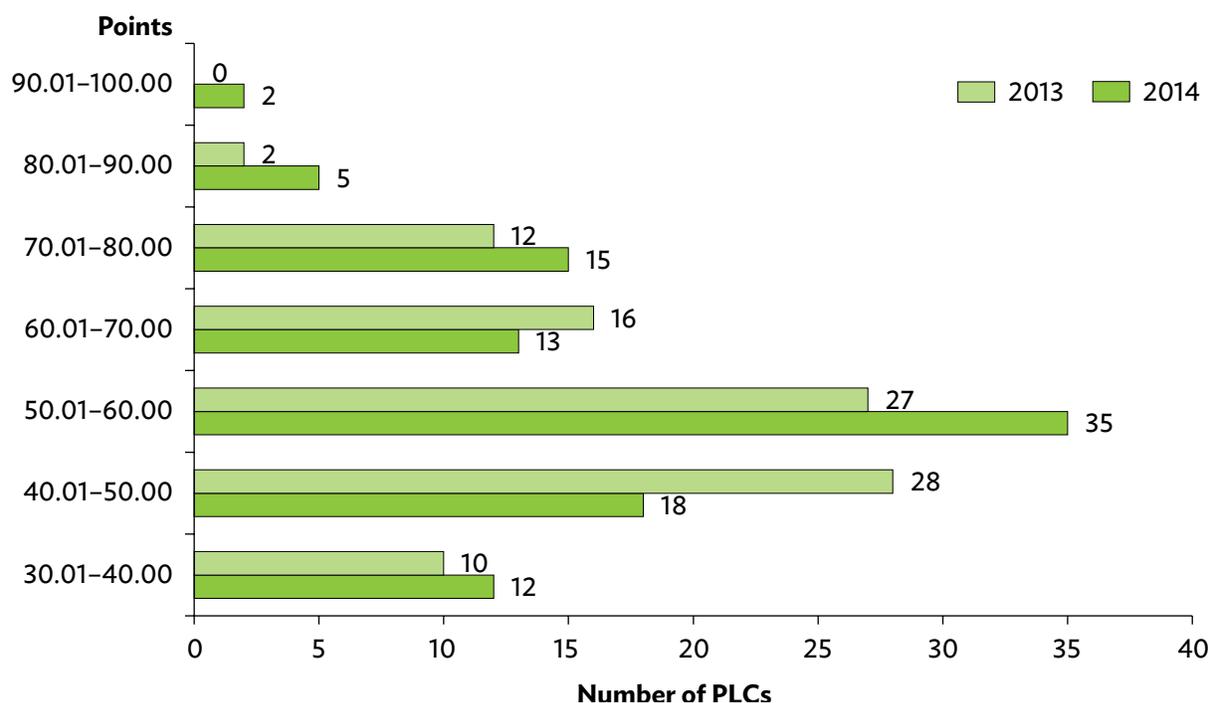


Source: Indonesian Institute of Corporate Directorship 2014.

Indonesian PLCs recorded a positive increase of 4.22%, with an average score of 57.27 compared with 54.95 in 2013. The momentum of increase in scores is also recorded year to year from 2012 until 2014; the total increase until 2014 reached 32.3%. The highest score achieved by an Indonesian PLC in the 2014 assessment also increased significantly to 91.98 points compared with 84.39 points in 2013. On the other hand, the lowest score for an Indonesian PLC was at 31.24 points, similar to that of the previous year.

More Indonesian companies are achieving higher scores for this assessment (Figure 8). Two Indonesian companies have attained scores of 90 points and above, which are promising developments given that none have scored above these points before. It is also important to note that 22 companies scored above 70 points compared with 14 in 2013.

Figure 8: Indonesia—Comparison of 2013 and 2014 Scores

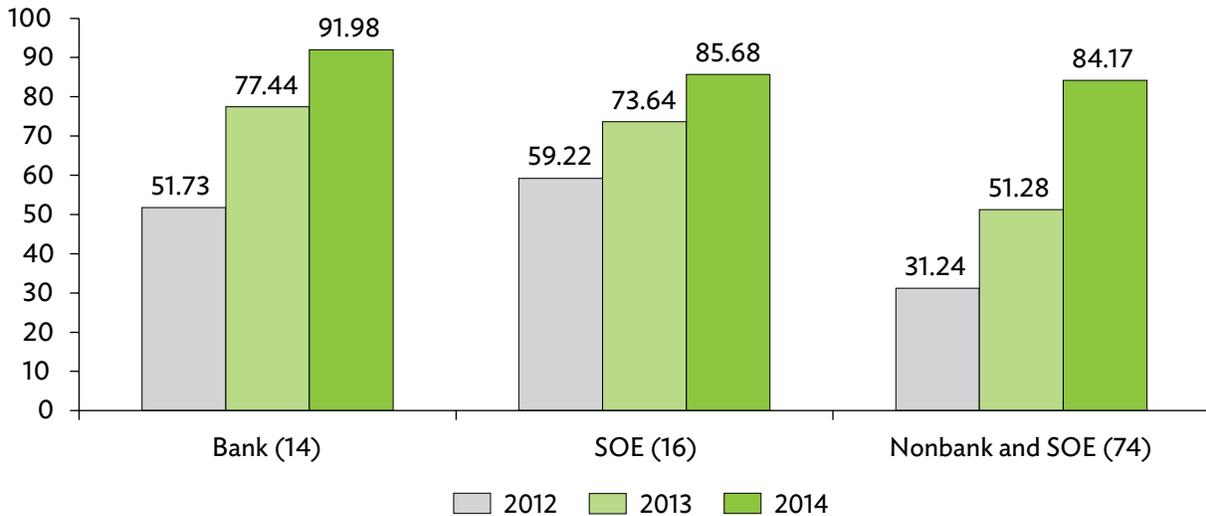


PLC = publicly listed company.

Source: Indonesian Institute for Corporate Directorship 2014.

In the 2014 assessment, highly regulated PLCs such as banks and state-owned enterprises were observed to have attained higher scores compared with others (Figure 9). This was a result of the PLCs imposing internal requirements that were beyond the minimum requirements enforced by regulators.

Figure 9: Indonesia—Corporate Governance Scores for Highly Regulated Publicly Listed Companies against Others

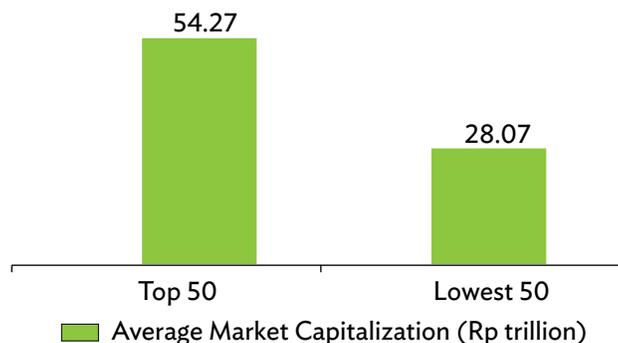


SOE = state-owned enterprise.

Source: Indonesian Institute of Corporate Directorship 2014.

A positive correlation between corporate governance performance and market capitalization was also observed (Figure 10). PLCs with a higher market capitalization demonstrated better corporate governance scores. The average market capitalization of the top 50 PLCs was twice that of the lowest 50 PLCs. Moreover, the corporate governance scores of the top 50 PLCs were much higher. This is clear evidence that companies with higher market capitalization have the capacity and expertise to adopt better corporate governance practices.

Figure 10: Indonesia—Corporate Governance Scores for Highly Regulated Publicly Listed Companies against Others



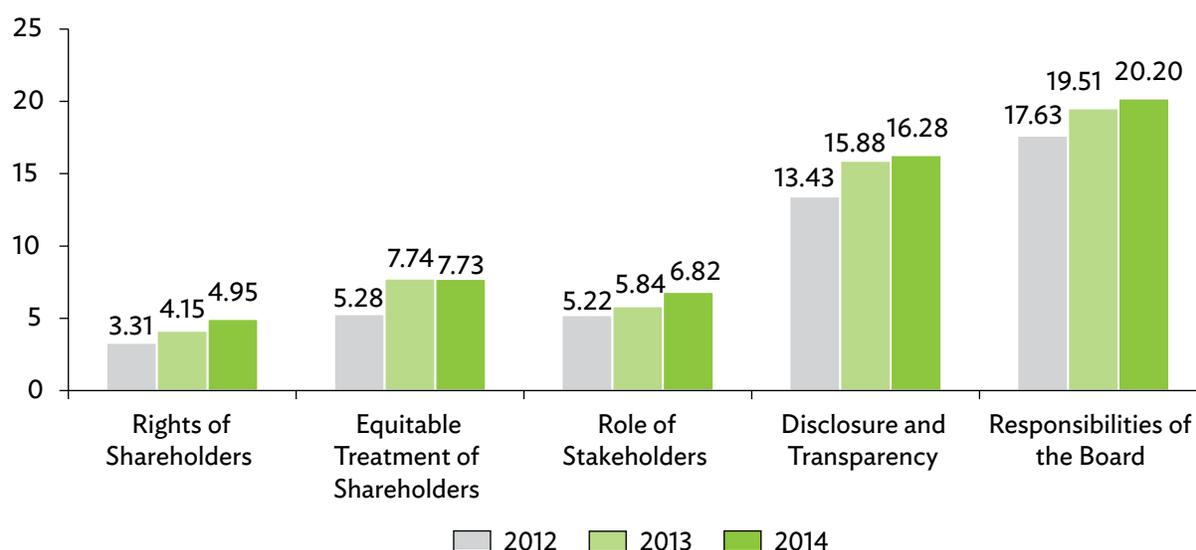
SOE = state-owned enterprise.

Source: Indonesian Institute of Corporate Directorship 2014.

Corporate Governance Performance of Each Part in Level 1

Since the 2012 assessment, progressive improvements have been posted in all parts in level 1 (Figure 11). From 2012 to 2014, rights of shareholders improved at 27.78%; equitable treatment of shareholders improved with 23.81%; role of stakeholders improved with 28.30%; disclosure and transparency improved with 6.56%; and responsibility of the boards improved with 10.87%. In 2014, the role of stakeholders received the highest score (68) followed by disclosure and transparency (65). The items under the sections rights of shareholders and responsibility of boards received the lowest scores.

Figure 11: Indonesia—Average Corporate Governance Scores



Note: The maximum attainable score for rights of shareholders is 10 points, equitable treatment of shareholders is 15 points, role of stakeholders is 10 points, disclosure and transparency is 25 points, and responsibility of the board is 40 points. Thus, the maximum total score of level 1 is 100 points.

Source: Indonesian Institute for Corporate Directorship 2014.

Part A: Rights of Shareholders

Continued improvements in scores by Indonesian PLCs in this area had been observed over the last 3 years. In the 2014 assessment, Indonesian PLCs scored an average of 4.95 points compared with 4.15 points in 2013. Figure 12 shows the areas of strengths and areas for improvement for Indonesian PLCs.

Moving forward, it is important for Indonesian PLCs to further strengthen initiatives to protect the rights of shareholders. The key success factors that have contributed to the increase of scores in this area are

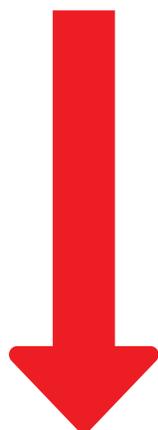
- (i) improved quality of minutes of meetings;
- (ii) publication in English of notices of annual general meeting (AGM)s; and
- (iii) strengthened regulatory framework to protect the rights of shareholders.

Figure 12: Indonesia—Strengths and Areas for Improvement in Rights of Shareholders



STRENGTHS

- Shareholders' right to participate in decisions concerning fundamental corporate changes related to:
 - amendments to company's constitution
 - authorization of additional shares
 - transfer of all or substantially all assets
- Shareholders' right to approve remuneration of the board of directors or board of commissioners.
- AGM is held at an accessible location.
- Appointment of an independent party by the board to evaluate the fairness of transaction prices of mergers and acquisitions.



AREAS FOR IMPROVEMENT

- Dividend payment is still more than 30 days
- Minutes of AGMs have not been appropriately disclosed
- Rights of shareholders have not been appropriately facilitated in these areas:
 - notice of AGMs sent less than 21 days before the AGM,
 - notice of AGMs does not provide the rationale and explanation for each agenda, and
 - shareholders are not effectively encouraged to attend AGMs
- Minutes or announcements of AGMs are still only available in the Indonesian language.

AGM = annual general meeting.

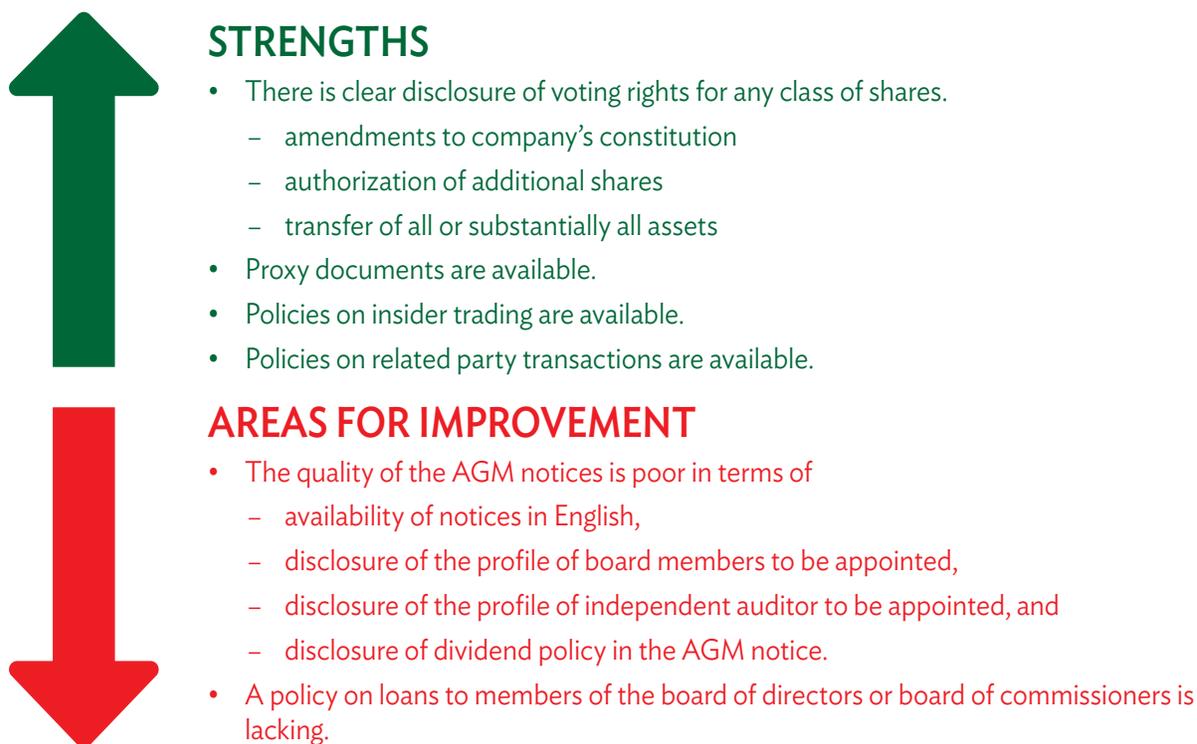
Source: Indonesian Institute for Corporate Directorship 2014.

Part B: Equitable Treatment of Shareholders

The scores under part B were stagnant in 2014 compared with the 2013 assessment. Figure 13 shows the areas of strengths and areas for improvement for Indonesian PLCs. Based on observations since 2012, for Indonesian PLCs to score better in this part, focus needs to be given on

- (i) elevating the quality and standards of AGM notices,
- (ii) publishing notices of AGM in English, and
- (iii) strengthening the regulatory framework and enforcement.

Figure 13: Indonesia—Strengths and Areas for Improvement in Equitable Treatment of Shareholders



AGM = annual general meeting.

Source: Indonesian Institute for Corporate Directorship 2014.

Part C: Role of Stakeholders

The average score for role of stakeholders in the 2014 assessment was 6.82 points, an increase of 31% from 2012. This area recorded the highest increase in scores year-on-year compared with the other parts. Figure 14 shows the areas of strengths and areas for improvement for Indonesian PLCs in this part.

Figure 14: Indonesia—Strengths and Areas for Improvement in Role of Stakeholders



Source: Indonesian Institute for Corporate Directorship 2014.

Part D: Disclosure and Transparency

Indonesian PLCs scored an average of 16.28 points for this part, which is an increase of 2.51% compared to 2013. The strength in this area is attributed to the regulations imposed by OJK on disclosure and transparency. It can also be noted that there are still some PLCs that have failed to disclose several items that are considered fundamental for disclosure and transparency. Figure 15 shows the areas of strengths and areas for improvement for Indonesian PLCs for this part.

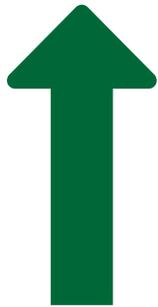
Figure 15: Indonesia—Strengths and Areas for Improvement in Disclosure and Transparency



Source: Indonesian Institute for Corporate Directorship 2014.

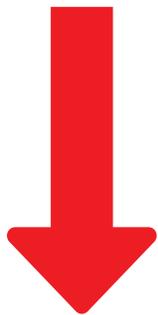
Part E: Responsibilities of the Board

The average score for this last part in level 1 is 20.20, which is an increase compared with 19.21 in 2013. Figure 16 shows the areas of strengths and areas for improvement for Indonesian PLCs for this part. Board commitment to adopt corporate governance best practices can be a key success factor in enhancing this area. Regulations can also play a role in ensuring that the board takes on its responsibility effectively and efficiently.

Figure 16: Indonesia—Strengths and Areas for Improvement in Responsibilities of the Board

STRENGTHS

- Clear disclosure about audit functions and audit committee practices.
- Good internal control functions relating to:
 - identification of the head of internal audit, and
 - internal audit procedures and risk management systems.
- Board members are equipped with knowledge and experience in the sector where the company operates.



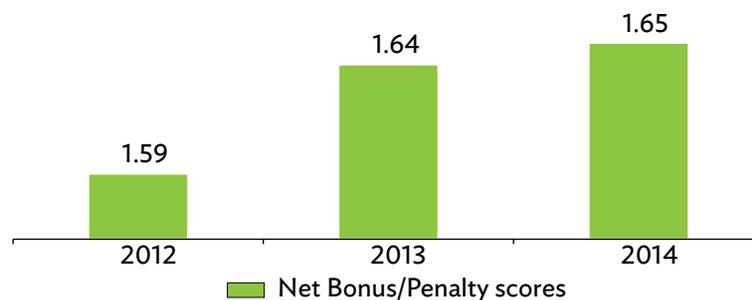
AREAS FOR IMPROVEMENT

- Nondisclosure of profiles of directors.
- Nondisclosure of remuneration details of directors.
- Lack of disclosure by companies of confirmation statement.
- Lack of disclosure about insider trading.
- Lack of disclosure of nonaudit fees paid to external auditors.
- Lack of disclosure of companies' constitution.

Source: Indonesian Institute for Corporate Directorship 2014.

Bonus and Penalty

Level 2 is the bonus and penalty section. Scores from this section are added to the scores in level 1 to obtain the total score. A positive net score in bonus and penalty will increase the total score and a negative net score will reduce the total score. Bonus points are intended to motivate companies to adopt beyond the governance practices in level 1, while penalty points are intended to eliminate violations of laws and regulations, inconsistency of stated policies, and other poor corporate governance practices than can lead to penalty. Figure 17 shows the net bonus and penalty scores from 2012 to 2014.

Figure 17: Indonesia—Net Bonus and Penalty Scores

Source: Indonesian Institute of Corporate Directorship 2014.

The performance of Indonesian PLCs in the bonus and penalty section is stagnant from 2013 to 2014. Figure 18 shows the areas of strengths and areas for improvement for Indonesian PLCs for this part. Level 2 items contribute significantly to the overall score achieved by companies. It is important for Indonesian PLCs to adopt corporate governance best practices beyond the minimum requirements.

Figure 18: Indonesia—Strengths and Areas for Improvement in Disclosure and Transparency



Source: Indonesian Institute for Corporate Directorship 2014.

Conclusions and Recommendations

The corporate governance performance of Indonesian PLCs in 2014 (Table 7) has made smaller improvements compared with 2013. As in previous assessments, the protection of minority and foreign shareholders and board commitment to international best practices remained as challenges to Indonesian PLCs. Although the adoption of voluntary best practices is recommended, in the context of Indonesia, the need to strengthen the regulatory framework continues to be critical to enhance

corporate governance standards and practices. In addition to these challenges, factors contributing to the slow improvement in 2014 are attributed to the following:

- (i) low awareness level for the ASEAN Corporate Governance Scorecard, especially among smaller companies; and
- (ii) a stronger regulatory framework was not implemented during the 2013 assessment period.

Other areas to enhance corporate governance practices are as follows.

- (i) Shareholder participation.** Shareholder participation can be enhanced by improving the quality of AGM notices. The meeting agenda is required to provide necessary information to shareholders to ensure active participation. Shareholder engagement, especially with institutional shareholders, can be an effective channel to further promote shareholders' active involvement.
- (ii) Sustainability report.** PLCs must be encouraged to publish a sustainability report together within their annual report. Only a few Indonesian PLCs have voluntarily undertaken this initiative.
- (iii) Empowerment of independent commissioners.** PLCs should increase the number of independent commissioners beyond OJK's regulations to ensure a robust process leading to effective decision making. The selection and appointment of independent commissioners by the nomination committee are important to ensure the appointment of qualified directors with core skills, expertise, and business aptitude.

Table 7: Indonesia—Top 50 Publicly Listed Companies Based on 2014 Total Score (in alphabetical order)

| Companies in 1st–10th Position | | |
|--------------------------------|--------------|---------------------------------|
| No. | Listing Code | Publicly Listed Company Name |
| 1 | BBCA | Bank Central Asia |
| 2 | BNGA | Bank CIMB Niaga |
| 3 | BDMN | Bank Danamon |
| 4 | BMRI | Bank Mandiri (Persero) |
| 5 | BBNI | Bank Negara Indonesia |
| 6 | NISP | Bank OCBC NISP |
| 7 | BBRI | Bank Rakyat Indonesia (Persero) |
| 8 | BBTN | Bank Tabungan Negara (Persero) |
| 9 | ITMG | Indo Tambangraya Megah |
| 10 | SMGR | Semen Indonesia (Persero) |

continued on next page

Table 7 continued

Companies in 11th–20th Position

| No. | Listing Code | Publicly Listed Company Name |
|-----|--------------|------------------------------|
| 11 | ANTM | Aneka Tambang (Persero) |
| 12 | ASII | Astra International |
| 13 | BNII | Bank International Indonesia |
| 14 | BNLI | Bank Permata |
| 15 | BJBR | BPD Jawa Barat dan Banten |
| 16 | PTBA | Bukit Asam (Persero) |
| 17 | GIAA | Garuda Indonesia (Persero) |
| 18 | JSMR | Jasa Marga (Persero) |
| 19 | WSKT | Waskita Karya |
| 20 | EXCL | XL Axiata |

Companies in 21st–30th Position

| No. | Listing Code | Publicly Listed Company Name |
|-----|--------------|---------------------------------|
| 21 | ABMM | ABM Investama |
| 22 | ADMF | Adira Dinamika Multi Finance |
| 23 | AKRA | AKR Corporindo |
| 24 | PNBN | Bank Pan Indonesia |
| 25 | BTPN | Bank Tabungan Pensiunan Negara |
| 26 | ISAT | Indosat |
| 27 | LPPF | Matahari Department Store |
| 28 | PGAS | Perusahaan Gas Negara (persero) |
| 29 | TLKM | Telekomunikasi Indonesia |
| 30 | TINS | Timah (Pesero) |

Companies in 31st–40th Position

| No. | Listing Code | Publicly Listed Company Name |
|-----|--------------|---------------------------------|
| 31 | BSDE | Bumi Serpong Damai |
| 32 | GEMS | Golden Energy Mines |
| 33 | KLBF | Kalbe Farma |
| 34 | KRAS | Krakatau Steel (Persero) |
| 35 | MEDC | Medco Energi International |
| 36 | PTPP | Pembangunan Perumahan (Persero) |
| 37 | LSIP | London Sumatera Indonesia |
| 38 | SRTG | Saratoga Investama Sedaya |
| 39 | UNVR | Unilever Indonesia |
| 40 | WIKA | Wijaya Karya (Persero) |

continued on next page

Table 7 continued

Companies in 41st–50th Position

| No. | Listing Code | Publicly Listed Company Name |
|-----|--------------|------------------------------|
| 41 | AALI | Astra Agro Lestari |
| 42 | AUTO | Astra Otoparts |
| 43 | DSSA | Dian Swastatika Sentosa |
| 44 | DUTI | Duta Pertiwi |
| 45 | HERO | Hero Supermarket |
| 46 | ICBP | Indofood CBP Sukses Makmur |
| 47 | MNCN | Media Nusantara Citra |
| 48 | TOWR | Sarana Menara Nusantara |
| 49 | SMAR | SMART |
| 50 | INCO | Vale Indonesia |

Source: Indonesian Institute of Corporate Directorship 2014.

MALAYSIA

Background of Corporate Governance Framework

Many events happening over the last 2 decades have changed the landscape of corporate governance into what it is today. The Government of Malaysia took several proactive measures to ensure that the Malaysian capital market remained resilient and had a solid foundation in governance. Several corporate governance initiatives were undertaken over the last 3 years, the latest being the Malaysian Code for Institutional Investors (MCII).

The MCII, which was another deliverable of the corporate governance blueprint, was jointly launched by the Securities Commission Malaysia and the Minority Shareholder Watchdog Group (MSWG). The launch of this code marked a significant milestone in Malaysia's corporate governance landscape as well as in the ASEAN region as Malaysia embarked on this initiative to promote greater leadership in governance and responsible ownership by institutional investors. This initiative, spearheaded by MSWG together with major institutional investors in Malaysia, aims to give institutional investors guidance on effective exercise of stewardship responsibilities to ensure delivery of sustainable, long-term value to the ultimate beneficiaries.

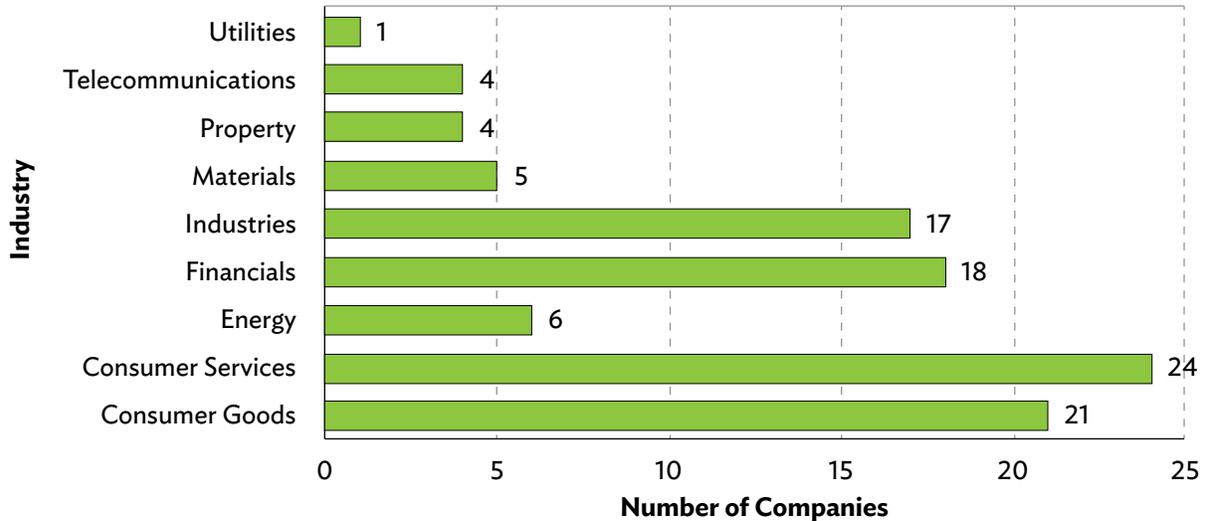
As the appointed domestic ranking body (DRB) for Malaysia, MSWG has adopted the ASEAN Corporate Governance Scorecard since 2012 to assess all Malaysian PLCs on their level of compliance with best practices and principles in corporate governance. The assessment has provided market players with vital information on Malaysian PLCs based on disclosures, and has provided regulators and corporate governance proponents with useful data points for corporate governance policy reforms.

Overall Analysis of Corporate Governance Disclosures

For the 2014 assessment, the top 100 Malaysian PLCs based on market capitalization as of 30 April 2014 were assessed based on disclosures in their published annual reports as of 31 July 2014, information available on corporate websites, and announcements on the Bursa Malaysia Stock Exchange's website as of end of October 2014.

The companies were assessed against the 179 items of the ASEAN Corporate Governance Scorecard, of which 28 were default response items. These default items are mandatory requirements under Malaysian laws, rules, and regulations to which companies must comply unless there is evidence to the contrary.

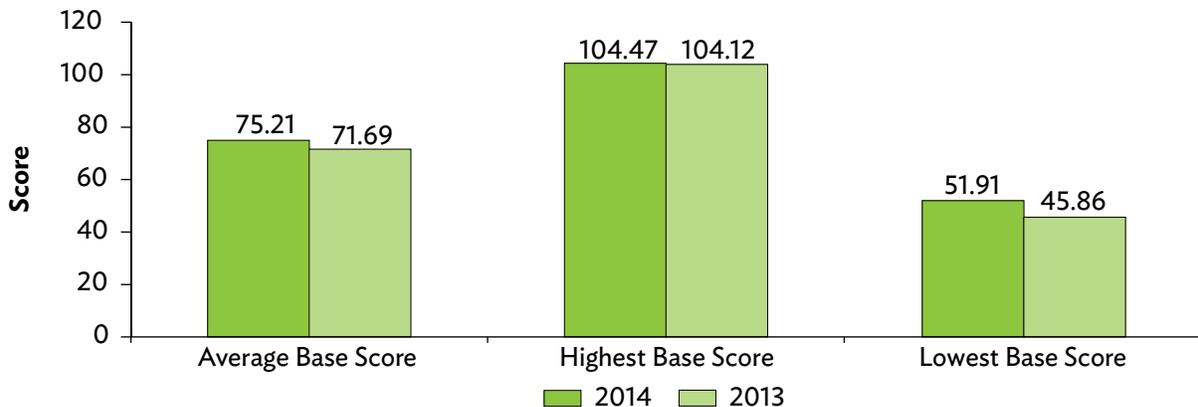
The top 100 Malaysian PLCs represent 11% of the total number of companies listed on the Bursa Malaysia Stock Exchange and account for 84% of total market capitalization. Of the top 100 PLCs, 27 companies are categorized as government-linked companies. The industry distribution of the top 100 PLCs is illustrated in Figure 19.

Figure 19: Industry Distribution

Source: Minority Shareholder Watchdog Group, Malaysia.

The overall average corporate governance score increased by 4.9% (from 71.69 points in 2013 to 75.21 points in 2014), with a maximum score of 104.47 and a minimum score of 51.91. For the top 50 PLCs, the average score was 85.19 points compared with 82.14 points in 2013.

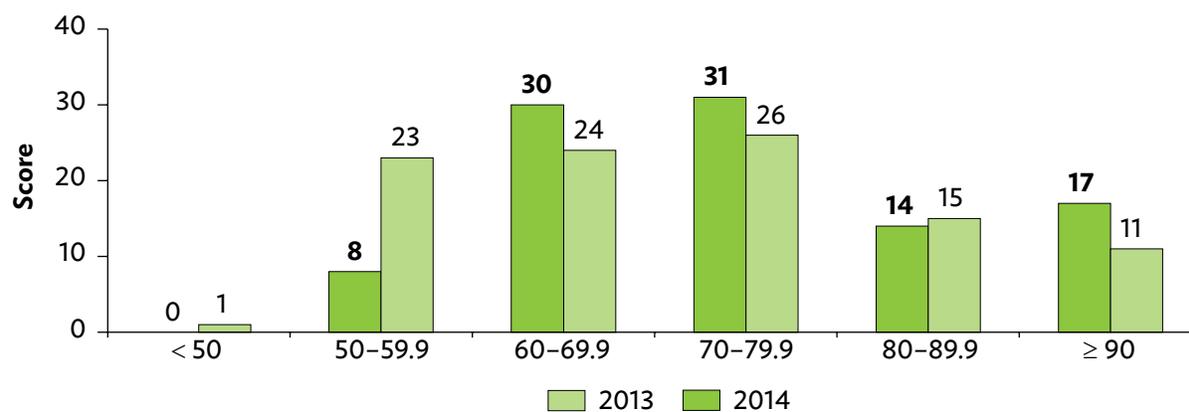
Figure 20 shows the overall performance of the 100 PLCs, and the highest and lowest base scores in 2014 compared with those in 2013.

Figure 20: Malaysia—Overall Corporate Governance Score of Top 100 Publicly Listed Companies

Source: Malaysia Minority Shareholder Watchdog Group 2013–2014.

In 2014, all the top 100 Malaysian PLCs scored 50 points and above, while in 2013, one company scored below 50 points (Figure 20). The number of companies that exceeded 90 points increased to 17 companies in 2014 compared with 11 companies in the previous year. Despite the more stringent parameters set in 2014, Malaysian listed companies appeared to have been able to raise their corporate governance standards to meet the higher expectations.

Figure 21: Malaysia—Overall Corporate Governance Score of Top 100 Publicly Listed Companies By Band



Source: Malaysia Minority Shareholder Watchdog Group 2013–2014.

Scores have improved across all categories as illustrated in Figure 21. Part A on rights of shareholders and part E on responsibilities of the board have shown great improvement with a more than 10% increase. There was significant improvement in part B on equitable treatment of shareholders and part C on role of stakeholders where 15 and 6 companies, respectively, have shown exemplary disclosures and practices, and scored full points. In 2013, only seven and two companies scored full points in both parts, respectively (Table 8).

TABLE 8: Malaysia—Distribution of Average Scores for Top 100 Publicly Listed Companies

| Score (Points) | YEAR | Part A | Part B | Part C | Part D | Part E |
|------------------------|------|--------|--------|--------|--------|--------|
| Average Score | 2014 | 5.95 | 13.60 | 6.40 | 18.60 | 27.96 |
| | 2013 | 5.18 | 12.81 | 5.88 | 17.23 | 25.19 |
| Maximum Score | 2014 | 9.20 | 15.00 | 10.00 | 23.78 | 37.87 |
| | 2013 | 8.80 | 15.00 | 10.00 | 23.13 | 35.79 |
| Maximum Possible Score | | 10.00 | 15.00 | 10.00 | 25.00 | 40.00 |

Note: Part A = rights of shareholders, Part B = equitable treatment of shareholders, Part C = role of stakeholders, Part D = disclosure and transparency, and Part E = responsibilities of the board.

Source: Malaysia Minority Shareholder Watchdog Group 2014.

The exemplary companies in each of the sections of the ASEAN Scorecard are presented in Figure 22.

Figure 22: Malaysia—Exemplary Public Listed Companies



Source: Malaysia Minority Shareholder Watchdog Group 2014.

Part A: Rights of Shareholders

Under this section, companies were assessed on the area of shareholder's rights. In this category, there are seven default response items out of the 25 parameters examined. The average score increased by 14.9% to 5.95 points compared with 5.18 points in 2013.

Figure 23 shows the strengths and areas for improvements in rights of shareholders. AGMs serve as one of the fundamental platforms for shareholders to participate in a company's decision-making process. Similar to 2013, all the companies provided at least 21 days' notice for all resolutions, and announced the outcome of the AGM including the resolutions within the next working day. Most companies conducted their AGMs in easily accessible locations. It is also very encouraging to note that 92% of the PLCs also disclosed their policies or practices to encourage attendance by shareholders including institutional investors in general meetings, or engagement with the company. In 2014, 96% of the companies provided the rationale and explanation for each agenda item in the notice of AGM.

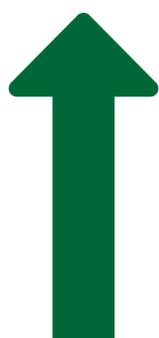
However, one area where Malaysian PLCs may have not done well compared with its ASEAN counterparts is on the disclosure of AGM minutes. This practice is still uncommon among Malaysian PLCs, with only 26 companies in the top 100 PLCs making such disclosure on their company's website,

indicating an obvious lack of disclosure of policies, processes, and insights on the conduct of AGMs by the listed companies. Nevertheless, it is heartening to note that the number has shown significant improvement compared with only seven companies that have done so in 2013.

There should also be greater transparency in terms of the disclosure of voting results including the breakdown of the approving, dissenting, and abstaining votes for each agenda item. The practice of most Malaysian PLCs is to only disclose approving and dissenting votes and not abstention.

The current assessment revealed that only 16% (2013: 21%) of the companies paid dividends within 30 days after being declared for interim dividends, and approved at the AGM for final dividends. It is common for Malaysian companies to seek shareholders' approval only for payment of directors' fees at the AGM excluding other remuneration such as allowances, benefit-in-kind, and other emoluments for nonexecutive directors. Companies are encouraged to conduct a poll vote on all resolutions in line with a "one share, one vote" principle. In this instance, only 6% of the companies conducted poll votes in 2014. Companies in Malaysia conduct mandatory poll voting on major disposals and related party transactions. The Malaysian Code on Corporate Governance encourages companies to conduct poll voting on other substantive resolutions such as general mandate to issue shares (Section 132D), share buybacks, and recurrent related party transactions.

Figure 23: Malaysia—Strengths and Areas for Improvement in Rights of Shareholders



STRENGTHS

- Notice of AGMs published in a timely manner and outcome of AGMs announced by the next working day.
- Organized AGMs in easily accessible locations.
- Company disclosed policies and/or practices to encourage shareholders including institutional investors to attend the general meetings or engage with the company.
- Disclosure of rationale and explanations was made for each agenda item in the notice of AGM or accompanying statement.



AREAS FOR IMPROVEMENT

- Nondisclosure of minutes of AGMs and policies, procedures, and insights on the conduct of AGMs.
- Nondisclosure of voting results such as approving, dissenting, and abstaining votes for each agenda item.
- Shareholders should be given opportunity to approve remuneration packages for nonexecutive directors.
- Dividends should be paid in a timely manner.
- PLCs should vote by poll for all resolutions.

AGM = annual general meeting, PLC = publicly listed company.

Source: Malaysia Minority Shareholder Watchdog Group 2014.

Part B: Equitable Treatment of Shareholders

This category examines the equitable treatment of shareholders in the company where out of the 17 parameters, seven are default response items. The average score increased to 13.60 points compared with 12.81 points in 2013.

Figure 24 shows the strengths and areas for improvements in part B. The Malaysian regulatory framework supports equitable treatment of shareholders as evidenced in the “one share, one vote” principle. Most of the listed companies (85%) have only one class of ordinary shares, and for those with more than one class of shares, the voting rights of such shares were clearly disclosed in the annual report save for three companies that did not make such disclosure. The AGM notices of all companies were published in English and almost all (98%) avoided bundling multiple resolutions in their AGM agenda. Rules prohibiting insider trading, and disclosure of directors’ conflict of interest in related party transactions (RPTs) are default response items, as there are laws, rules, or regulations in Malaysia dealing with such items. Malaysian PLCs also adequately disclosed the profiles of directors who were seeking election and/or reelection, and clearly identified the auditors who were seeking reappointment in the notice of AGM.

Notwithstanding the above, Malaysian PLCs should improve in terms of explaining their dividend policy, which is important as it provides clarity to shareholders on the company’s actions toward managing surplus earnings. In addition, PLCs that have undertaken RPTs should disclose whether their RPTs were conducted in a fair manner and at arms’ length. Also, there still are a few companies with RPTs that could be classified as financial assistance.

Figure 24: Malaysia—Strengths and Areas for Improvement in Equitable Treatment of Shareholders



STRENGTHS

- No bundling of resolutions in AGM.
- Notice of AGMs and/or circulars in English and proxy documents easily available.
- Adequate disclosure of the profiles of directors seeking election and/or reelection.
- Auditors seeking reappointment clearly identified.
- Adequate rules and policies dealing with insider trading, abusive self-dealing, and RPTs by directors.



AREAS FOR IMPROVEMENT

- Lack of explanation of dividend policies.
- RPTs in the form of financial assistance other than to wholly owned subsidiaries could lead to abusive transactions to the detriment of minority shareholders.
- Inform minority shareholders on the conduct of RPTs to ensure fairness and conduct at arms’ length.

AGM = annual general meeting, RPT = related party transaction.

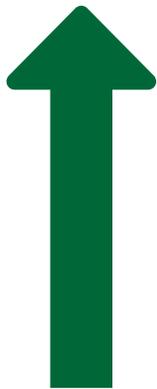
Source: Malaysia Minority Shareholder Watchdog Group 2014.

Part C: Role of Stakeholders

A company deals not only with its shareholders, customers, and regulators, but also the interest of its suppliers, creditors, and the society at large. The average score under this category increased to 6.40 points compared with 5.88 points in 2013.

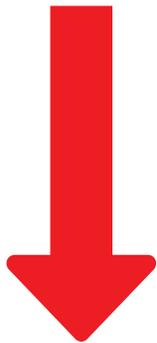
Almost all of the Malaysian PLCs (99%) have a separate section in the annual report bearing their corporate responsibility statement, and a few others have specific stand-alone sustainability reports on their corporate websites. Malaysian PLCs have shown good disclosure of policies relating to their efforts in ensuring an environmentally friendly value chain; interaction with communities; how creditors' rights are safeguarded; health, safety, and welfare policy for employees; and staff training and development programs. Communication channels where stakeholders could voice their concerns were generally provided by the companies.

The Bursa Malaysia Stock Exchange launched the Environmental, Social and Governance (ESG) Index in December 2014, which was aligned with other leading global ESG frameworks such as the Global Reporting Initiative and the Carbon Disclosure Project. It is hoped that with the introduction of the new index, Malaysian PLCs will demonstrate strong ESG practices as many still fall short in disclosures relating to policies on customers' welfare, supplier and/or contractor selection practices, reward or compensation policies for employees, and company anticorruption programs and procedures. While the number of companies that had procedures for complaints by employees concerning illegal and unethical behavior had improved from 56% in 2013 to 67% in 2014, establishment of whistle-blowing policies is still a key area for improvement. Policies and procedures to protect whistle-blowers also need to be improved and the implementation needs to be well articulated. Moving forward, companies should disclose clear ESG policies linking to strategies on material aspects or areas of business as well as cost-benefit disclosures. The top PLCs are also encouraged to move toward integrated reporting. The summary of strengths and areas for improvement in role of stakeholders is shown in Figure 25.

Figure 25: Malaysia—Strengths and Areas for Improvement in Role of Stakeholders

STRENGTHS

- Good disclosure of policies relating to
 - environmentally friendly value chain;
 - interaction with communities;
 - safeguarding creditors' rights;
 - health, safety, and welfare policy for employees; and
 - staff training and development programs.
- Corporate social responsibility disclosure in the annual report, or separate sustainability report on the company website.



AREAS FOR IMPROVEMENT

- Lack of disclosure or policies relating to
 - customers' welfare;
 - supplier and/or contractor selection practice;
 - reward or compensation policy for employees; and
 - company anticorruption programs and procedures.
- Lack of disclosure about the whistle-blowing policy; procedures and implementation of such policy and procedures are not well articulated

Source: Malaysia Minority Shareholder Watchdog Group 2014.

Part D: Disclosure and Transparency

This category examines the level of a company's disclosure and transparency, where transparency, as the heart of an effective corporate governance system, not only helps shareholders make well-informed investment decisions, but also builds trust between companies and all its stakeholders. Under this category, 41 parameters were assessed and four were considered default response items for Malaysia. The average score increased to 18.60 points compared with 17.23 points in 2013.

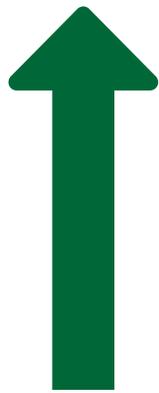
Majority of the companies assessed were transparent in terms of their ownership structure. All companies disclosed the direct and indirect shareholdings of directors, and almost all (99%) disclosed the beneficial owners with more than 5% shareholding, as well as the direct and indirect shareholdings of the substantial shareholders and directors. Only one company chose to disclose the direct and indirect shareholdings of senior management.

The quality of annual reports is vital as it serves as a primary communication channel not only to its existing stakeholders, but also to the potential shareholders. In terms of the quality of the annual report, all the top 100 companies disclosed the financial performance indicators that would give valuable information to shareholders and investors on the financial health of the company. Slightly

above half of the companies (53%) disclosed nonfinancial indicators as well, which is encouraging. Companies that had RPTs disclosed the nature and value for each material and/or significant RPT. Meanwhile, in relation to relationship with external auditors, all companies disclosed the audit fees, with majority also disclosing the amount of nonaudit fees paid and/or payable to the same audit firm.

Not surprisingly, the companies had corporate websites as required under the listing requirements, with the majority having information on business operations, financial statements, annual reports, company announcements, and contact details for investor relations. However, only 26% of the companies uploaded their AGM minutes onto their company's websites, while only 22% uploaded Memorandum and Articles of Association. Nevertheless, this is a marked improvement compared with only 7% and 13%, respectively, which did so in 2013.

In terms of key areas for improvement, only 8% of the companies disclosed details of trading in company's shares by insiders. While disclosures of directors' trading in the company's shares can be found in the financial statement, it is uncommon for details of trading by other insiders such as key management to be disclosed in the annual report. Twenty-two companies were deemed to have not disclosed a statement that confirmed the company's full compliance with the Malaysian Code on Corporate Governance. This could also be attributed to the fact that in instances where there was noncompliance, the company did not provide explanation(s) for such departure, hence were not given a score. There was also lack of disclosure of corporate objectives (24%) and key risks (26%) faced by the company, with only financial risks being often disclosed, as the company remains silent on other risks such as operational risk, product risk, country risk, etc. Disclosures about the dividend policy (34%), details of whistle-blowing policy (51%), and remuneration of each individual director (36%) could be further improved. Figure 26 highlights the strengths and areas for improvement under part D, disclosure and transparency.

Figure 26: Malaysia—Strengths and Areas for Improvement in Disclosure and Transparency

STRENGTHS

- Disclosure of the identity of the beneficial owners and substantial shareholders.
- Disclosure of the direct and indirect shareholdings of the substantial shareholders and directors.
- Disclosure of financial performance indicators.
- Disclosure of the nature and value for each material and/or significant related party transaction.
- Disclosure of audit and nonaudit fees.
- Informative company website with contact details for investor relations.



AREAS FOR IMPROVEMENT

- Lack of disclosure of direct and indirect shareholdings of senior management.
- Lack of disclosure of details of trading in the company's shares by insiders.
- Lack of disclosure of confirmation statement of the company's full compliance with the Malaysian Code on Corporate Governance.
- Lack of disclosure of annual general meeting minutes, and Memorandum and Articles of Association.
- Lack of disclosure of corporate objectives, key risks (other than financial risks), dividend policy, details of whistle-blowing policy, and remuneration of individual directors

Source: Malaysia Minority Shareholder Watchdog Group 2014.

Part E: Responsibilities of the Board

The board of directors plays a vital role in steering a company forward especially amid the current fast-changing global economy where commodities and financial markets are more globalized and volatile. This category forms the bulk of the parameters of the ASEAN Scorecard with 76 parameters out of the total of 179. It has also the highest weightage at 40% given its high importance. Out of the 76 parameters, 10 items were default response items for Malaysia. The average score for this category increased by 11% from 25.19 points in 2013 to 27.96 points in 2014.

The strengths and areas for improvement under this category are depicted in Figure 27. On the positive side, a majority of the Malaysian PLCs clearly disclosed the roles and responsibilities of the board in both the annual report and board charter. The board charter represents the company's commitment and show evidence on how the company interprets and takes ownership of the principles and recommendations of the Malaysian Code on Corporate Governance. The number of companies that established board charters continued to improve from 54% in 2013 to 77% in 2014; as well as those with a code of ethics, which improved from 47% in 2013 to 67% in 2014. The number of companies that

disclosed the types of decisions that required board of directors approval, which among others, cover acquisitions and disposals, share issuance, financial structuring, risk oversight, etc., also increased in 2014.

With regard to board structure, 92% (2013: 91%) of the companies had different persons assuming the roles of chair and chief executive officer (CEO), with 48% (2013: 40%) of the boards being led by an independent chair. The separation of the roles of chair and CEO is important to ensure an appropriate balance of power, increase accountability, and improve the board's capacity for decision making independent from management. The number of companies that had adopted a term limit of 9 years or less for their independent directors decreased from 34% in 2013 to 12% in 2014. This situation may be the result of Recommendation 3.2 and Recommendation 3.3 of the Malaysian Code on Corporate Governance, which suggests that an independent director who has served more than 9 years may continue to serve the board subject to the directors' redesignation as a nonindependent director (Recommendation 3.2); or the board must justify and seek the shareholders' approval if it wishes to retain this director as an independent director (Recommendation 3.3). In 2014, 74% of companies asserted that their company secretary played a significant role in supporting the board in discharging its responsibilities compared with 64% in 2013.

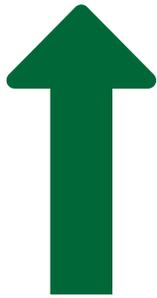
Similar to the findings in 2013, many listed companies had vested in the audit committee the primary responsibility for recommendation on the appointment, reappointment, and removal of the external auditor; and the appointment and removal of the internal auditor. All the 100 companies had separate internal audit functions that provided a crucial line of defense to shareholders, and which, when applied well, can be an effective deterrent to corporate governance transgressions and fraud. All of the listed companies disclosed the internal control procedures and/or risk management systems in place.

In terms of areas for improvement, only approximately one-third (31%) of companies asserted that they had reviewed the company's vision and mission statement during the past 5 years. It was also not very clear whether the board took the lead in the review of the annual corporate strategy, as only 61% made such disclosure. With regard to the code of ethics, companies should also explain how it implements and monitors compliance to assure shareholders that the check and balance functions are adequate. Disclosure of remuneration matters, particularly relating to policies and/or practices for executive directors and CEOs, as well as disclosure of the fee structure for nonexecutive directors need to be further improved. There are still 10% of the companies that granted options to their independent nonexecutive directors in 2014. There are still gaps in board assessments, with approximately three-quarters asserting that an annual performance assessment was conducted for the board, individual directors, and board committees. However, lesser companies made further disclosures on the board assessment process and criteria used for assessment.

In terms of board diversity, only 40% (2013: 36%) disclosed their board diversity policy in their annual report. In particular, in 2014, women made up only 11.7% of the board composition of the top 100 PLCs (2013: 9.7%). Further scrutiny of women directors on boards also revealed that in 2014, only 5.8% were independent directors. Malaysia still lags behind its targets of achieving its agenda of having 30% women on corporate boards by 2016. Bigger-cap companies must take serious and more

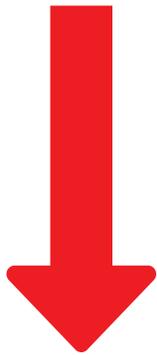
comprehensive efforts to boost the number of women directors on their boards not for the sake of meeting “targets”, but to pursue good corporate governance.

Figure 27: Malaysia—Strengths and Areas for Improvement in Responsibilities of the Board



STRENGTHS

- Disclosure of the roles and responsibilities of the board.
- Disclosure of the types of decisions requiring board of director approval.
- Audit committee has the primary responsibility for recommendation on the appointment, reappointment, and removal of the external auditor; and the appointment and removal of the internal auditor.
- Disclosure of the internal control procedures and/or risk management systems.



AREAS FOR IMPROVEMENT

- Lack of disclosure on whether the company’s vision and mission statement had been reviewed by the board during the past 5 years, and whether the board took the lead in the review of the annual corporate strategy.
- Lack of disclosure of the details of the code of ethics, and explanation on its implementation and monitoring.
- Lack of disclosure on whether an annual performance assessment was conducted for the board, individual directors, and board committees as well as the board assessment process and criteria used for assessment.

Source: Malaysia Minority Shareholder Watchdog Group 2014.

Bonus and Penalty

The Malaysian PLCs continue to show improvement in terms of adopting good corporate governance practices that go beyond items in level 1 as shown in Figure 28. The average overall bonus was 4.47 points compared with 6.74 points in 2013. The highest was 13 points compared with 22 points in 2013. A notable improvement was in terms of the increasing number of companies having at least one female director on the board, which improved from 37% in 2013 to 44% in 2014. There were also 26 companies that had set up separate board-level risk committees to strengthen the risk oversight process.

Under the penalty section, 57% of the companies had independent directors who have served for more than 9 years, a sharp increase compared with 35% in 2013. In Malaysia, the corporate governance code suggests that independent directors who have served more than 9 years may either be redesignated to nonindependent directors, or shareholders’ approval may be sought based on the justification and recommendation by the board.

Figure 28: Malaysia—Strengths and Areas for Improvement in Bonus and Penalty Sections



STRENGTHS

- Longer notice period for the annual general meeting (at least 28 days).
- More companies with at least one female independent director on board.



AREAS FOR IMPROVEMENT

- Independent directors serve for more than 9 years.
- Pyramid ownership and cross holding structures still exist.

Source: Malaysia Minority Shareholder Watchdog Group 2014.

Conclusions and Recommendations

The Malaysian government, Securities Commission Malaysia, Minority Shareholder Watchdog Group, and other corporate governance proponents have continued to plow toward building a business environment that is transparent, with a strong regulatory framework benchmarked against international standards of corporate governance. These initiatives have resulted in the PLCs (Table 9) continuing to show improvement in their corporate governance culture as evidenced by the increase in the overall score under level 1 by 4.9% from 71.69 points in 2013 to 75.21 points in 2014. The improvement in the overall score shows that despite more stringent parameters introduced in 2014, the PLCs are able to raise their corporate governance standards to meet the higher expectations.

Nevertheless, there are still areas that warrant further improvements and efforts to address these gaps. The areas that are recommended to be improved include the following:

- (i) publishing the minutes of the general meetings on the company's website within 1 month from the date of the meetings and the company's Memorandum and Articles of Association;
- (ii) disclosing directors' remuneration by individual directors instead of by band as required by law. Companies are also encouraged to put to a vote the total remuneration for shareholder approval during the AGMs;
- (iii) disclosing more information on board assessment including the process and criteria used for the assessment;
- (iv) notice of AGMs should be accompanied by explanations on all resolutions, and references should be made where information can be found in the annual report;
- (v) further explanation on dividend policies and amount payable in notice of AGMs and circulars;
- (vi) disclosing more information on environment, social, and governance policies and activities especially those linking to strategies on material aspects and areas;
- (vii) disclosure of directors' profile that clearly separate directorships in listed and nonlisted companies;

- (viii) more serious effort taken to increase the number of women on corporate boards; and
- (ix) disclosure of corporate objectives and key risks areas (other than financial risks).

Table 9: Malaysia—Top 50 Publicly Listed Companies Based on 2014 Total Scores (by rank)

| Number | Company Name | Number | Company Name |
|--------|------------------------------|--------|---------------------------------------|
| 1 | Telekom Malaysia | 26 | DiGi.Com |
| 2 | Bursa Malaysia | 27 | KPJ Healthcare |
| 3 | CIMB Group Holdings | 28 | Genting Malaysia |
| 4 | Malayan Banking | 29 | IOI Corporation |
| 5 | Axiata Group | 30 | Petronas Dagangan |
| 6 | Malaysia Airport Holdings | 31 | Malaysian Resources Corporation |
| 7 | LPI Capital | 32 | Genting |
| 8 | UMW Holdings | 33 | Malaysia Marine and Heavy Engineering |
| 9 | Public Bank | 34 | MSM Malaysia Holdings |
| 10 | Media Prima | 35 | BIMB Holdings |
| 11 | Astro Malaysia Holdings | 36 | MISC |
| 12 | RHB Capital | 37 | Malaysia Building Society |
| 13 | IJM Corporation | 38 | UMW Oil & Gas Corporation |
| 14 | Tenaga Nasional | 39 | Pos Malaysia |
| 15 | UEM Sunrise | 40 | Bumi Armada |
| 16 | Maxis | 41 | Guinness Anchor |
| 17 | DRB-HICOM | 42 | Kulim (M) |
| 18 | IJM Land | 43 | AMMB Holdings |
| 19 | British American Tobacco (M) | 44 | Cahaya Mata Sarawak |
| 20 | Alliance Financial Group | 45 | MMC Corporation |
| 21 | IJM Plantation | 46 | TSH Resources |
| 22 | Sime Darby | 47 | AirAsia |
| 23 | Petronas Gas | 48 | IHH Healthcare |
| 24 | Petronas Chemicals Group | 49 | Kuala Lumpur Kepong |
| 25 | Nestlé (M) | 50 | Sunway |

Source: Malaysia Minority Shareholder Watchdog Group 2014.

PHILIPPINES

Background of Corporate Governance Framework

The Securities and Exchange Commission (SEC) has been working on the improvement of corporate governance practices in the Philippines since the adoption of the ASEAN Corporate Governance Scorecard in 2012. In 2013, the SEC, along with the Institute of Corporate Directors (ICD), launched an information campaign to familiarize PLCs, other government regulators, and investors on the objectives and mechanics of the Scorecard. The SEC required all PLCs to issue an annual corporate governance report (ACGR), which is intended to consolidate all of the governance policies and procedures of each PLC into one report for ease of reference. The SEC further required that all PLCs post their ACGR on their corporate websites. In December 2013, the SEC directed all key officers and members of the board of PLCs to attend a training program on corporate governance at least once a year.

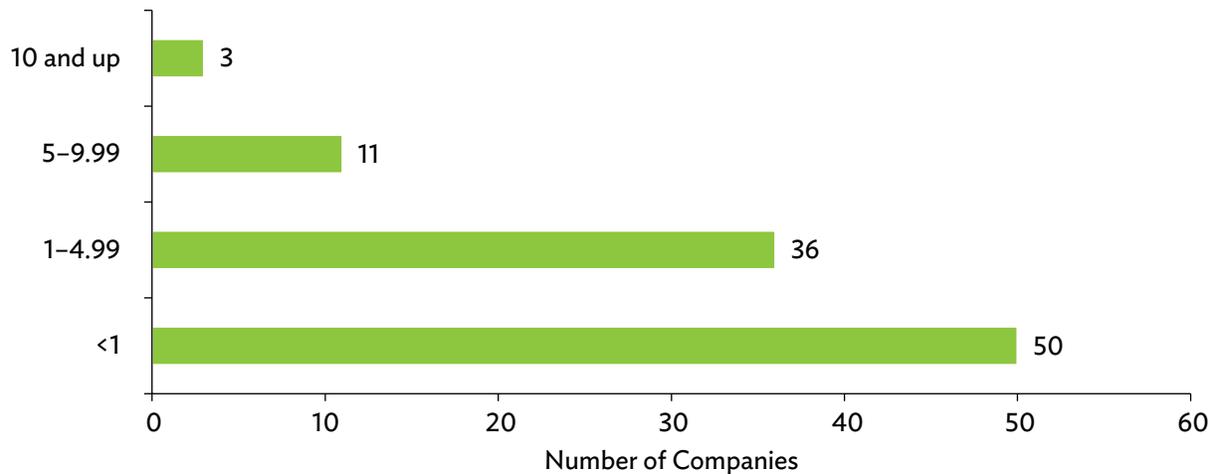
The SEC has recognized the need to update the primary codes that comprised the corporate governance framework in the Philippines. By the first half of 2014, the SEC had amended the Revised Code of Corporate Governance to include “other stakeholders” in the company’s responsibilities. To improve the quality of PLCs’ websites, the SEC recommended a template for PLCs to follow in organizing disclosures made online. PLCs were also directed to post the minutes of all general or special meetings within 5 days from the actual date of the meeting.

Being the Philippines’ domestic ranking body, the ICD facilitated the scoring of all PLCs by its fellows and partner organization, the Institute of Internal Auditors – Philippines (IIA-P) using the ASEAN Scorecard. The ICD has also peer-reviewed 70 ASEAN PLCs for this round of assessment.

Overall Analysis of Corporate Governance Disclosures

The top 100 PLCs were selected according to market capitalization as of 30 April 2014. Figure 29 shows the distribution of the companies according to market capitalization.

Figure 29: Philippines—Profile of Top 100 Publicly Listed Companies by Market Capitalization (\$ billion)



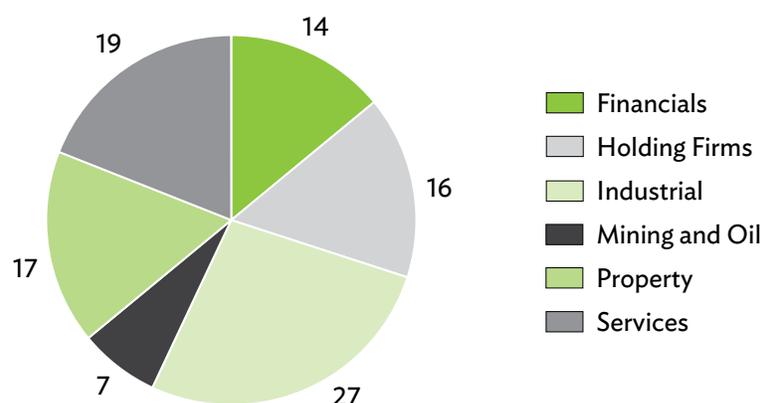
Source: Institute of Corporate Directors (Philippines). 2014. Data is from the Philippine Stock Exchange.

The companies listed on the Philippine Stock Exchange PSE are categorized according to seven major sectors:

- (i) financial;
- (ii) holding firms;
- (iii) industrial;
- (iv) properties;
- (v) services;
- (vi) mining and oil; and
- (vii) small, medium, and emerging boards.

Majority of the PLCs included in the top 100 are from the industry sector (27 PLCs) and the services sector (19 PLCs). There are 17 PLCs from the property sector, 16 holding firms, 14 financial institutions, and 7 mining and oil companies. Figure 30 shows the distribution of top 100 PLCs by sector.

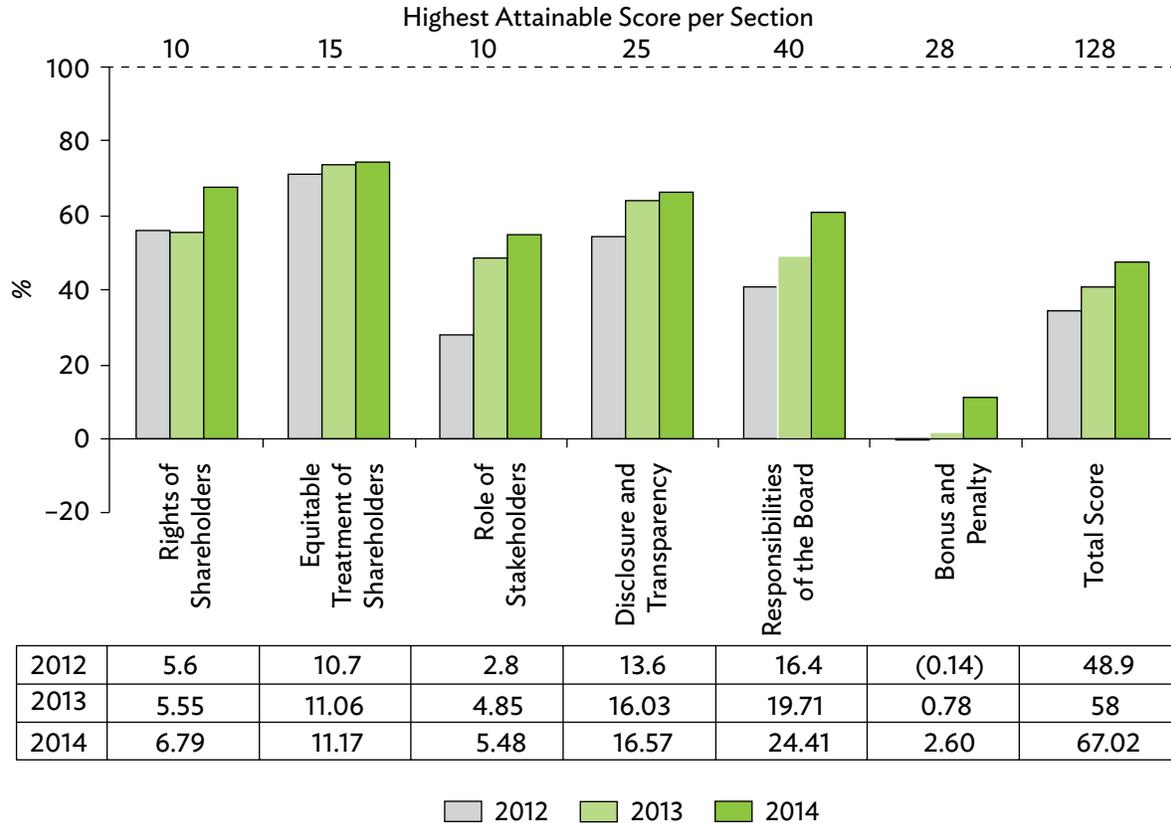
Figure 30: Philippines—Profile of Top 100 Publicly Listed Companies by Sector (%)



Source: Institute of Corporate Directors (Philippines) 2014. Data is from the Philippine Stock Exchange, 2014

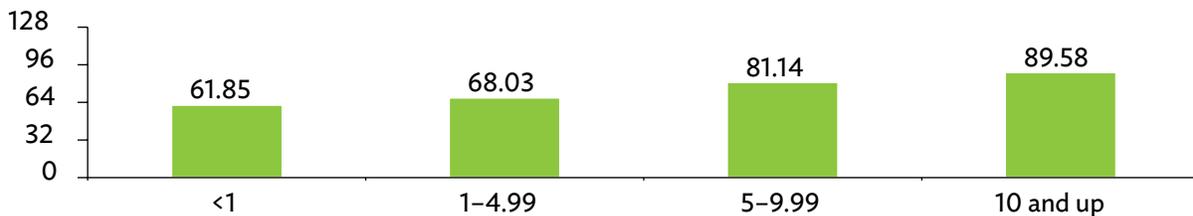
The average corporate governance scores of the top 100 PLCs by market capitalization rose to 67.02 points in 2014 from 58 points in 2013. Figure 31 shows the distribution of scores for PLCs in each part of the ASEAN Scorecard since the 2012 assessment.

Figure 31 shows that the most improved section in average scores on a year-on-year basis was rights of shareholders (6.79 points in 2014 compared with 5.55 points in 2013), and bonus and penalty (2.6 points in 2014 compared with 0.78 point in 2013). More attention should be given to role of stakeholders (5.48 points in 2014, maximum score of 10 points) and responsibilities of the board (24.41 points in 2014, maximum score of 40 points), compared with equitable treatment of shareholders (11.17 points in 2014, maximum score of 15 points) and disclosure and transparency (16.57 points in 2014, maximum score of 25 points).

Figure 31: Philippines—Distribution of Scores for Each Part

Source: Institute of Corporate Directors (Philippines). 2014.

Figure 32 shows the average scores of the companies, by category, according to market capitalization. The category that received the highest average score is the group whose companies' capitalization is above \$10 billion.

Figure 32: Philippines—Average Scores of Top 100 Publicly Listed Companies by Market Capitalization (\$ billion)

Source: Institute of Corporate Directors (Philippines). 2014.

Part A: Rights of Shareholders

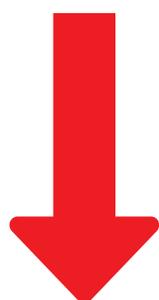
The rights of shareholders to participate in decisions concerning fundamental corporate changes are embedded in the Corporation Code. In 2014, more PLCs made more explicit disclosures about minority shareholders' rights to nominate candidates to the board. PLCs post their minutes of annual stockholders' meetings (ASMs) on their website as required by the SEC through the Notice issued on 2 June 2014 pursuant to SEC Memorandum Circular No. 11 Series of 2014, which mandated all PLCs to include all company disclosures on their websites. The quality of the minutes of ASMs continues to improve to include the requirements of the ASEAN Scorecard such as list of directors present during the ASM, number of votes received by each agenda item, and questions and answers during the meeting. There are five default items for PLCs for this category. Figure 33 shows the areas of strengths and areas for improvement for PLCs under this part.

Figure 33: Philippines—Strengths and Areas for Improvement in Rights of Shareholders



STRENGTHS

- ASMs are organized in easily accessible locations.
- Companies release notices of ASMs at least 21 days before the meeting.
- Voting and vote tabulation procedures are declared before the ASM via the definitive information statement.
- The result of ASM is publicly available by the next working day.



AREAS FOR IMPROVEMENT

- Dividends are not paid within 30 days after declaration and approval.
- Most companies do not vote by poll.
- Votes received for each agenda item during ASM (approving, dissenting, and abstaining votes) are not disclosed.
- Some companies do not provide the rationale and explanation for agenda items that require shareholders' approval in the ASM.

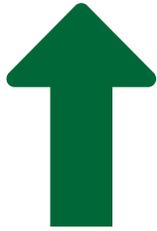
ASM = annual stockholders' meeting.

Source: Institute of Corporate Directors (Philippines) 2014.

Part B: Equitable Treatment of Shareholders

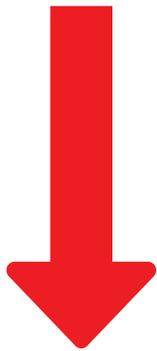
The corporate governance framework should ensure equitable treatment of all shareholders, including minority and foreign shareholders. Directors are required to abstain from participating in discussions where there is conflict of interest. Figure 34 shows the areas of strengths and areas for improvement for PLCs under this part.

Figure 34: Philippines—Strengths and Areas for Improvement in Equitable Treatment of Shareholders



STRENGTHS

- All companies use the English language in all their reporting and disclosures.
- There is no bundling of items in the agenda of the annual stockholders' meeting.
- Companies identify the external auditors for appointment and/or reappointment.
- Most companies disclose that RPTs are done fairly and at arm's length.



AREAS FOR IMPROVEMENT

- Directors are not required to report their dealings in company shares within three business days.
- Companies do not have a policy requiring a committee of independent directors to review material RPTs.
- Most companies do not disclose the profile of candidates to the board as required by the ASEAN Corporate Governance Scorecard; listed companies that the directors are serving were not identified; the exact date of first appointment of directors should be included.

ASEAN = Association of Southeast Asian Nations, RPT = related party transaction.

Source: Institute of Corporate Directors (Philippines) 2014.

Part C: Role of Stakeholders

This year's result shows improvement indicating that an increasing number of PLCs are now making specific references to safeguard the interest of other stakeholders. Figure 35 shows the areas of strength and areas for improvement for PLCs under this part. More PLCs published a separate corporate social responsibility or sustainability section and/or report. However, this category remains as the section with the lowest score compared with other sections. Most PLCs need to adopt policies on rewards, recognition, and remuneration that promote and incentivize long-term performance (beyond short-term financial returns). The officers and employees of PLCs are deemed to be the main stakeholders. Since they are internal to the PLCs, they are entitled to more than their fair share of attention and care. The key issues of concern with regard to officers and employees should include at least health, safety, and overall welfare as well as training and development (investment in their learning and growth).

Figure 35: Philippines—Strengths and Areas for Improvement in Role of Stakeholders**STRENGTHS**

- Most companies disclose policies and activities in their annual report or on company website, describing in detail their interaction with the communities where they carry out the business.
- Most companies have a separate corporate responsibility report or section, or sustainability report or section.

**AREAS FOR IMPROVEMENT**

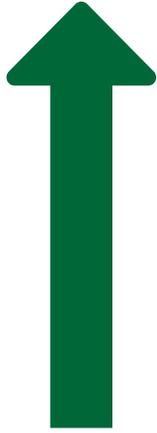
- Most companies have no reward or compensation policy for employees that accounts for the performance of the company beyond short-term financial measures.
- Most companies have not published relevant information on training and development programs for its employees.
- Most companies have not published relevant information relating to health, safety, and welfare of its employees.
- Most companies either do not have or have not disclosed their policy and activities on supplier and/or contractor selection as well as their efforts to address customer welfare and safeguard creditors' rights.

Source: Institute of Corporate Directors (Philippines) 2014.

Part D: Disclosure and Transparency

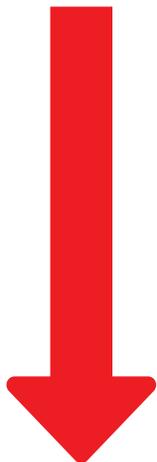
Disclosure is one of two major demands of modern corporate governance. There is a presumption in corporate governance that fuller and more transparent disclosure is a major effective deterrent against corporate governance malpractices. The chapter on disclosure identifies the elements that PLCs must disclose to the general public to better secure observance of good corporate governance practices. Philippine PLCs scored higher this year in this category. The ACGR that the Philippine SEC required from the PLCs helped make the necessary information available to the public. In addition to last year's strong areas, more PLCs disclose clearly the details of their RPTs with the help of the ACGR. Figure 36 shows the strengths and areas for improvement for PLCs under this part.

Figure 36: Philippines—Strengths and Areas for Improvement in Disclosure and Transparency



STRENGTHS

- Companies use the following modes of communication:
 - quarterly reporting
 - company website.
- Audit fees are disclosed in the annual report.
- The identity of beneficial owners holding 5% shareholding or more is disclosed.
- The annual reports and audited annual financial statements are released within 120 days after the financial year-end.
- Details of RPTs are disclosed in the annual report and the annual corporate governance report.



AREAS FOR IMPROVEMENT

- Trading of directors in company shares for the recent financial year is not disclosed.
- Most companies do not have the following in their annual report:
 - details of remuneration of each director
 - training or continuing education programs attended by each director in the recent financial year
 - details of whistle-blowing policy
 - nonfinancial performance indicators
 - statement of full compliance with the code of corporate governance.
- The profile of directors in the annual report does not specify directorships in other listed companies.

Source: Institute of Corporate Directors (Philippines) 2014.

Part E: Responsibilities of the Board

The second major demand of modern corporate governance is for the board of directors to step up and actively take on the role, duties, and responsibilities that laws, rules, and regulations have vested upon them. The board fiduciary duty is to manage the affairs of the PLC. The first concern that has to be fully addressed is the formulation of corporate governance policies, and within it, the definition of board responsibilities.

This is one category where PLCs showed significant improvement, the average score increased to 24.42 points from 19.71 points. Although some items remain to be a challenge to PLCs, such as increasing the number of independent directors to 50% of the board, more and more PLCs are adopting international best practices to be at par with regional standards. Some of the activities undertaken are improving

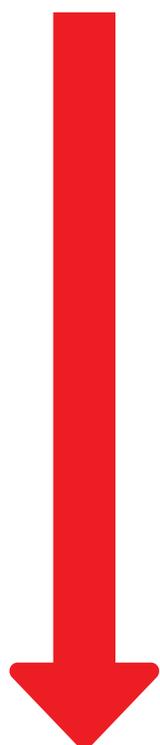
board protocols, committee charters, and regular review of their corporate strategies. Figure 37 shows the strengths and areas for improvement for PLCs under this part.

Figure 37: Philippines—Strengths and Areas for Improvement in Responsibilities of the Board



STRENGTHS

- The charter of the board, which includes the roles and responsibilities of the directors, is disclosed.
- Most companies have nomination and remuneration committees.
- Board committee charters are available.
- Company secretaries are trained in legal, accountancy, or company secretarial practices.
- Profiles of the members of the audit committee are disclosed in the annual report.
- Most companies have a vision and mission statement.



AREAS FOR IMPROVEMENT

- Independent directors do not make up at least 50% of the board of directors.
- Most companies have not set a limit of five board seats in PLCs that an individual director may hold simultaneously.
- The chair of the board of directors is not an independent director.
- The term limit of independent directors is more than 9 years.
- Most nomination and remuneration committees are not comprised of independent directors as the majority.
- Most companies do not require a minimum quorum of at least 2/3 for board decisions.
- Nonexecutive directors do not meet separately without any executives present.
- The annual report does not contain a statement from the board of directors or audit committee commenting on the adequacy of the company's internal controls and/or risk management systems.
- Most PLCs do not disclose that the board of directors takes the lead in the review of the annual corporate strategy.
- Most PLCs do not disclose when the vision and mission were last reviewed.
- Criteria and processes used in the performance appraisal of the board, board committees, individual directors, and the chief executive officer are not disclosed.

PLC = publicly listed company.

Source: Institute of Corporate Directors (Philippines) 2014.

Level 2: Bonus and Penalty

In addition to the above issues and points that are included in the questionnaire for the ASEAN Scorecard, there are a few preferred practices that are highly recommended, and for which additional or bonus points are awarded to PLCs that decide to adopt them. If there are bonus points to be gained from adopting the preferred practices, there are also penalty points deducted for poor practices.

This year's result shows an increase in the average bonus points received by PLCs. More companies released their notices of meeting with explanatory circulars 1 month before the ASM. Figure 38 shows the strengths and areas for improvement for PLCs under this part.

Figure 38: Philippines—Strengths and Areas for Improvement in Bonus and Penalty Sections



STRENGTHS

- The notice of annual stockholders' meetings with explanatory circulars, as announced in the Exchange, is released 28 days before the meeting.



AREAS FOR IMPROVEMENT

- Some companies have independent directors who have served for more than 9 years.

Source: Institute of Corporate Directors (Philippines) 2014.

Conclusions and Recommendations

The improvement in scores for the top 100 PLCs (Table 10) is the result of concerted efforts by the regulators and PLCs to improve corporate governance standards and practices. The SEC has issuances that reinstated the board's responsibilities to other stakeholders of PLCs and that improved the disclosures of PLCs on their company websites. Some PLCs have adopted the standards that the ASEAN Scorecard is espousing. However, more PLCs still need to make similar adjustments in policies and practices.

The call for ASMs should include a brief rationale or explanation of each agenda item that requires shareholder approval in the AGM. The companies should adopt voting procedures designed to allow vote by polling for each agenda item. Results of the vote by polling should be posted to include the number of approving, dissenting, and abstaining votes.

Besides key risks and financial performance indicators, the annual reports should also include some of the company's key nonfinancial measures and corporate objectives or strategic priorities, particularly those included in the corporate strategy map. Disclosure of policies and activities that respect and promote the rights of external stakeholders and care for the employees should be strengthened. Board protocols and processes should be reviewed and adjusted to conform to ASEAN Scorecard standards, e.g., board committee structures, board meeting procedures, etc.

To sustain the progress the PLCs are making, the information campaign, coupled with regulatory support from relevant government institutions, should intensify in 2015 when they will be ranked with their ASEAN peers.

Table 10: Philippines—Top 50 Publicly Listed Companies Based on 2014 Total Scores (in alphabetical order)

| Number | Company | Number | Company |
|--------|---|--------|---|
| 1 | A. Soriano Corporation | 26 | Metro Pacific Investments Corporation |
| 2 | Aboitiz Equity Ventures | 27 | Metropolitan Bank & Trust Company |
| 3 | Aboitiz Power Corporation | 28 | Nickel Asia Corporation |
| 4 | ABS-CBN Corporation | 29 | PAL Holdings |
| 5 | Alsons Consolidated Resources | 30 | Petron Corporation |
| 6 | Ayala Corporation | 31 | Philex Mining Corporation |
| 7 | Ayala Land | 32 | Philex Petroleum Corporation |
| 8 | Bank of the Philippine Islands | 33 | Philippine Bank Of Communications |
| 9 | BDO Unibank | 34 | Philippine Long Distance Telephone Company |
| 10 | Belle Corporation | 35 | Philippine National Bank |
| 11 | Cebu Holdings | 36 | Philippine Savings Bank |
| 12 | China Banking Corporation | 37 | Philippine Seven Corporation |
| 13 | Del Monte Pacific Limited | 38 | Rizal Commercial Banking Corporation |
| 14 | DMCI Holdings | 39 | Robinsons Land Corporation |
| 15 | EEl Corporation | 40 | San Miguel Corporation |
| 16 | Energy Development Corporation | 41 | San Miguel Pure Foods Inc |
| 17 | Far Eastern University | 42 | Security Bank Corporation |
| 18 | Filinvest Development Corporation | 43 | Semirara Mining Corporation |
| 19 | First Gen Corporation | 44 | SM Investments Corporation |
| 20 | Globe Telecom | 45 | SM Prime Holding |
| 21 | GT Capital Holdings | 46 | The Philippine Stock Exchange |
| 22 | International Container Terminal Services | 47 | Trans-Asia Oil and Energy Development Corporation |
| 23 | Lopez Holding Corporation | 48 | Union Bank of the Philippines |
| 24 | Manila Electric Company | 49 | Universal Robina Corporation |
| 25 | Manila Water Company | 50 | Vista Land & Lifescapes |

Source: Institute of Corporate Directors (Philippines).

SINGAPORE

Background of Corporate Governance Framework

The corporate governance framework in Singapore comprises a mix of legislative rules, securities listing rules, and best-practice guidelines. Underpinning this framework are the corporate laws and securities regulations. The Companies Act (Chapter 50) is the predominant framework that governs the conduct of businesses in Singapore and primarily sets out the fiduciary duties of directors. Besides this, the Securities and Futures Act (SFA) (Chapter 289) also forms part of the legislation that puts in place rules concerning securities markets in Singapore.

In addition to these legislative regulations, there are the securities listing rules, i.e., the Listing Rules of the Singapore Exchange Securities (SGX), which apply to companies listed on the bourse. These rules include requirements on important governance matters, such as related-party transactions, periodic reporting, and disclosure of material information. Compliance with the SGX listing rules is mandatory, and PLCs that do not comply with such requirements may face disciplinary action.

Supplementing these are best-practice recommendations in the form of the Code of Corporate Governance (2012) issued by the Monetary Authority of Singapore (MAS). The MAS code provides key recommendations on corporate governance to PLCs in relation to having an optimal and effective board of directors; remuneration of directors and officers; strong audit and accountability system; as well as maintaining regular, effective, and fair communication and engagement with shareholders. While the code is a best practice and compliance is voluntary, under a “comply-or-explain” regime, PLCs are required under SGX listing rules to disclose whether they have adhered to the recommendations in the code and explain deviations, if any, in their annual report/filings.

The combination of legislation, listing rules, and the MAS code of best practice embodies Singapore’s approach in maintaining rigorous standards of corporate governance, while giving companies of varying sizes and resources sufficient flexibility to adapt in their practices. The elements in the framework are also revised on a regular basis to ensure their continued relevance to Singapore’s capital market and the changing business environment while benchmarking to global best practices. For example, the code, first introduced in 2001, had been revised twice (in 2005 and 2012), and the SGX listing rules have also undergone annual updates since 2002. In October 2014, the Parliament of Singapore passed more than 200 amendments to the Companies Act.

The corporate governance framework in Singapore has been well recognized in various regional and global assessments. The Asian Corporate Governance Association, in its Corporate Governance Watch 2014, commended Singapore on its corporate governance rules and practices as well as regulatory environment. The effectiveness of Singapore’s regulators and securities regulation framework was also endorsed in the latest Report on the Observance of Standards and Code of the International

Monetary Fund. Singapore also featured prominently in the Global Competitiveness Index rankings, especially for its institutional framework such as the efficacy of its corporate boards and strength of investor protection.

Overall Analysis of Corporate Governance Disclosures

Mandatory Items

The ASEAN Scorecard is based on the OECD Corporate Governance Principles, while the practices of Singapore PLCs are guided primarily by the Singapore Code of Corporate Governance. Although there is a difference in emphasis between the OECD Corporate Governance Principles and the Singapore Code, there are areas of similarity. This is demonstrated by the fact that 19 items in the Scorecard are default items for Singapore PLCs as they are mandatory requirements under Singapore's corporate governance framework.

Market Size and Industry Profile

As of the cutoff date of 30 April 2014, the total number of PLCs listed on SGX stood at 766 (excluding global depository receipts, hedge funds, and debt securities), with an approximate total market capitalization of S\$1 trillion (refer to Table 11). However, only the top 100 PLCs by market capitalization were included for assessment under the ASEAN Scorecard.

Table 11: Singapore—Market Capitalization of Top 100 Publicly Listed Companies

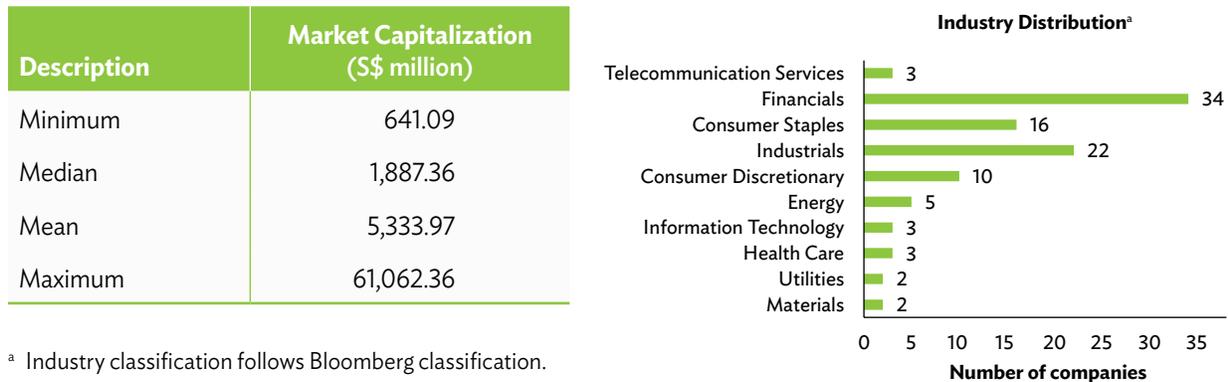
| Item | Total | Top 100 |
|-------------------------------------|------------------------|------------------------|
| Number | 766 ^a | 100 |
| Market Capitalization (S\$ million) | 994,057.0 ^a | 552,397.2 ^b |

^a Data extracted from the monthly Singapore Exchange Securities Statistical Report April 2014, excluding global depository receipts, hedge funds, and debt securities.

^b Data from Bloomberg Information Service as of 30 April 2014.

Sources: Bloomberg Information Service, Singapore Exchange Securities.

The top 100 Singapore PLCs represented 13.1% of the total number of PLCs and accounted for 53.7% of the total market capitalization. The profile of these 100 PLCs in terms of market capitalization and their industry distribution by industry is illustrated in Figure 39.

Figure 39: Singapore—Profile of the Top 100 Publicly Listed Companies (as of 30 April 2014)

^a Industry classification follows Bloomberg classification.

Source: Bloomberg Professional Service.

Key Findings

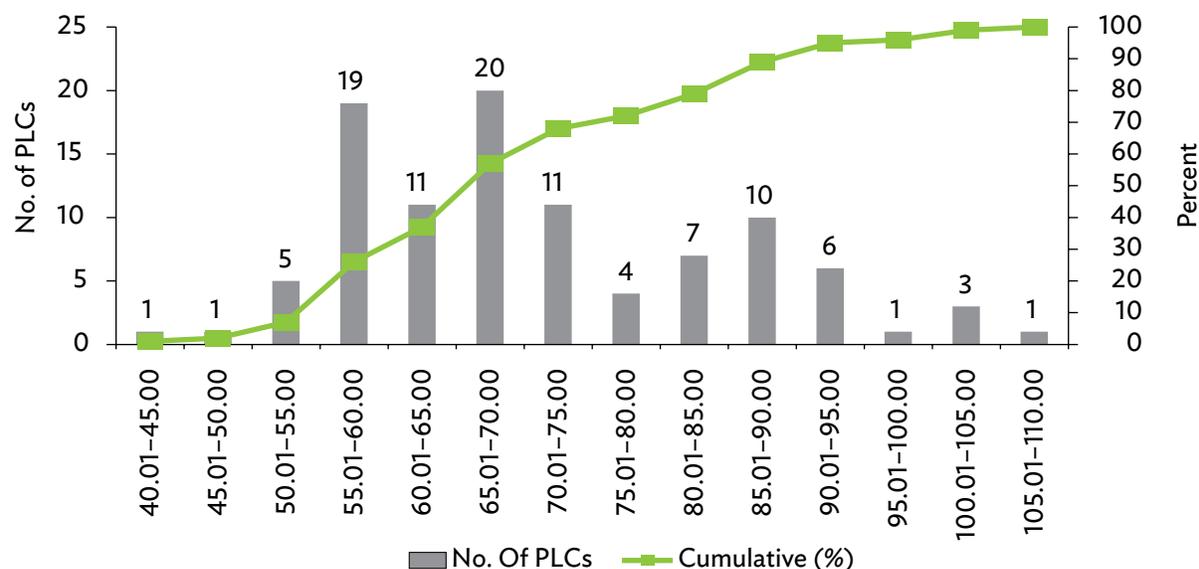
Singapore PLCs, on average, scored 70.72 out of a maximum score of 128 points. Table 12 provides the results of 100 PLCs assessed in 2014. These PLCs scored between 43.9 points and 105.5 points, with a majority of them scoring more than 65.0 points.

Table 12: Singapore—Summary Results of Top 100 Publicly Listed Companies

| Statistics | Total Score (out of a maximum score of 128 points) | Level 1 (2014) | Level 1 (2013) |
|------------|---|-------------------|-------------------|
| Minimum | 43.85 | 46.85 | 47.90 |
| Median | 67.59 | 65.62 | 63.97 |
| Mean | 70.72 | 67.00 | 65.06 |
| Maximum | 105.48 | 90.93 | 84.86 |

Source: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School.

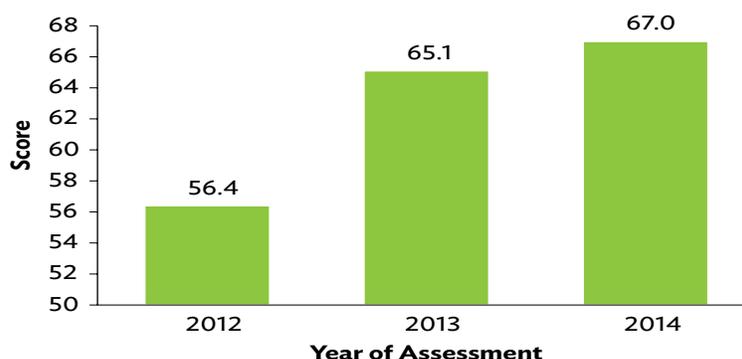
Figure 40 provides the distribution of the top 100 PLCs by total score in 2014. The top 10 Singapore PLCs with highest total scores arranged by alphabetical order are CapitaLand, DBS Group Holdings, Keppel Corporation, Keppel Land, Oversea-Chinese Banking Corporation, SIA Engineering Company, Singapore Exchange, Singapore Press Holdings, Singapore Telecommunications, and SMRT Corporation.

Figure 40: Singapore—Distribution of Top 100 Publicly Listed Companies (by total score)

Source: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School.

Comparison of Level 1 Scores

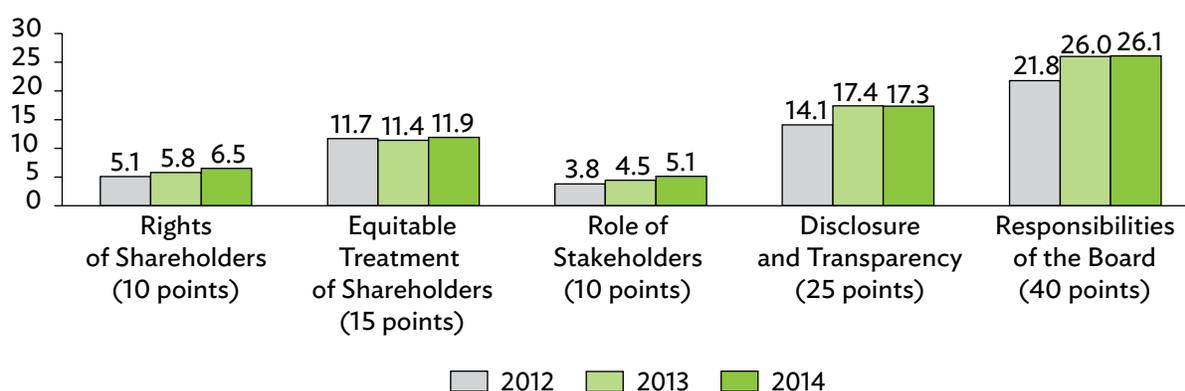
The yearly results of PLCs are primarily compared based on level 1 scores because the level 2 scores and weightages have been subject to change. From 2012 to 2014, average level 1 scores have steadily improved from 56.4 to 67.0 points. Figure 41 illustrates the average level 1 scores of the top 100 PLCs from 2012 to 2014.

Figure 41: Singapore—Average Level 1 Scores of the Top 100 Publicly Listed Companies (out of a maximum score of 100 points)

Source: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School.

The overall trend in average level 1 scores from 2012 to 2014 reflects the continued improvement in corporate governance practices and disclosure of Singapore PLCs. Following major revisions to the MAS code in 2012, many PLCs improved their disclosure of corporate governance practices in line with the recommendations. In addition, revisions to the SGX Listing Rules as well as PLCs' own efforts in pursuing better disclosure practices had also contributed to the continued increase in average scores from 2013 to 2014. These improvements in disclosure were recognized as strengths in the 2014 ASEAN Scorecard assessment for individual scorecard sections. The improvement would be even better if more detailed disclosures were made on practices that are already in place in many PLCs. Figure 42 provides the detailed breakdown of the level 1 scores for 2012–2014.

Figure 42: Singapore—Comparison of Mean Scores by Each Component



Source: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School.

Out of the five sections, on average, Singapore PLCs performed relatively better in part B (equitable treatment of shareholders) and part D (disclosure and transparency). Compared with 2013 scores, PLCs on average saw improvements in part A (rights of shareholders), Part B (equitable treatment of shareholders), and part C (role of stakeholders), whereas the scores in part D (disclosure and transparency) and part E (responsibilities of the board) remained static.

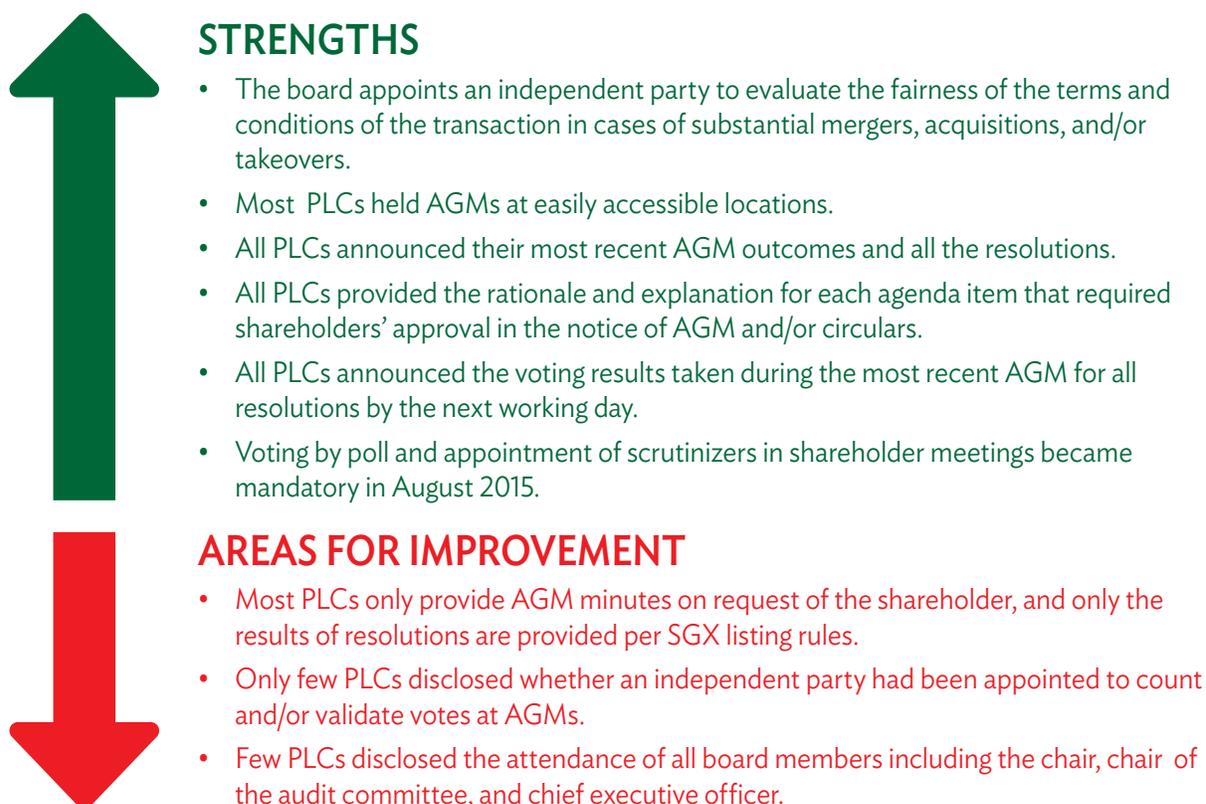
Part A: Rights of Shareholders

Singapore's regulatory framework strongly emphasizes the rights of shareholders. For example, all shareholders have the right to participate in decision making concerning fundamental corporate changes. To safeguard shareholders' interests in any transaction relating to a substantial merger, divestment, acquisition, or takeover, the board is required to appoint an independent party to evaluate the fairness of the terms and conditions of the transaction. Nine out of the 19 default items belong to this section. This shows how shareholders' rights are embedded in Singapore's regulatory framework.

Singapore PLCs have made efforts to safeguard the rights of shareholders. For example, in the organization of shareholder meetings, most PLCs augment individual agenda items in the notices to shareholder meetings with detailed notes, and results of these meetings are also announced the next day on the company website as well as SGX-Net, which is the SGX disclosure platform. There has been improvement in providing disclosures on the conduct of shareholder meetings. Voting by poll in general meetings was first introduced in the MAS code but has since been made mandatory under the SGX listing rules that took effect from 1 August 2015. Providing a lead time for companies to adjust to these new standards in relation to conducting shareholder meetings has enabled a smooth take-up by PLCs of higher disclosure standards.

Moving forward, one of the key areas for improvement for Singapore PLCs is to provide better disclosure of the minutes of shareholder meetings. Currently, the common business practice is to provide a summary that only reflects the results of the shareholder meeting without providing details, such as attendance of directors and management as well as the question-and-answer details to shareholders unless upon the request of registered shareholders. Figure 43 shows the areas of strengths and areas for improvement for the PLCs for this part.

Figure 43: Singapore—Strengths and Areas for Improvement in Rights of Shareholders



AGM = annual general meeting, PLC = publicly listed company.

Source: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School.

Part B: Equitable Treatment of Shareholders

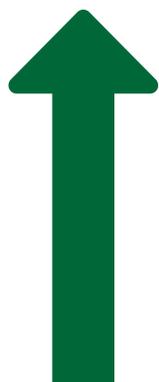
Equitable treatment of shareholders is fundamental to Singapore's corporate governance framework, which currently upholds the one-share, one-vote principle.

In total, seven out of 19 questions in this part are classified as default items. Consistent with previous assessments, these include rules on insider trading and related (interested) party transaction. Under insider trading rules, directors and employees are prohibited from benefiting from insider information that is not generally available to the public. Directors have to report any dealings in company shares within three working days and disclose any conflicts of interest arising in any transaction. In addition, interested party transactions exceeding 5% of the PLC's latest audited net tangible assets will require shareholders' mandate via shareholder meetings. Most Singapore PLCs also make detailed disclosures on their RPT policies and approval procedures as well as the nature and value for each material interested party transaction.

The PLCs assessed have done well in providing adequate and timely notices of AGMs. They observed the requirement to have separate resolutions at general meetings on each substantially separate issue in their AGM agendas, and also disclosed the final dividend payable where dividends were declared. In addition, proxy documents were also made easily accessible. For RPTs involving directors and key executives, a recent revision to the SGX Listing Rules (which would become effective from August 2015) requires companies to disclose details of the names of the parties that abstain from voting on specific resolutions in shareholder meetings.

To further improve disclosure practices, more PLCs may look into stating their dividend policies and make further disclosure with respect to the name and relationship of the related parties in interested party transactions. Figure 44 shows the strengths and areas for improvement for Singapore PLCs for this part.

Figure 44: Singapore—Strengths and Areas for Improvement in Equitable Treatment of Shareholders



STRENGTHS

- All directors and employees are prohibited from benefiting from insider information not generally available to the market.
- All directors are required to report their dealings in company shares within 3 business days.
- Disclosure of RPT policies and approval procedures is mandated.
- Nature and value of RPTs are disclosed.
- Most PLCs disclosed the amount payable for final dividends.
- All PLCs do not have bundling of resolutions for AGMs.



AREAS FOR IMPROVEMENT

- More PLCs can provide a detailed dividend policy.
- More PLCs should disclose the name and relationship of counterparties in RPTs.

AGM = annual general meeting, PLC = publicly listed company, RPT = related party transaction.

Source: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School.

Part C: Role of Stakeholders

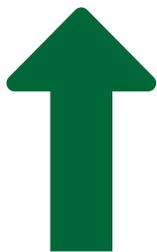
Sustainability reporting is gaining traction in Singapore. The MAS Code recommends that boards “consider sustainability issues, e.g., environmental and social factors, as part of their strategy formulation.” In line with this, SGX has published guidelines for PLCs in adopting sustainability reporting, and the bourse is also currently in a 1-year consultation with the industry to make sustainability reporting mandatory under the SGX Listing Requirements.

In the 2014 assessment, most of Singapore’s top 100 companies have either included a sustainability section in the annual report or a separate sustainability report. Leading companies have adopted the Global Reporting Initiative G3.1 or G4 standards, while other PLCs have chosen to adopt a customized form of reporting. In addition, following the launch of the new integrated reporting model framework by the International Integrated Reporting Council (IIRC) in 2013, the Singapore Accountancy Commission has taken the lead in encouraging local PLCs to adopt integrated reporting. Singapore was involved in the IIRC integrated reporting pilot program, and in 2014, the Singapore Accountancy Commission also issued guidelines to Singapore PLCs on preparing integrated reports. The Institute of Singapore Chartered Accountants has also set up an integrated reporting steering committee to promote the new standard, and PLCs are encouraged to make the move to integrated reporting. However, in 2014, only one company adopted the IIRC model framework.

In general, most PLCs have provided disclosures relating to their policies and efforts in maintaining an environmentally friendly value chain; promoting health, safety, and welfare of their employees; enhancing the training and development of their staff; and promoting fair compensation practices. These demonstrate the efforts Singapore PLCs have put in to consider nonfinancial measures beyond short-term financial performance. In addition, most PLCs have also adopted a comprehensive whistle-blowing policy that includes procedures for complaints by employees concerning illegal and unethical behavior in the company, and to protect whistle-blowers from reprisal. About half of the assessed PLCs have also provided external stakeholders with whistle-blowing channels to voice out any violations of their rights.

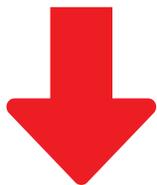
For continuous improvement in addressing stakeholders' concerns, PLCs can make better disclosures about their procurement procedures and practices and efforts in this area. More companies can also make public their policies and programs in terms of antibribery and corruption. Figure 45 shows the strengths and areas for improvement for Singapore PLCs for this part.

Figure 45: Singapore—Strengths and Areas for Improvement in Role of Stakeholders



STRENGTHS

- More PLCs reported their efforts to interact with the communities and to keep their value chain environmentally friendly.
- More PLCs are disclosing details of their employee welfare and development policies and measures.
- Most PLCs have a comprehensive whistle-blowing policy in place.



AREAS FOR IMPROVEMENT

- More PLCs can disclose their procurement policies and practices.
- More PLCs can make public their antibribery and corruption policy and practices.
- More PLCs can introduce integrated reporting in their annual reports.

PLC = publicly listed company.

Source: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School.

Part D: Disclosure and Transparency

Singapore PLCs' scores, on average, have remained unchanged in the area of disclosure and transparency. Figure 46 shows the strengths and areas for improvement for the PLCs for this part. Two of the 19 default questions are found in this section, which are the disclosures of the audit and nonaudit fees. In terms of transparency, most PLCs practice quarterly reporting, publish an annual report, and maintain a company website.

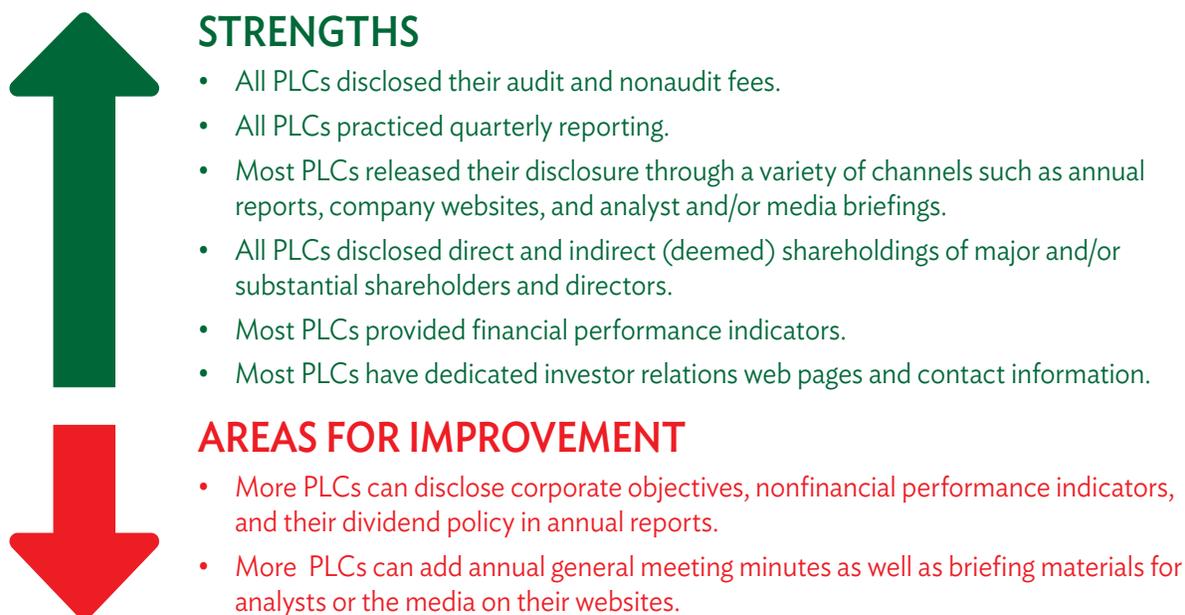
In terms of disclosure in the annual report, all PLCs released their audited annual financial reports in a timely manner, which is within 4 months. Most annual reports also provided key information such as

financial performance indicators; ownership structures; direct and indirect shareholdings of substantial shareholders and directors; and other key details such as any parent or holding company, subsidiaries, associates, and joint ventures.

Most PLCs share information such as key business operations, current and past year financial statements, annual reports and briefings, and notices of shareholder meetings on their websites. Most PLCs assessed also have a dedicated investor relations section that provides their contact information.

Moving forward, PLCs should provide more details on the continuous education programs and training of directors in their annual reports. PLCs should also consider sharing analyst and media briefings, as well as detailed minutes of their shareholder meetings, on their websites.

Figure 46: Singapore—Strengths and Areas for Improvement in Disclosure and Transparency



PLC = publicly listed company.

Source: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School.

Part E: Responsibilities of the Board

Singapore PLCs maintained their average scores in this section on responsibilities of the board in the 2014 assessment. Figure 47 shows the strengths and areas for improvement for PLCs for this part. To encourage effective board practices, most PLCs' boards have disclosed their terms of reference defining the types of decisions that require the board's approval as well as the roles of individual directors. All Singapore PLCs have three subcommittees: audit committee, remuneration committee,

and nominating committee. Most of these committees have a majority of independent directors, including the committee chair.

Singapore PLCs scored well in terms of board diversity and training. More PLCs are now disclosing a board diversity policy, and most PLCs have at least one nonexecutive director with prior experience in the PLC's industry. Most PLCs also disclosed their orientation program for new directors as well as continuous professional development programs for existing directors.

The PLCs also scored well on the risk oversight section. Most PLCs disclosed details of their risk management and internal control processes as well as board statements assuring the adequacy of these measures. As recommended under the Code of Corporate Governance, some PLCs have also established a separate board-level risk committee to oversee the company's risk management framework and policies.

To improve on current disclosure practices, Singapore PLCs can make better disclosures in terms of remuneration policies by illustrating how compensation is linked to performance with the use of short-term and long-term incentives. More companies can also disclose the process and criteria by which individual directors are evaluated.

Figure 47: Singapore—Strengths and Areas for Improvement in Responsibilities of the Board



PLC = publicly listed company.

Source: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School.

Bonus and Penalty

Level 2 scores consist of both bonus and penalty items. The purpose of the bonus items is to recognize companies that go beyond the level 1 items by adopting other emerging good practices such as rights and equitable treatment of shareholders, disclosure and transparency, and board responsibilities. In

contrast, penalty points are incurred in companies that have poor governance practices. Examples of such practices include violations of laws and policies that may be prejudicial to the rights of minority shareholders.

Singapore PLCs were generally awarded bonus points in a few areas. For instance, a significant number of PLCs released their audited annual financial report or statement within 60 days from the financial year-end. About half of the PLCs also have boards with independent directors comprising the majority.

On the other hand, few companies incurred penalty points resulting from poor corporate governance practices. However, about one-fifth of the PLCs examined have a pyramid or cross-holding structure, which raises the risk that certain shareholders may establish control rights disproportionate to their cash ownership.

Conclusions and Recommendations

The corporate governance disclosure and practices of Singapore PLCs (Table 13), which are guided by the local framework, may differ in focus from the methodology of the ASEAN Corporate Governance Scorecard. Some of the items in the ASEAN Scorecard are thus regarded as standard business practice in daily operation and may not be specifically disclosed even though they are in practice.

Despite this, the PLCs have continued to make improvements in the 2014 assessment as illustrated by the increase in their overall level 1 scores from the previous year. Compared with the 2013 assessment, the PLCs increased their scores in terms of safeguarding the rights of shareholders, for example, in the organization of shareholder meetings, fair treatment of shareholders such as strict rules governing insider trading and RPTs, and addressing stakeholders' concerns. They also maintained their strong performance in the areas of disclosure and transparency, as well as duties and responsibilities of the board.

Nevertheless, more effort has to be put in to increase awareness among the PLCs of the need to make disclosure more comprehensive. Adopting integrated reporting is a step that would enhance performance in this area.

Moving forward, the PLCs still have several areas for improvement as identified in the analysis of both strengths and weaknesses in the respective sections. They should continue to review and evaluate their existing disclosure policies and practices to further improve their corporate governance standards. In this regard, the ASEAN Scorecard can provide some useful guidance.

Table 13: Singapore—Top 50 Publicly Listed Companies Based on 2014 Total Scores (in alphabetical order)

| Number | Company Name | Number | Company Name |
|--------|---------------------------------|--------|---|
| 1 | Ara Asset Management | 26 | OUE |
| 2 | Biosensors International Group | 27 | Oversea-Chinese Banking ^a |
| 3 | Bumitama Agri | 28 | Petra Foods |
| 4 | Capitaland ^a | 29 | SATS |
| 5 | Capitamalls Asia ^b | 30 | Sembcorp Industries |
| 6 | China Aviation Oil(S) | 31 | Sembcorp Marine |
| 7 | City Developments | 32 | Sheng Siong Group |
| 8 | Comfortdelgro Corporation | 33 | SIA Engineering Co ^a |
| 9 | DBS Group Holdings ^a | 34 | Singapore Airlines |
| 10 | Del Monte Pacific | 35 | Singapore Exchange ^a |
| 11 | Ezra Holdings | 36 | Singapore Post |
| 12 | First Resources | 37 | Singapore Press Holdings ^a |
| 13 | Fraser And Neave | 38 | Singapore Tech Engineering |
| 14 | Genting Singapore | 39 | Singapore Telecommunications ^a |
| 15 | Global Logistic Properties | 40 | SMRT Corporation ^a |
| 16 | Great Eastern Holdings | 41 | Starhub |
| 17 | Haw Par | 42 | Stats Chippac |
| 18 | Hong Leong Finance | 43 | United Engineers |
| 19 | Keppel Corporation ^a | 44 | United Industrial |
| 20 | Keppel Land ^a | 45 | United Overseas Bank |
| 21 | Keppel Tele & Tran | 46 | UOL Group |
| 22 | M1 | 47 | Venture Corporation |
| 23 | Neptune Orient Lines | 48 | Wilmar International |
| 24 | Noble Group | 49 | Yeo Hiap Seng |
| 25 | Olam International | 50 | Yoma Strategic Holdings |

PLC = publicly listed company.

^a Top 10 Singapore PLCs by total score.

^b CapitaMalls Asia has been privatized.

Note: The securities were actively trading as of 30 April 2014, the cut-off date for inclusion.

Source: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School.

THAILAND

Background of Corporate Governance Framework

Publicly listed companies in Thailand are primarily governed by the Public Limited Companies Act, Securities and Exchange Act, and the Civil and Commercial Code. These laws have provided the strong foundation, institutional setting, supervisory framework, and enforcement rules for the Thai capital market.

The secondary level of regulatory requirements governing corporate governance practices in Thailand consists of the listing rules of the Stock Exchange of Thailand and regulatory notifications of the Securities and Exchange Commission.

The tertiary level of corporate governance is the code on corporate governance in which PLCs must observe on a “comply or explain” basis. The Stock Exchange of Thailand initially issued the 15 Principles of Good Corporate Governance in 2002, which was amended in 2006 into the Principles of Good Corporate Governance for Listed Companies. The 2006 principles were further revised to accommodate recent developments and were reintroduced to Thai listed companies in January 2013 to further ensure sound corporate governance practices.

In December 2013, the board of the Securities and Exchange Commission (SEC) Thailand approved “the Sustainability Development Roadmap” outlining processes that aim to improve corporate sustainability and enhance environmental and social sustainability as a whole. The road map is part of the SEC’s Strategic Plan for 2013–2015.

Since 2001, the Thai Institute of Directors has objectively assessed the corporate governance practices of Thai PLCs on a regular basis resulting in the Corporate Governance Report of Thai Listed Companies (CGR). The CGR assessment framework was initially based on the OECD Principles of Corporate Governance, endorsed by the OECD ministers in 1999. A major goal of the CGR is to encourage Thai PLCs to strive toward international best practices of corporate governance. An assessment template in the CGR has been periodically revised as deemed appropriate. The most recent update was in 2014 corresponding to the ASEAN Scorecard. The main focus of the latest revision is to ensure that PLCs comply in substance and not merely in form.

Overall Analysis of Corporate Governance Disclosures

The ASEAN Scorecard , which uses assessment criteria embodied in 211 questions, was adopted to review corporate governance practices of top 100 Thai listed companies by market capitalization (as of 30 April 2014) using published annual reports on their websites.

Corporate Governance Performance by Categories

The overall average score for 2014 was 84.53 points, with a maximum score of 104.60 points and a minimum score of 62.68 points. This is an increase of 9.14 points compared with 2013 where the overall average score was 75.39 points.

An analysis of the corporate governance scores of the 100 largest listed companies across the five categories showed overall improvement, with role of stakeholders and board responsibilities recording the highest percentage of progress (Table 14).

Table 14: Thailand—Corporate Governance Performance by Category

| Part | Year | Rights of Shareholders | Equitable Treatment of Shareholders | Role of Stakeholders | Disclosure and Transparency | Board Responsibilities |
|-------------------------|----------|------------------------|-------------------------------------|----------------------|-----------------------------|------------------------|
| Average Score (Level 1) | 2014 | 9.19 | 14.51 | 7.38 | 19.06 | 28.35 |
| | 2013 | 8.62 | 14.24 | 5.64 | 17.17 | 22.60 |
| | % Change | 7 | 2 | 31 | 11 | 25 |

Source: Thai Institute of Directors 2014.

Corporate Governance Performance by Sector

Companies in the technology and telecommunication sector obtained the highest average score of 91.22 points, followed by those in the financials (90.97 points) and in the energy and utilities sectors (86.23 points) (Table 15). The maximum and minimum scores suggest the best and worst corporate governance performance for each sector.

Table 15: Thailand—Corporate Governance Performance by Industry Group

| Industry Group | Number of Companies | Score | | |
|----------------------------------|---------------------|---------|---------|---------|
| | | Average | Minimum | Maximum |
| Technology and Telecommunication | 11 | 91.22 | 80.37 | 100.25 |
| Financials | 12 | 90.97 | 81.28 | 99.46 |
| Energy and Utilities | 16 | 86.23 | 62.68 | 103.26 |
| Consumer Services | 15 | 83.42 | 72.31 | 94.48 |
| Consumer Goods | 17 | 82.31 | 70.14 | 92.94 |
| Property | 17 | 81.47 | 70.25 | 100.32 |
| Industries | 9 | 79.56 | 63.48 | 104.60 |
| Health Care | 3 | 75.43 | 72.52 | 79.76 |

Source: Thai Institute of Directors 2014.

Corporate Governance Performance by Market Capitalization

The Thai PLCs are classified into four group sizes. The first group includes companies with large market capitalization of B600,000–B1,000,000 million (three companies). The second group comprises companies with market capitalization of B100,000–B599,999 million (21 companies). The third group represents companies with market capitalization of B60,000–B99,999 million (13 companies), while the smallest size-group contains companies with a market capitalization of B10,000–B59,999 million (63 companies).

In general, the average score increases with market capitalization (Table 16). Larger companies have on average better corporate governance performance than their smaller counterparts.

Table 16: Thailand—Corporate Governance Performance by Market Capitalization

| Range of Market Capitalization (million Baht) | Number of Companies | Score | | |
|--|------------------------|---------|---------|---------|
| | | Average | Minimum | Maximum |
| 600,000–1,000,000 | 3 | 97.45 | 90.16 | 103.26 |
| 100,000–599,999 | 21 | 89.15 | 72.31 | 104.60 |
| 60,000–99,999 | 13 | 85.10 | 72.52 | 98.28 |
| 10,000–59,999 | 63 | 82.25 | 62.68 | 100.25 |

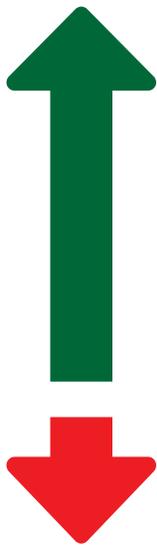
Source: Thai Institute of Directors 2014.

Part A: Rights of Shareholders

The principle of rights of shareholders aims to assess whether the company recognizes the shareholders' rights in its business affairs. A well-governed firm must ensure that shareholders' rights are well facilitated. Shareholders should be able to exercise their ownership rights, including the right to receive dividends, participate in the annual general meeting (AGM), and elect directors.

Figure 48 summarizes important observations in this category. Most Thai PLCs provide the opportunity for shareholders to ask questions at the AGM and record the questions and answers in the minutes, supply names of board members who attended the AGM, and allow shareholders to elect directors individually. Also, many listed companies disclose the outcome and voting results, including approving, dissenting, and abstaining votes for each agenda item by the next working day. Their notices to call a shareholders' meeting also provide the rationale and explanation for each agenda item. These practices exhibit good governance practices of Thai listed companies in allowing shareholders to participate and exercise their rights at the AGM.

Regarding areas for improvement, only some Thai listed companies propose all forms of director remuneration for shareholder's approval in the AGM.

Figure 48: Thailand—Strengths and Areas for Improvement in Rights of Shareholders

STRENGTHS

- Names of board members attending the AGM are disclosed in the AGM minutes.
- AGM minutes showed that there is an opportunity for shareholders to ask questions, and all questions and answers were recorded.
- Shareholders are allowed to elect directors individually.
- The voting results, including approving, dissenting, and abstaining votes, are disclosed for each agenda item.
- The outcome of the AGM is disclosed by the next working day.
- The rationale and explanation for each agenda item is provided in the notice of AGM.

AREAS FOR IMPROVEMENT

- All forms of director remuneration should be proposed for shareholders' approval in the AGM.

AGM = annual general meeting.

Source: Thai Institute of Directors 2014.

Part B: Equitable Treatment of Shareholders

The part on equitable treatment of shareholders addresses whether minority (noncontrolling) shareholders are treated fairly and equally alongside the controlling shareholder. The AGM process, for example, should enable all shareholders to participate in the meeting without undue complexity. In addition, outside shareholders should be protected from possible actions, such as tunnelling, by the controlling shareholders acting directly or indirectly through the use of material nonpublic information and related party transactions (RPTs).

Figure 49 shows the strengths and areas for improvement in equitable treatment of shareholders. Most Thai listed companies issue the notice of shareholders' meeting with full details of the auditor appointment and dividend payment, and meeting resolutions are not bundled. And most Thai listed companies also disclose that their RPTs are fair and at arm's length.

Regarding areas for improvement, only some Thai listed companies disclose information about the date of first appointment and directorship in other listed companies of individuals seeking director election or reelection in the notice to call an AGM.

Figure 49: Thailand—Strengths and Areas for Improvement in Equitable Treatment of Shareholders



STRENGTHS

- There is no bundling of several items into the same agenda in the notice.
- Details of the auditor and dividends are provided in the notice of call to AGM.
- Companies disclose that related party transactions are fair and at arm's length.



AREAS FOR IMPROVEMENT

- Companies should disclose information about date of first appointment and directorship(s) in other publicly listed companies of individuals seeking director election or reelection in the notice of call to AGM.

AGM = annual general meeting.

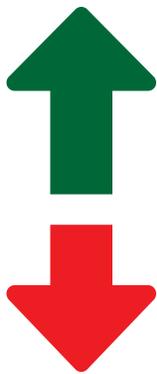
Source: Thai Institute of Directors 2014.

Part C: Role of Stakeholders

The principle on role of stakeholders addresses the issues of corporate responsibility. The goal of corporate responsibility is to encourage a positive impact through the company's activities in relation to the environment, consumers, business partners, employees, communities, creditors, and other stakeholders. This category examines the company's policies and practices pertaining to the acknowledgment and treatment of their related stakeholders.

Figure 50 presents the strengths and areas for improvement in the role of stakeholders category. Most Thai listed companies have a separate corporate responsibility report or a distinct corporate responsibility section in the annual report. They disclose the written policies and activities undertaken to engage with the community and take measures to ensure that their value chains are environmentally friendly.

However, more companies should disclose the initiatives or efforts undertaken during the year in relation to supplier and contractor selection practice, creditors' rights, and anticorruption. Many companies still fall short in the disclosure of practices relating to the health, safety, and welfare of employees, and to the staff training and development program. Additionally, only a few Thai listed companies have procedures for dealing with complaints from employees about illegal and unethical behavior, and a policy or procedure for protecting whistle-blowers from retaliation. Most Thai listed companies still need to have a reward or compensation policy that accounts for the performance of the company beyond short-term financial measures.

Figure 50: Thailand—Strengths and Areas for Improvement in Role of Stakeholders**STRENGTHS**

- There is a separate corporate responsibility report or section in the annual report.
- There are clear policies and activities with regard to communities and environmental sustainability.

AREAS FOR IMPROVEMENT

- There is a lack of disclosure about practices dealing with supplier selection, creditors' rights, and anticorruption.
- There is a lack of disclosure of information relating to employees' health, safety, and welfare, as well as training and development.
- Procedures for dealing with complaints of employees concerning illegal and unethical behavior should be disclosed.
- There is a lack of disclosure of policies on whistle-blowing, and reward or compensation for employees.

Source: Thai Institute of Directors 2014.

Part D: Disclosure and Transparency

The disclosure and transparency principle concentrates on the accuracy, completeness, and punctuality of corporate information disclosure. Companies should disclose material corporate information in a timely and cost-effective manner through a variety of channels to reach all interested and relevant parties. The firm's ownership structure, RPTs, and financial and nonfinancial information are all significant items to disclose.

Figure 51 presents the strengths and areas for improvement in disclosure and transparency practices. Most Thai listed companies disclose the policy and full details of RPTs, corporate group structure, audit fees, and dividend policy in the annual report. In addition, most of them disclose company information, and contact details of investor relations are also available on their website.

On the other hand, there are improvements that can promptly be made. For example, Thai companies should disclose

- (i) corporate objectives and nonfinancial performance indicators in the annual report;
- (ii) statement of confirmation of the company's full compliance with the code of corporate governance; and
- (iii) directors' date of first appointment, directorship in other listed companies, and training and education obtained in the most recent financial year in the annual report.

Figure 51: Thailand—Strengths and Areas for Improvement in Disclosure and Transparency

Source: Thai Institute of Directors 2014.

Part E: Responsibilities of the Board

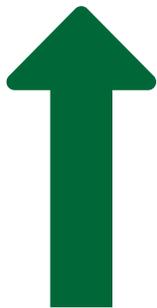
The responsibilities of the board category addresses the duties, responsibilities, and accountabilities of the board of directors to the shareholders and other stakeholders. By taking into account the interests of all stakeholders, the board of directors must apply high ethical standards to the business to effectively fulfill their responsibilities. The board is mainly responsible for guiding corporate strategy, monitoring managerial performance, preventing conflicts of interest, and achieving a decent return for shareholders.

This category assesses development of the corporate strategy; implementation of the monitoring schemes; pledge of transparent business practices; presence of proper financial controls; articulation of prerequisites for director candidates; orientation of new board members with periodic and comprehensive evaluation of their performance, adherence to legal norms, and high ethical standards; and a careful search to find, support, and evaluate the most qualified chief executive officer (CEO).

Figure 52 shows the strong practices and areas for improvement within this category. Most Thai listed companies have their own corporate governance policy and code of ethics, and clearly state the roles and responsibilities of the board. In addition, the internal control analysis suggests that most of them have an internal control and risk management system in place. Company secretaries in most Thai listed companies also play a significant role in supporting the board in discharging its responsibilities.

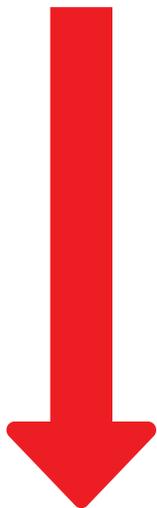
Despite these good governance practices, there are areas for improvement. Only some companies disclose the type of decisions requiring board approval and the role and responsibilities of the chair; only some require a minimum quorum of at least two-thirds for board decisions; and some do not have a policy limiting the term of independent directors to 9 years, nor a remuneration policy for executive directors and CEOs. Only some Thai boards of directors report on the implementation and monitoring of their code of ethics, and the implementation of their corporate strategy. In addition, only some boards conduct an evaluation of the board, individual directors, and board committees, and disclose the criteria and process in the annual report.

Figure 52: Thailand—Strengths and Areas for Improvement in Responsibilities of the Board



STRENGTHS

- Roles and responsibilities of the board are clear.
- Company's corporate governance policy and code of conduct are disclosed.
- Chair and CEO are separate.
- Board provides a review of internal controls and risks.
- Company secretary plays a significant role in supporting the board in discharging its responsibilities.



AREAS FOR IMPROVEMENT

- Lack of disclosure about the implementation and monitoring of the code of ethics.
- Lack of disclosure about the review and monitoring of corporate strategy implementation.
- Lack of disclosure about the types of decisions requiring board approval.
- Most companies do not require a minimum quorum of at least two-thirds for board decisions.
- Lack of disclosure of the role and responsibilities of the chair.
- No policy on the term limit of 9 years for independent directors.
- No evaluation criteria and process for the board, individual directors, and board committees.
- Lack of disclosure of the remuneration policy for executive directors and CEO.

CEO = chief executive officer.

Source: Thai Institute of Directors 2014.

Bonus and Penalty

The purpose of the bonus items is to recognize companies that have gone beyond the minimum corporate governance practices as required in level 1. In contrast, a penalty is recorded for companies with governance practices or violations that are beyond the pale of the good corporate governance paradigm.

Figure 53 shows the strengths and areas for improvement in the bonus and penalty area. Most Thai listed companies give their shareholders enough time to prepare for the AGM by releasing the notice of meeting at least 28 days before the date of the meeting. Most Thai firms also release their audited financial statement within 60 days from the financial year end.

For director independence, any director who has served on the board beyond 9 years from the date of first appointment should be subject to rigorous review. The board should also take into account the need to refresh the board membership and explain why such director should be considered independent.

Figure 53: Thailand—Strengths and Areas for Improvement in Bonus and Penalty Sections



Source: Thai Institute of Directors 2014.

Conclusions and Recommendations

The 2014 findings suggest a continued improvement of corporate governance practices of Thai listed companies (Table 17). Overall, the average score in 2014 was 84.53 points, 9.14 points higher than that in 2013. For each category, the average scores of all categories were higher compared with those in 2013. The greatest improvement is observed in the role of stakeholders and board responsibilities. Companies continue to do relatively well in relation to rights of shareholders and equitable treatment of shareholders. Significant improvement can also be seen in the notice of AGM, and AGM minutes that are of high quality and have complete details.

However, challenges still remain and Thai companies still have the following areas for improvement.

- (i) **Remuneration.** Thai companies can improve by (a) seeking shareholders' approval on total directors' remuneration, including allowances, benefits in kind, and other emoluments instead of only directors' fees; (b) disclosing a remuneration policy for employees that accounts for the performance of the company beyond short-term financial measures; and (c) disclosing a remuneration policy for executive directors and CEOs that are aligned with both short- and long-term incentives and performance measures.

- (ii) **Directors' profile.** In the notice of AGM and in the annual report, Thai companies should disclose the date of first appointment and directorship in other listed companies of individuals seeking director election or reelection.
- (iii) **Stakeholder engagement.** Thai companies should provide more information on the company's governance practices pertaining to supplier and contractor selection procedures, treatment of creditors' rights, and anticorruption activities including whistle-blowing aspects.
- (iv) **Board practices.** Thai companies can improve by disclosing initiatives in implementing its corporate governance policy. For example, the board should report on the implementation and monitoring of its code of ethics, and the review and monitoring of its corporate strategy.

Table 17: Thailand—Top 50 Publicly Listed Companies Based on 2014 Total Scores

| Companies with score of 90 points and above | | |
|---|--------|--|
| No. | Ticker | Company Name |
| 1 | ADVANC | Advanced Info Service |
| 2 | AOT | Airports of Thailand |
| 3 | BAFS | Bangkok Aviation Fuel Services |
| 4 | BCP | The Bangchak Petroleum |
| 5 | BKI | Bangkok Insurance |
| 6 | CPN | Central Pattana |
| 7 | DELTA | Delta Electronics (Thailand) |
| 8 | EASTW | Eastern Water Resources Development And Management |
| 9 | EGCO | Electricity Generating |
| 10 | GFPT | GFPT |
| 11 | HANA | Hana Microelectronics |
| 12 | INTUCH | Intouch Holdings |
| 13 | IRPC | IRPC |
| 14 | IVL | Indorama Ventures |
| 15 | KBANK | Kasikornbank |
| 16 | KKP | Kiatnakin Bank |
| 17 | KTB | Krung Thai Bank |
| 18 | MC | MC Group |
| 19 | MCOT | MCOT |
| 20 | MINT | Minor International |
| 21 | PS | Pruksa Real Estate |
| 22 | PSL | Precious Shipping |
| 23 | PTT | PTT Public Company |
| 24 | PTTEP | PTT Exploration and Production |

continued on next page

Table 17 continued

| Companies with score of 90 points and above | | |
|---|--------|---|
| No. | Ticker | Company Name |
| 25 | PTTGC | PTT Global Chemical |
| 26 | TOP | Thai Oil |
| 27 | RATCH | Ratchaburi Electricity Generating Holding |
| 28 | SAMART | Samart Corporation |
| 29 | SCB | The Siam Commercial Bank |
| 30 | SIM | Samart I-Mobile |
| 31 | SPALI | Supalai |
| 32 | THCOM | Thaicom |
| 33 | TISCO | TISCO Financial Group |
| 34 | TMB | TMB Bank |
| Companies with Score of 80–89 Points | | |
| No. | Ticker | Company Name |
| 1 | AAV | Asia Aviation |
| 2 | BANPU | Banpu |
| 3 | BAY | Bank of Ayudhya |
| 4 | BECL | Bangkok Expressway |
| 5 | BIGC | Big C Supercenter |
| 6 | CENTEL | Central Plaza Hotel |
| 7 | CK | CH. Karnchang |
| 8 | CPF | Charoen Pokphand Foods |
| 9 | DTAC | Total Access Communication |
| 10 | HEMRAJ | Hemaraj Land and Development |
| 11 | HMPRO | Home Product Center |
| 12 | KCE | KCE Electronics |
| 13 | KSL | Khon Kaen Sugar Industry |
| 14 | OFM | Officemate |
| 15 | QH | Quality Houses |
| 16 | SCC | The Siam Cement |

Note: Companies are listed by cluster in alphabetical order. There are 15 other companies with scores between 80 points and 89 points that are not listed in the top 50 companies.

Source: Thai Institute of Directors 2014.

VIET NAM

Background of Corporate Governance Framework

The issuance of the Law on Sanctioning Administrative Violations in 2012 and Decree on Sanctioning of Administrative Violations in 2013 (Decree No. 108/2013/ND-CP) were in line with the issuance of the new Corporate Governance Code and Disclosure Rule in 2012. These legal frameworks are expected to enhance the level of compliance and practices of corporate governance in public corporations in Viet Nam. Where self- and market-disciplining mechanisms are limited, the enforcement of laws and regulations by regulators play a crucial role. The new decree allows sanction in the domain of securities and securities markets with specific regulated enforcement powers on violations in corporate governance, information disclosure and reporting, and insider trading (including by major or controlling shareholders).

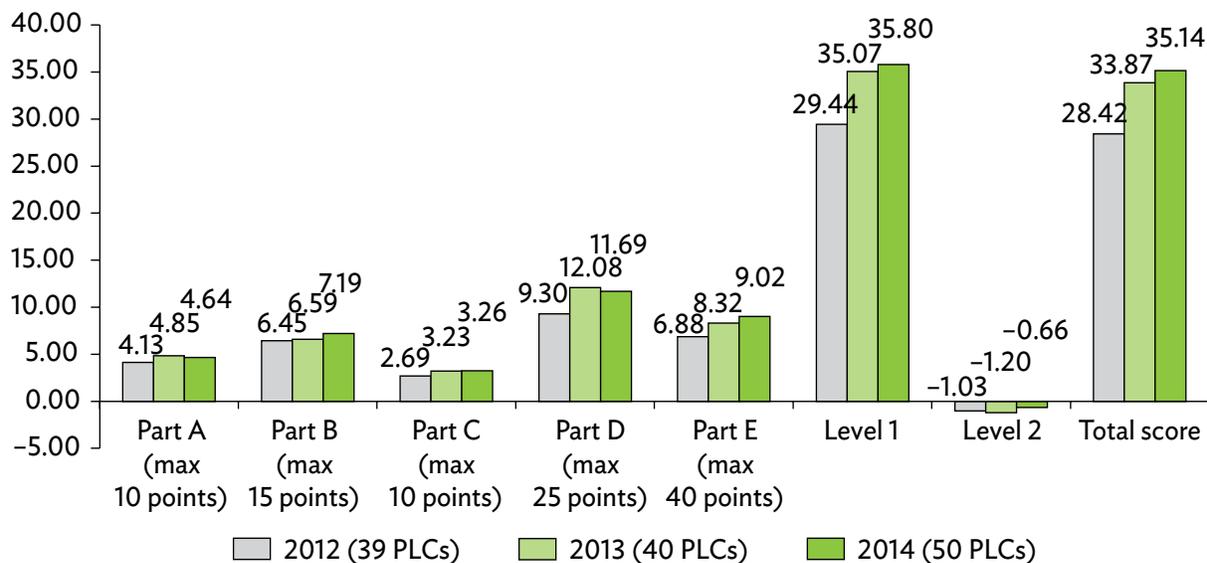
Overall Analysis of Corporate Governance Disclosures

There were 50 companies reviewed for the 2014 assessment, which is an increase of 10 companies, or 25% from the previous year. More companies have been found to have key information for investors that were accessible and available in the English language. This is very encouraging as more firms are aware of their widening consumer base and their responsibilities in providing equitable treatment of foreign and local investors.

Figure 54 shows the performance of each corporate governance principle for the companies assessed in three continuous years of assessment. There is an improvement in most of the areas of corporate governance observed in 2014 compared with 2013 and 2012. The average score in 2014 was 35.14 points compared with 33.87 points in 2013 and 28.42 points in 2012. Although the improvement is encouraging, more efforts should be made to raise awareness among PLCs on the importance of corporate governance to companies' sustainable development. Improvements are seen in parts B and E, while a slight decrease in average scores is found in parts A, D, and C.

The performance of 23 PLCs has been continuously assessed since the ASEAN Corporate Governance Scorecard initiative began in 2012, and significant improvement in their scores have been observed, which is an indication that a lot of effort has been undertaken in strengthening PLCs' corporate governance practices. The addition of 10 PLCs to the assessment had a positive impact toward the overall trend in scores.

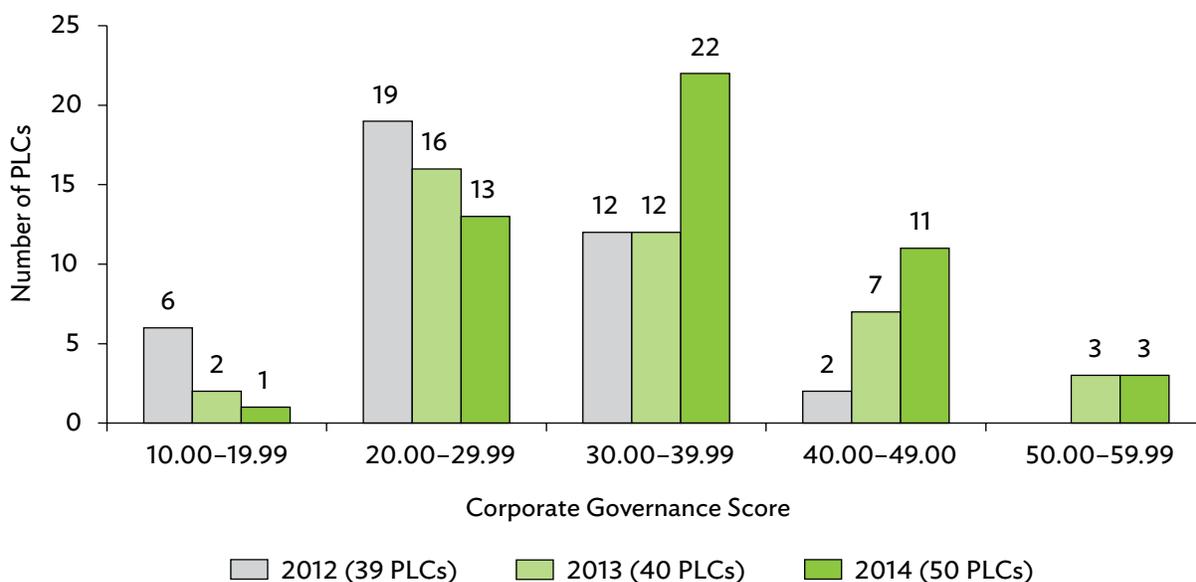
Figure 55 shows the distribution of PLC scores in each year of assessment. Firms moved from lower scales to higher scales, although the number of companies with scores above 50 remained the same (three companies). It is normally easier to fulfill legal requirements as undertaking voluntary best

Figure 54: Viet Nam—Corporate Governance Performance in Each Section (points)

PLC = publicly listed company.

Note: Part A = rights of shareholders, Part B = equitable treatment of shareholders, Part C = role of stakeholders, Part D = disclosure and transparency, and Part E = responsibilities of the board.

Source: University of Technology, VNU-HCM. 2015.

Figure 55: Viet Nam—Distribution of Publicly Listed Companies in Each Score Scale

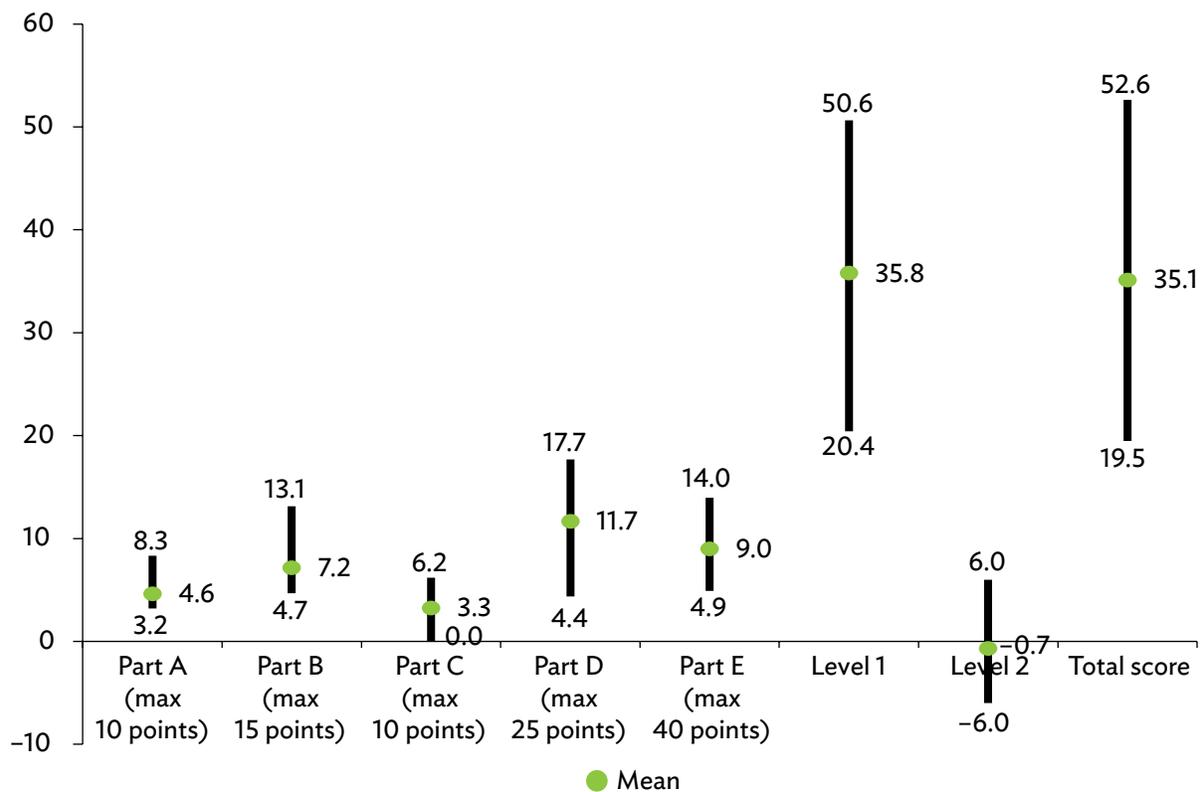
PLC = publicly listed company.

Source: University of Technology, VNU-HCM. 2015.

practice requires more effort and commitment. Most Viet Nam PLCs would comply with minimum legal requirements but do not strive toward achieving best practices, which are voluntary in nature. The ASEAN Scorecard was internationally benchmarked, and some items were set beyond the minimum legal requirement to encourage best practices in corporate governance. In order to attain higher scores, leaders within the organization play a pivotal role in setting the tone toward improving corporate governance practices within PLCs.

Figure 56 shows the ranges of scores in each part, along with maximum, minimum, and average scores of each area. There is a large difference in total scores among the PLCs. The maximum score attained was 52.6 points while the lowest score was 19.5 points. The level 1 questions are important to firms, as they require fundamental compliance in various areas in corporate governance. However, it is not easy to perform well in level 1 sections as the total number of items assessed is over 200. More companies scored well for parts B and E, while more attention is needed to achieve better performance under parts A, C, and D.

Figure 56: Viet Nam—Maximum, Average, and Minimum Scores in Each Area



Note: Part A = rights of shareholders, Part B = equitable treatment of shareholders, Part C = role of stakeholders, Part D = disclosure and transparency, and Part E = responsibilities of the board.

Source: University of Technology, VNU-HCM 2015

Among the priority areas that needed greater attention is part E, roles and responsibility of the board, where companies should make its annual report available in English, and disclose and have in place its corporate governance policy; the board charter; code of conduct and/or code of ethics; and clearly specified board roles and responsibilities. Complying with the Corporate Governance Code 2012 on the appointment of independent directors on board is important as this is a highly required corporate governance standard in the ASEAN markets. To ensure independence of such directors, companies should disclose the independent status and qualifications of this board. Companies should establish functional committees such as audit, nomination, remuneration, and risk committee to support the board in fulfilling its roles. The disclosure of remuneration and fee structure of board members and key executives is among the important responsibilities of the board. The role of directors in reviewing material control and risk management should be given due attention. Succession planning, orientation programs, and educational activities for new and current directors are also among the key important information that investors expect to know.

In part D, disclosure and transparency, a slight decrease in score was observed. Significant efforts are needed as disclosure has always been a crucial element in allowing informed decision making by the shareholders and as evidence of good practices and policies that the PLCs have in place. Companies should pay more attention to effectively disclosing the direct and indirect shareholdings of major shareholders, board members, and key executives. Also, comprehensive biographical details of board members in the annual report should be fully presented. Timely disclosure of key information such as financial statements and annual reports should be well implemented. To avoid potential conflict of interest, companies should embed necessary policies on reviewing and approving of significant RPTs by the board of directors in their corporate governance policies.

Part C, roles of stakeholders, requires the disclosure of policies and practices in dealing with customer's health and safety, supplier selection, anticorruption, and creditors' rights. A channel available for stakeholders to raise concerns and complaints needs to be set up and applied.

Performance in part A, rights of shareholders, could be further improved if enough attention is given by the PLCs in providing the rationale, explanation, and information to help investors in approving AGM resolutions. As most of AGM minutes are not made available, companies should find better ways, or use better information channels, to disclose attendance of board members and key executives in AGM meetings.

Despite evidences of good efforts in part B, equitable treatment of shareholders, better performance can be expected if there are policies in place to enhance equitable treatment of shareholders. Some of the corporate governance policies that need to be included are those on reviewing, approving, and conducting RPTs; requiring board members to abstain from participating in board discussions in matters where they have a conflict of interest; and requirement of reporting directors' dealings in company shares within three business days. Among the company practices, more attention should be given to provide AGM notices in English together with comprehensive information on the profiles of directors seeking election, and the name of auditors seeking appointment or reappointment. Also,

information on independent auditor's activities should be clearly disclosed with audit and nonaudit fees being clearly presented in annual reports.

While many companies scored relatively well in level 1, they were penalized in level 2 for having pyramid ownership structures, administrative violations, and for failing to disclose independent status of board members.

The overall assessment for 2014 shows that there were serious efforts by regulators and PLCs to improve Viet Nam's overall corporate governance practices. However, more needs to be done to raise awareness among PLCs especially on regional developments in corporate governance, importance of corporate governance to investors and to the market, and necessity of equitable treatment of foreign and local investors.

Part A: Rights of Shareholders

The country's corporate governance framework requires companies to protect and facilitate the exercise of all shareholders' rights, including the right to be provided with sufficient information, to participate effectively, and to vote in the AGM. Figure 4 shows the areas of strengths and areas for improvement for Viet Nam PLCs under this part. One of the strengths of PLCs in this area is the prompt disclosure of AGM resolutions. Nevertheless, the result of evaluation in part A shows many areas for improvement. Firstly, the majority of AGM notices failed to reach shareholders at least 21 days before the meeting and did not provide sufficient explanations and information for each agenda item that requires shareholders' approval. Secondly, it is uncommon for PLCs to release AGM minutes, which is to reveal valuable information on the proceedings and the effectiveness of AGMs. This leads to poor scores in a number of relevant questions, such as attendance of board members and key executives, or question-and-answer sessions. Companies should improve in disclosing these important information.

Further, voting results detailing the breakdown of approving, dissenting, and abstaining votes for each resolution were not released by the next working day. Many companies do not appear to disclose either clear policy or adequate evidence on encouraging shareholders, especially institutional shareholders, to participate in AGMs. The timely dividend payment to shareholders (to be distributed within 30 days after declaration or approval) is another area for improvement.

Part B: Equitable Treatment of Shareholders

This category focuses on equitable treatment of all shareholders, especially minority and foreign shareholders. Figure 58 shows the areas of strengths and areas for improvement for Viet Nam PLCs under this part. Accordingly, insider trading and nontransparent RPTs should be prohibited, and AGM procedures should facilitate the participation of all shareholders without undue complexity.

Figure 57: Viet Nam—Strengths and Areas for Improvement in Rights of Shareholders**STRENGTHS**

- Resolutions of AGM are disclosed publicly and promptly.

AREAS FOR IMPROVEMENT

- The notices of AGM were not released at least 21 days before the meeting.
- AGM notices lack detailed explanations and information, especially in English.
- AGM minutes are unavailable or not comprehensive, and contain limited information about the attendance of board members and key executives.
- Voting results are not made publicly available in a timely manner.
- There is a lack of policies to encourage participation of shareholders, especially institutional shareholders.
- Dividend payments usually are not made within 30 days after declaration or approval.

AGM = annual general meeting.

Source: University of Technology, VNU-HCM 2015

Currently, a majority of listed companies solely have one class of ordinary shares. The performance of PLCs in part B has improved slightly thanks to the improvement of AGM notices in English. The AGM notices contained sufficient information, such as profiles of candidates for the board of directors, while dividend payment policy and resolutions were presented as single items and not bundled.

Despite this improvement, the overall and average scores of PLCs in this category remain low compared with those of PLCs in other ASEAN countries due to the unavailability of AGM notices in English, inadequate detailed disclosure of profiles of directors seeking election or reelection, and poor disclosure of the directorships in other listed companies.

Almost all PLCs obtained low scores in questions relating to RPT policy because of the lack of policies in some areas. For instance, there is no policy that requires directors to report their dealings within 3 business days. A policy requiring directors to abstain from participating in board discussions of matters when they have a conflict of interest is rarely observed. A policy on reviewing, approving, and conducting RPT is hardly evident. In fact, virtually none of the PLCs disclose that RPTs were conducted in a fair manner and at market arm's length.

Figure 58: Viet Nam—Strengths and Areas for Improvement in the Equitable Treatment of Shareholders



STRENGTHS

- No bundling of resolutions.
- Inadequate financial assistance to entities other than wholly owned subsidiaries.



AREAS FOR IMPROVEMENT

- Notices of annual general meetings in English are not available or not released on the same date as the local language version.
- Disclosure of profiles of directors seeking election and name of auditors seeking appointment or reappointment is inadequate.
- Explanation of dividend policy and disclosure of final dividend are uncommonly available.
- Directors dealing in company shares are not required to report these dealings within 3 business days.
- There is a lack of policy on the review, approval, and conduct of related party transactions.
- Policy requiring directors to abstain from participating in board discussions on matters where they have conflict of interest is rarely observed.

Source: University of Technology, VNU-HCM 2015

Part C: Role of Stakeholders

The role of stakeholders principle aims to ensure that the company protects the rights of stakeholders, including customers, employees, suppliers, creditors, government, and the community in order to promote the company's long-term sustainability. The results show that performance in this category in 2014 had not improved compared with that in the previous year.

Few companies mention explicitly their policies and practices relating to customers' health and safety, supplier selection, anticorruption, and creditors' rights. Long-term incentives for employees such as those that are based on balance scorecard and Employee Stock Ownership Plan (ESOP) measures are also rarely observed. Moreover, most PLCs fail to provide a dedicated contact details that stakeholders can use to bring up their concerns and complaints.

Whistle-blowing is a key area for improvement. Virtually none of the PLCs have policies and procedures dealing with complaints from employees about illegal or unethical behavior, and policies to protect them from retaliation.

However, several improvements were observed. For instance, practices for interaction with the communities are disclosed in either the annual report or on company website. The availability of

policies on health, safety, and welfare for employees increased significantly. Also, many companies have a separate corporate responsibility or sustainability section in their annual report. Figure 59 shows the areas of strengths and areas for improvement for Viet Nam PLCs in this part.

Figure 59: Viet Nam—Strengths and Areas for Improvement in the Role of Stakeholders



STRENGTHS

- Companies clearly disclose practices for interaction with the communities.
- Corporate social responsibilities are presented as a separate section in the annual report.
- There are explicit policies on the health, safety, and welfare of employees.



AREAS FOR IMPROVEMENT

- Policies and practices in dealing with customers' health and safety, supplier selection, anticorruption, and creditors' rights are lacking or not available.
- There are limited channels for stakeholders to raise their concerns and complaints.
- Compensation policies are rarely observed in the long term.
- Companies have weak policies and mechanisms for whistle-blowing.

Source: University of Technology, VNU-HCM 2015

Part D: Disclosure and Transparency

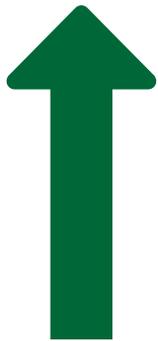
Disclosure and transparency is an important area requiring special attention as it ensures information availability and timely dissemination to the public; and also provides important evidence of good practices and policies that companies may have in place. Figure 60 shows the areas of strengths and areas for further improvement for Viet Nam's PLCs in this part. In general, disclosure and transparency could be better improved if PLCs put more effort in disclosing material corporate information in a timely and comprehensive manner, including firm ownership structure, RPTs, financial information, disclosure of board remuneration, evaluation results of board performance and management performance evaluation, and disclosure of directorships of board members in other public companies.

Specifically on ownership structure, companies should disclose both direct and indirect shareholdings of major shareholders, board members, and senior management. Quality of annual reports is an important factor that causes low scores in part D. Companies normally are short on information about the dividend policy and biographical details of members of the boards such as the directors' dates of first appointment and their directorships in other listed companies, training and education programs, and detailed remuneration of board members. In addition, PLCs can further improve the level of disclosure of articles of association, AGM-related documents such as notices and minutes on websites, and quarterly reports. Although most PLCs disclosed policies relating to RPTs, only a few disclosed policies on review and approval of significant RPTs. There is limited disclosure of contact

details of departments or persons in charge of investor relations. Companies do not organize and leverage on other engagement platforms such as analyst briefings, press conferences, and media briefings to disclose material information.

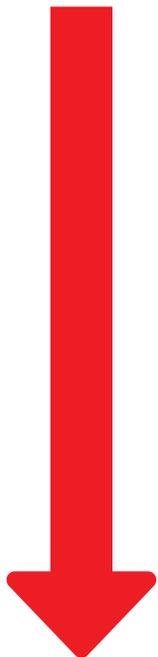
Nevertheless, it is encouraging to see that PLCs performed well in some important areas, such as in disclosing the identity of the beneficial owners of substantial or major shareholders and details of parent or holding company, subsidiaries, associates, joint ventures, and special-purpose entities. A majority of companies disclosed, in full detail, material or significant RPTs and trading of the company's shares by insiders. Key risks, corporate objectives, and financial performance indicators are clearly presented in annual reports by most PLCs. More companies have their websites updated and uploaded with details of business operations, financial statements, and annual reports.

Figure 60: Viet Nam—Strengths and Areas for Improvement in Disclosure and Transparency



STRENGTHS

- Detailed information about subsidiaries, associates, joint ventures, and special-purpose enterprises or vehicles.
- Identity of major shareholders.
- Key risks, corporate objectives and financial performance indicators.
- Detailed information about material and/or significant RPTs and insiders' transactions.
- Informative websites containing business operations, current and prior years' financial statements, and downloadable annual reports.



AREAS FOR IMPROVEMENT

- Lack of information on direct and indirect shareholdings of the major shareholders, board members, and key executives.
- Lack of clear statement of full compliance with the Code of Corporate Governance.
- Lack of policies covering review and approval of significant RPTs.
- Dividend policy is not well stated in the annual report.
- Incomplete information about board members, especially about directors' date of first appointment, directorship in other listed companies, attendance in training and education programs, and remuneration of board members in annual reports.
- Late disclosure of financial statements and annual reports; limited use of advanced communication such as analyst briefings, press conferences, and media briefings as effective information channels.
- Limited information on audit and nonaudit fees.
- Limited disclosure of quarterly reports, company's constitutive documents such as articles of association, and documents related to annual general meetings such as notices and minutes on websites.
- Lack of contact details of department, unit, or person in charge of investor relations.

RPT = related party transaction.

Source: University of Technology, VNU-HCM 2015

Part E: Responsibilities of the Board

According to the OECD Principles on Corporate Governance, boards are responsible for effective governing of the enterprise and monitoring of management to achieve shareholders' best interests.

In this assessment round, boards in many PLCs performed well in overseeing and monitoring the implementation of corporate strategy. The number of companies that established a separate internal audit unit had also increased. In performing their duties, board members showed their commitment to the companies by planning periodic meetings well in advance of the fiscal year. Also, companies made good presentation of their vision, mission, and information on qualifications of supervision board members.

Although most PLCs have made minor improvements in this year's assessment, continued efforts would be needed to ensure that this can be sustained over the longer term. Many PLCs performed poorly in disclosing corporate governance policy; code of conduct or code of ethics; board charter; board roles and responsibilities; and board practices in reviewing the company's vision, mission, and strategy. Though approximately half of the number of companies had internal control and risk management systems, very few assert that the boards conduct a review of material controls and risk management systems within the year. The other aspects that PLCs and board members should pay more attention to are in relation to the tenure limit of 9 years for independent directors, and a limit of five directorships in other publicly listed firms. Many PLCs do not disclose their appointment criteria and diversity policy for board composition and provide limited information on succession planning, orientation programs, and education activities for new directors.

In terms of board structure, the establishment of functional committees is essential to enhance the effectiveness of the board in their assigned duties. Meanwhile, the independence of board, especially appointment of independent chairman, is important as it allows directors to be objective and to evaluate the performance and well-being of the company without any conflict of interest or undue influence of interested parties. It is essential for companies to disclose whether board members are independent from management and/or major shareholders. This will enable shareholders to evaluate the objective judgment of the board members in decision making, monitoring management performance, and preventing conflict of interest.

Disclosures of remuneration matters such as remuneration policy and practices for executive directors and CEOs, and fee structure for nonexecutive directors, should also be better addressed by PLCs. With regard to the annual performance assessment of boards, most PLCs do not conduct annual performance assessments of the board, individual directors, and board committees. To build credibility among shareholders, companies must undertake board assessment processes diligently and independently, with the process and procedure undertaken clearly disclosed in the annual report. PLCs should also disclose information on the attendance of board members in board and subcommittee meetings to allow shareholders to judge the performance of each board member. Figure 61 shows the areas of strengths and the areas for improvements for Viet Nam's PLCs in this part.

Figure 61: Viet Nam—Strengths and Areas for Improvement in the Responsibilities of the Board

STRENGTHS

- Clear articulation of vision and mission.
- Profile and qualifications of audit committee members are evidenced.
- Profile and qualification details of members of the audit committee were provided.

AREAS FOR IMPROVEMENT

- Lack of disclosure of corporate governance policy, board charter, and roles and responsibilities of the board.
- Lack of evidence on whether the company's vision, mission, and strategy were being reviewed by the board, and whether the board monitors the implementation of corporate strategy.
- Nondisclosure of code of conduct or code of ethics.
- Limited presence of independent directors on boards and limited information on board independence status.
- Limited evidence on the establishment of functional committees responsible for various duties.
- Lack of policy for a term limit of 9 years for independent directors and for a directorship limit of five seats in other publicly listed firms.
- Lack of disclosure of remuneration issues, particularly for executive directors and chief executive officers, and fee structure for nonexecutive directors.
- Limited disclosure about the appointment criteria, and no evidence of the board having a clear policy on board diversity.
- Lack of information about succession planning, orientation programs, and education activities for new and current directors.
- Lack of evidence on whether the board reviews material control and risk management systems.
- Lack of disclosure about board assessment activities, process, and criteria used for assessment.
- Lack of information on participation of board members in board and subcommittee meetings.

Source: University of Technology, VNU-HCM 2015

Bonus and Penalty

Companies that adopted certain voluntary best practices could earn bonus points under level 2. Some good practices in which bonus scores are awarded include the disclosure of detailed remuneration structure for CEOs, and having at least one female independent director on the board. A positive observation was the practice of one Viet Nam PLC that had implemented a secure electronic voting

system to facilitate voting in absentia. In addition to this, several PLCs had a separate board-level risk committee, and bonus points were granted. Unfortunately, some companies received penalty points due to their pyramid structures and administrative sanctions for not complying with listing rules and regulations over the past year. With regard to “independence” of boards, many PLCs were penalized for not identifying independent directors, and for having former CEOs in the past 2 years as their directors.

Conclusion and Recommendations

In summary, the assessment for 2014 of Viet Nam PLCs (Table 18) is important as it gives companies a chance to reflect and improve poor practices and prepare themselves for the next round of assessment. Though the assessment for 2014 showed good efforts by PLCs to improve governance practices, increased effective commitment and communication are needed from the board and management in all areas of corporate governance.

Table 18: Viet Nam—Top 30 Publicly Listed Companies Based on 2014 Total Scores (in alphabetical order)

| No. | Ticker | Company Name |
|-----|--------|--|
| 1 | BVH | Bao Viet Holdings |
| 2 | BIC | Bidv Insurance Corporation |
| 3 | BCI | Binh Chanh Construction Investment Shareholding Company |
| 4 | CNG | CNG Viet Nam Joint Stock Company |
| 5 | CTD | Cotec Construction Joint Stock Company |
| 6 | DHG | DHG Pharmaceutical Joint Stock Company |
| 7 | PAC | Dry Cell And Storage Battery Joint Stock Company |
| 8 | EVE | Everpia Viet Nam Joint Stock Company |
| 9 | FPT | FPT Corporation |
| 10 | HCM | Ho Chi Minh City Securities Corporation |
| 11 | HSG | Hoa Sen Group |
| 12 | HAG | Hoang Anh Gia Lai Joint Stock Company |
| 13 | VCB | Joint Stock Commercial Bank for Foreign Trade of Viet Nam |
| 14 | BID | Joint Stock Commercial Bank for Investment and Development of Viet Nam |
| 15 | MSN | Masan Group Corporation |
| 16 | NLG | Nam Long Investment Corporation |
| 17 | PAN | Pan Pacific Corporation |
| 18 | PVD | PetroVietnam Drilling & Well Service Corporation |
| 19 | DPM | PetroViet Nam Fertilizer And Chemicals Corporation |

continued on next page

Table 18 continued

| No. | Ticker | Company Name |
|-----|--------|---|
| 20 | PNJ | Phu Nhuan Jewelry Joint Stock Company |
| 21 | REE | Refrigeration Electrical Engineering Corporation |
| 22 | SSI | Sai Gon Securities Incorporation |
| 23 | STB | Sai Gon Thuong Tin Commercial Joint Stock Bank |
| 24 | TCM | Thanh Cong Textile Garment Investment Trading Joint Stock Company |
| 25 | TLG | Thien Long Group Corporation |
| 26 | NTP | Tien Phong Plastic Jsc |
| 27 | VNM | Viet Nam Dairy Products Joint Stock Company |
| 28 | CTG | Viet Nam Joint Stock Commercial Bank For Industry And Trade |
| 29 | EIB | Viet Nam Export Import Commercial Joint Stock Bank |
| 30 | VIC | Vingroup Joint Stock Company |

Note: Also included in the review of this year are 20 PLCs listed by alphabetical order as follows: Bao Viet Securities Joint Stock Company (BVS), Baominh Insurance Corporation (BMI), Bien Hoa Sugar Joint Stock Company (BHS), Binh Minh Plastics Joint Stock Company (BMP), Gemadept Corporation (GMD), Hoa Binh Construction & Real Estate Corporation (HBC), Hoa Phat Group Joint Stock Company (HPG), Khang Dien House Trading And Investment Jsc (KDH), Kinh Bac City Development Holding Corporation (KBC), Kinh Do Corporation (KDC), NBB Investment Corporation (NBB), PVI Holdings (PVI), Sai Gon - Hanoi Commercial Joint Stock Bank (SHB), Sai Gon General Service Corporation (SVC), Tan Tao Investment And Industry Corporation (ITA), Thanh Thanh Cong Tay Ninh Joint Stock Company (SBT), Thu Duc Housing Development Corporation (TDH), Transimex-Saigon Corporation (TMS), Traphaco Joint Stock Company (TRA), and Vietnam National Reinsurance Corporation (VNR).

Source: University of Technology, VNU-HCM 2015.

ASEAN Corporate Governance Scorecard Country Reports and Assessments 2014

Joint Initiative of the ASEAN Capital Markets Forum and the Asian Development Bank

Good corporate governance practices reduce vulnerability to financial crises, reinforce property rights, reduce the cost of capital, and lead to greater capital market development—all sought by investors. In this fourth round of the Association of Southeast Asian Nations (ASEAN) Corporate Governance initiative of the Asian Development Bank and the ASEAN Capital Markets Forum, over 500 top publicly listed companies from six ASEAN countries were assessed as to rights of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, and responsibilities of the board. Corporate governance in ASEAN countries collectively continues to improve, with international best practices being incorporated into national corporate governance blueprints and strategies.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to the majority of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



ASIAN DEVELOPMENT BANK

6 ADB Avenue, Mandaluyong City

1550 Metro Manila, Philippines

www.adb.org