



ASEAN CORPORATE GOVERNANCE SCORECARD COUNTRY REPORTS AND ASSESSMENTS 2015

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

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ASEAN CAPITAL MARKETS FORUM
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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.

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Abbreviations

ACGS	ASEAN Corporate Governance Scorecard
ACMF	ASEAN Capital Markets Forum
ADB	Asian Development Bank
AGM	annual general meeting
AR	annual report
ASEAN	Association of Southeast Asian Nations
BOC	board of commissioners
DRB	domestic ranking body
IIC	Institutional Investor Council
MCII	Malaysian Code for Institutional Investors
OECD	Organisation for Economic Co-operation and Development
OJK	Otoritas Jasa Keuangan (Financial Services Authority, Indonesia)
PLC	publicly listed company
RPT	related party transaction
SEC	Securities and Exchange Commission (Philippines)
SGX	Singapore Exchange
SOE	state-owned enterprise

Foreword

Teresita J. Herbosa, Chair, ASEAN Corporate Governance Taskforce

The Philippine Securities and Exchange Commission (SEC) takes pride in taking an active role in the Association of Southeast Asian Nations (ASEAN) Corporate Governance initiative, which comprises the ASEAN Corporate Governance Scorecard (ACGS) and the ranking of corporate governance performance of ASEAN publicly listed companies (PLCs). For the past 5 years, this regional initiative of the ASEAN Capital Markets Forum (ACMF) was under the highly competent leadership of the Securities Commission Malaysia. As it enters its sixth year, it is a great honor and privilege for the Philippine SEC to take over and undertake the challenge of further developing this initiative and focusing more on corporate governance in the ASEAN region. This would not be possible without the support of our fellow regulators, particularly the Indonesia Financial Services Authority, Monetary Authority of Singapore, Securities Commission Malaysia, Thailand Securities and Exchange Commission, and the Viet Nam State Securities Commission. It is further made possible by the technical assistance of the Asian Development Bank, which has supported this initiative from its inception.

The steady improvement in the corporate governance scores of PLCs from participating countries shows the success of this initiative. More than that, it shows the willingness and drive of ASEAN PLCs to improve their corporate governance standards and practices to reach a level at par with their global counterparts. This is instrumental moving on to the next phase of this initiative. Counting also on the commitment and support of fellow regulators, the ACGS objectives of raising corporate governance standards of ASEAN PLCs, giving greater international visibility to well-governed ASEAN PLCs, and promoting ASEAN as an asset class will continuously be achieved moving forward.

In the last 5 years, the ACGS has become a well-recognized tool for measuring ASEAN corporate governance. This recognition is made possible by the collaboration and cooperation of the capital market regulators and the domestic ranking bodies of each participating country, who have exerted effort to create awareness of the ACGS and of the value of good corporate governance. The culmination of this collaboration and cooperation is the Annual Corporate Governance Awards to recognize the top 50 ASEAN PLCs, which was held in Manila, Philippines, on 14 November 2015. This inaugural event highlighted and gave due recognition to the significantly improved performance of the top ASEAN PLCs and showcased their openness and willingness to adopt internationally recognized best practices.

The ACGS has achieved what it has set out to accomplish. However, there is still much to be done. In light of the Group of Twenty/Organisation for Economic Co-operation and Development (G20/OECD) Principles of Corporate Governance and to give further consideration to the idiosyncrasies

of ASEAN member states, it is the right time for a holistic review of the ACGS and its methodology. Although it has served its purpose of raising the standards of the region's PLCs, enhancements may still be made that will not only further improve the corporate governance standards in ASEAN, but would also further promote ASEAN as an asset class. Continuing the momentum of the ACGS entails not only firm cooperation among regulators and domestic ranking bodies but the buy-in of all PLCs and investors. Moving forward, ASEAN PLCs should also look at adopting an approach that focuses on investors, who are the fuel that keeps the engine of economies moving. Further, validation of the ACGS results is a key priority to further ensure the sustainability, continued acceptance, and increased international recognition of the ACGS.

Progressing to the next phase of the ACGS, it is hoped that the number of participating countries will increase to include all ASEAN member states to make the new ACGS truly reflective of the ASEAN region. Consequently, it is envisioned that all ASEAN PLCs will subscribe to and embed in their corporate cultures, the best corporate governance standards and practices. Hence, as we find ourselves at the crossroad of determining the future of ASEAN corporate governance, the full and steadfast commitment and wholehearted effort of all ASEAN countries are essential to push the region toward being an international beacon of corporate governance. A synergistic relationship, giving due regard to regional interest when appropriate, is key to the development of a distinctly ASEAN corporate governance culture.

1

Executive Summary

Background

The Association of Southeast Asian Nations (ASEAN) Corporate Governance initiative composed of the ASEAN Corporate Governance Scorecard (ACGS) 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.

ACMF Working Group D, the body responsible for this initiative, is now led by the Philippines Securities and Exchange Commission after the handover from Securities Commission Malaysia in November 2015. Its members include capital market regulators and corporate governance proponents from the region. The ASEAN scorecard was developed based on international benchmarks such as the Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance (2004) and the International Corporate Governance Network Corporate Governance Principles, as well as industry-leading practices from ASEAN and the world.

The first, second, and third editions of the annual *ASEAN Corporate Governance Scorecard: Country Reports and Assessments*¹ provided the impetus for raising the public's awareness on this initiative and in profiling the top domestic PLCs from each participating country. This 2015 report, which is the fifth round of assessment, 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 was concluded in October 2015. The DRBs were the Indonesian Institute for Corporate Directorship; the Minority Shareholder Watchdog Group, Malaysia; the Institute of Corporate Directors, Philippines; the Singapore Institute of Directors and the Centre for Governance, Institutions and Organisations of the National University of Singapore Business School; and the Thai Institute of Directors.

¹ ASEAN Corporate Governance Scorecard Country Reports and Assessments 2012–2013, ASEAN Corporate Governance Scorecard Country Reports and Assessments 2013–2014, and ASEAN Corporate Governance Scorecard Country Reports and Assessments 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 the laws, rules, regulations, and requirements of each ASEAN member state and the basic expectations of the OECD principles. Level 2 consists of bonus items reflecting other emerging good practices and penalty items reflecting actions and events that are indicative of poor governance.

The assessments of corporate governance practices of PLCs were primarily based on publicly available and easily accessible information contained in annual reports and on company, state securities commission, and stock exchange websites. Other sources of information considered are company announcements, notices, circulars, articles of association, minutes of shareholders' meetings, corporate governance policies, codes of conduct, and sustainability reports. As the assessments are based primarily on disclosures, these may not necessarily reflect the full extent of a participating country's actual corporate governance ecosystem.

For a company to be assessed and ranked, most of the available documents must be in English. Further, to be given points on the scorecard, all disclosures must be unambiguous and sufficiently complete. Considering the same, the sample of PLCs in each jurisdiction may not necessarily represent the whole country's level of corporate governance developments, transparency, and disclosures.

Prior to the commencement of assessment, the ASEAN corporate governance experts held comprehensive 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 fifth-year assessment resulted in several changes, including rewording of some items, the removal or addition of items, and enhancements to the assessment guidance.

Following the review, parts B and E of Level 1 were revised while other parts remained the same. The score allocations for bonus and penalty sections were recalibrated such that bonus and penalty scores would be more proportionate. As a result of the review, the maximum attainable score decreased from 128 points in 2014 to 126 points in 2015 (Table 1).

Table 1: Comparison of Question Numbers and Scores in 2012, 2013, 2014, and 2015

		Number of Questions			
		2012	2013	2014	2015
Level 1	Part A	26 [10]	25 [10]	25 [10]	25 [10]
	Part B	17 [15]	17 [15]	17 [15]	18 [15]
	Part C	21 [10]	21 [10]	21 [10]	21 [10]
	Part D	42 [25]	40 [25]	41 [25]	41 [25]
	Part E	79 [40]	76 [40]	75 [40]	74 [40]
Level 2	Bonus	11 [17]	9 [42]	11 [28]	11 [26]
	Penalty	23 [(90)]	21 [(53)]	21 [(50)]	22 [(52)]

() = 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 2015.

Level 1

Level 1 consists of 179 items and is divided into five parts corresponding to the 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.

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

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

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	18	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	74	40	40 points

Source: ACMF Working Group D Secretariat 2015.

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

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

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

The Level 1 score is obtained by totaling the scores for parts A–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–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 in practice. The purpose of the bonus questions is to recognize companies that go beyond the basic expectation 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.

Level 2 contains 11 bonus and 22 penalty items, each with a different number of points (Table 3). The maximum attainable bonus points are 26, while the maximum penalty points deductible are 52.

Table 3: Composition and Structure of Level 2

Level 2	Number of Questions	Maximum Score (points)
Bonus	11	26
Penalty	22	(52)

(-) = negative.

Source: ACMF Working Group D Secretariat 2015.

The Level 2 score is obtained by totaling 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 26 points.

For example, if PLC1 scores 26 bonus points and 3 penalty points, then

$$\text{PLC1's Level 2 score} = 26 + (-3) = 23 \text{ points}$$

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 + 23 = 122.6 points.

The maximum attainable score is 126 points (100 points from Level 1 and 26 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 a 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 2015 entailed two rounds of assessments: first, with the DRBs assessing and ranking their domestic PLCs; second, by peer review by other DRBs.

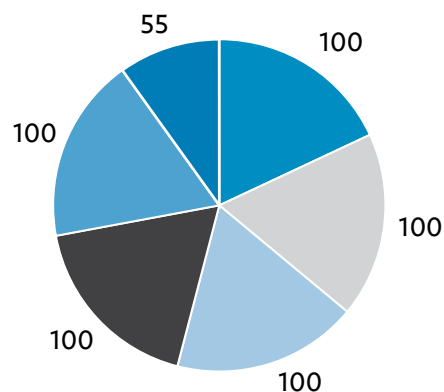
For the 2015 assessment, the top 35 PLCs, ranked according to their total scores in the preliminary assessments, were subjected to peer review by another DRB. Peer reviewers were assigned randomly for each PLC, making sure that DRBs had the opportunity to assess PLCs from all the other countries. This step was incorporated in the assessment process as a measure to validate and confirm the assessment by the DRBs and to ensure consistency in the interpretation of the questions in the scorecard.

Following a peer review, DRBs and peer reviewers carried out engagement initiatives 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 a DRB's assessment from that of the peer reviewer due to interpretation of the 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 process of checks and balances improves the accuracy of results.

Overall Results and Analysis

For the 2015 assessment, a total of 555 PLCs were assessed, which was 0.9% more than the number of PLCs assessed in 2014. The number of PLCs assessed was not equally distributed among the jurisdictions given the limited availability of disclosures in English. For instance, Viet Nam had fewer than 100 domestic PLCs assessed (Figure 1).

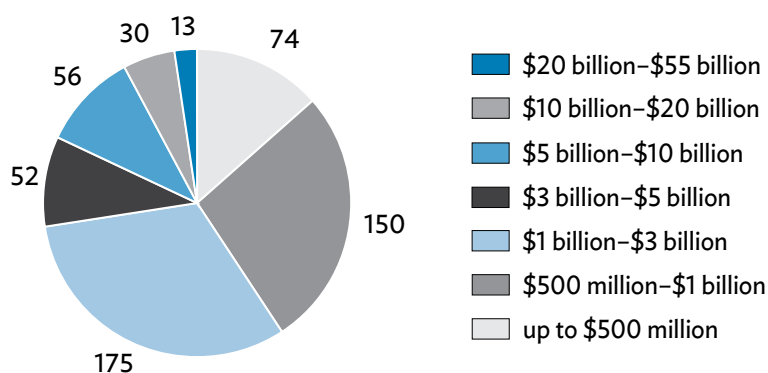
Figure 1: Number of Publicly Listed Companies Assessed by Country, 2015



Source: ACMF Working Group D Secretariat 2015.

The market capitalization of assessed PLCs varied in the 2015 assessment round. About 59% of the PLCs assessed boasted a 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 being \$18 million.

Figure 2: Distribution of Publicly Listed Companies Based on Market Capitalization, 2015 (\$ billion)



Note: Market capitalization and currency exchange rates as of 30 March 2015.

Source: ACMF Working Group D Secretariat 2015.

The mean total score increased in 2015 to 71.81 points compared with 67.69 points in 2014 and 64.02 points in 2013. This resulted in a total increase of 6.1% from the previous year's achievement and a total increase of 12.2% since 2013 (Table 4).

Table 4: Comparison of Total Scores, 2012–2015 (points)

	2012	2013	2014	2015
Mean	53.66	64.02	67.69	71.81
Median	55.79	64.55	68.29	72.69
Maximum Attainable Score	117	142	128	126

Source: ACMF Working Group D Secretariat 2015.

Specifically for Level 1 (i.e., excluding the Level 2 bonus and penalty scores), the mean score recorded an increase of 6.4%, from 64.72 points in 2014 to 68.87 points in 2015, indicating that corporate governance practices in fundamental or core areas had improved significantly. In total, Level 1 saw an increase of 26.8% in mean scores since 2012 (Table 5).

Table 5: Comparison of Level 1 Scores, 2012–2015 (points)

	2012	2013	2014	2015
Mean	54.32	60.09	64.72	68.87
Median	56.91	61.50	65.56	70.16
Maximum Attainable Score	100	100	100	100

Source: ACMF Working Group D Secretariat 2015.

With the revision of the Level 2 scores, a slight dip to 2.94 points was recorded compared with 2.98 points in 2014 (Table 6).

Table 6: Comparison of Level 2 Scores, 2012–2015

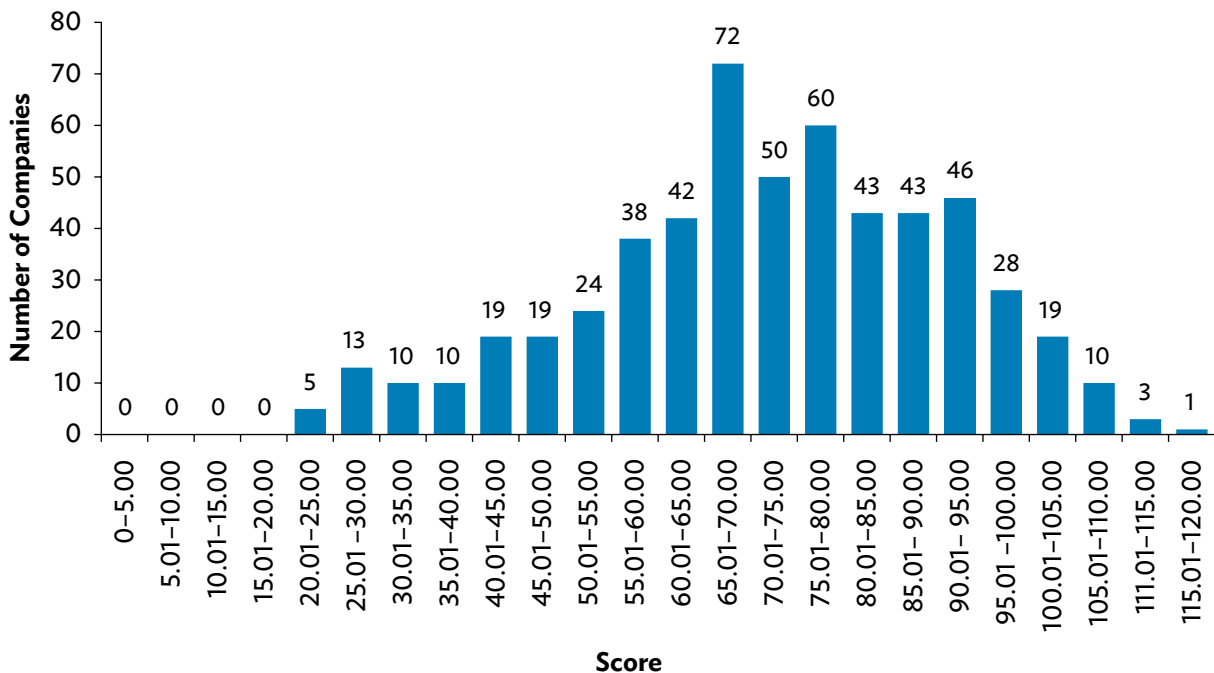
	2012	2013	2014	2015
Mean	(0.66)	3.92	2.98	2.94
Median	0	3.00	2.00	2.00
Maximum Attainable Score	17	42	28	26

() = negative.

Source: ACMF Working Group D Secretariat 2015.

The scores of ASEAN companies had positively moved toward the upper scale in achieving maximum attainable scores (Figure 3). In addition, 33 ASEAN companies attained scores of more than 100 points, as compared with only 14 companies attaining scores of more than 100 points in 2014.

Figure 3: Distribution of Total Scores



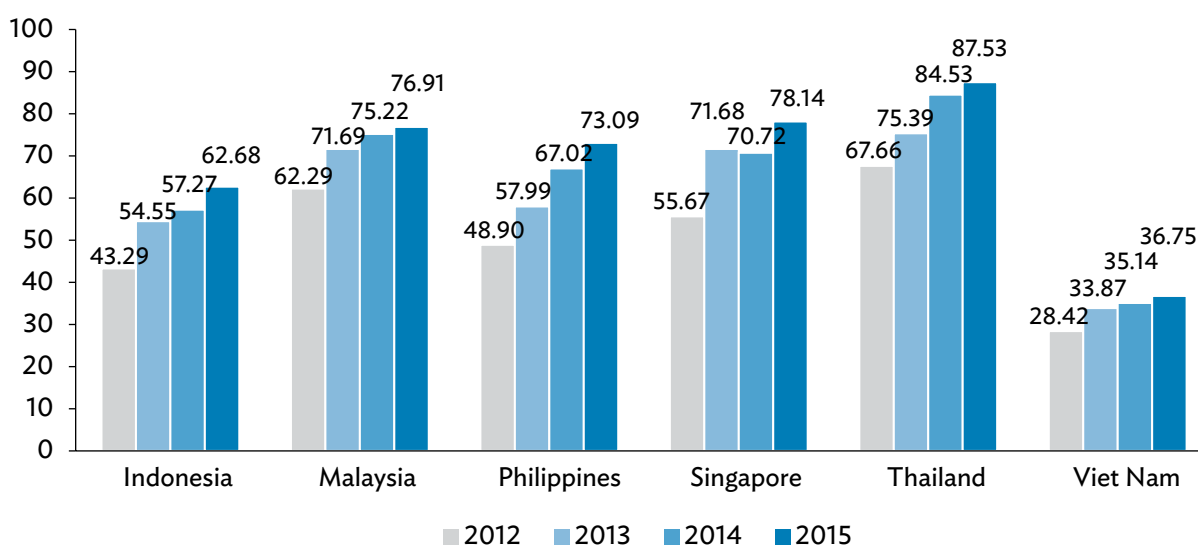
Source: ACMF Working Group D Secretariat 2015.

The adoption of several voluntary best practices by ASEAN PLCs has contributed to the consistent improvement in their scores. These best practices include:

- (i) Disclosure of voting and vote tabulation procedures;
- (ii) Appointment of an independent party to evaluate the fairness of transaction prices;
- (iii) No bundling of resolutions in the Annual General Meeting (AGM);
- (iv) Disclosure of policies to encourage shareholders including institutional investors' participation;
- (v) Disclosure of policies on related party transactions including the nature and value of material/significant related party transactions (RPTs);
- (vi) Disclosure of audit and nonaudit fees;
- (vii) Disclosure of the identity of beneficial owners and substantial shareholders;
- (viii) Communication of internal control and risk management systems;
- (ix) Disclosure of safety, health, welfare, training, and development programs for employees;
- (x) Having a separate corporate social responsibility or sustainability reports and the creation of a separate board-level risk committee.

Thailand continues to be the overall best performer for 4 consecutive years. Among the participating countries, Thailand has the highest mean score followed by Singapore and Malaysia. The company with the highest individual score was again from Singapore.

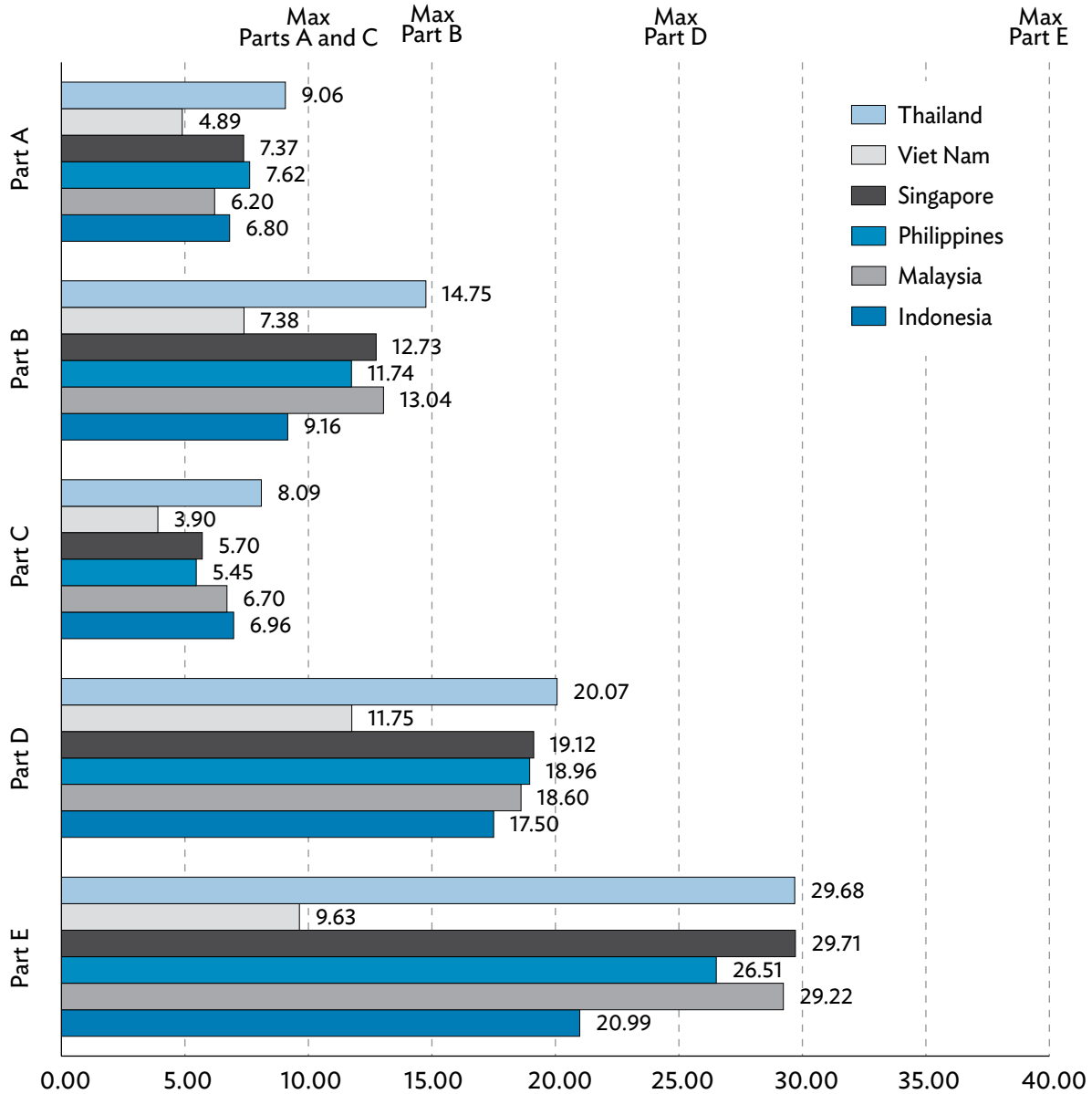
Figure 4: Mean Scores by Country



Source: ACMF Working Group D Secretariat 2015.

When the results were analyzed according to the various areas of corporate governance (Figure 5), Thailand obtained the highest mean score for four parts (A, B, C, and D) in Level 1, while Singapore scored highest in Part E. It is encouraging to note that there are PLCs that scored full points in parts A, B, C, and D.

Figure 5: Level 1 Scores by Part



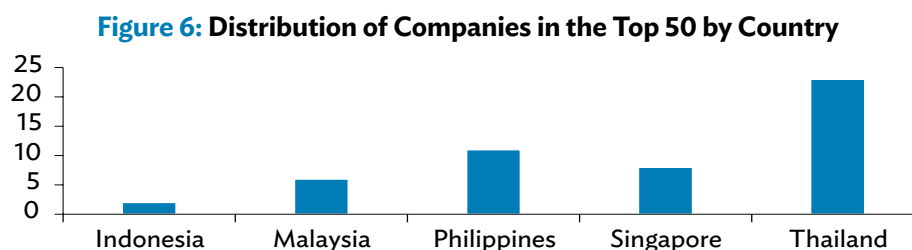
Note: Part A = rights of shareholders, Part B = equitable treatment of shareholders, Part C = role of stakeholders, Part D = disclosure and transparency, and Part E = responsibilities of the board.

Source: ACMF Working Group D Secretariat 2015.

ASEAN Corporate Governance Conference and Awards and Recognition of the Top ASEAN Publicly Listed Companies

The 2015 assessment marked a significant milestone for the ASEAN Corporate Governance initiative. For the first time since 2012, due recognition was given to the top ASEAN PLCs. To mark this occasion, the inaugural ASEAN Corporate Governance Conference and Awards were held in Manila, Philippines, on 14 November 2015. The event consisted of two parts: a conference with the theme “*Governance Transformation in ASEAN: Reform and Priorities*” held in the Auditorium of the Asian Development Bank and the ACGS Top 50 ASEAN PLCs Launch and Awards Night held at the Manila Polo Club.

Of the top 50 ASEAN PLCs,² Thailand had the most number of companies with 23. The Philippines followed with 11 companies, while Singapore had 8, Malaysia had 9, and Indonesia had 2 companies in the top 50.

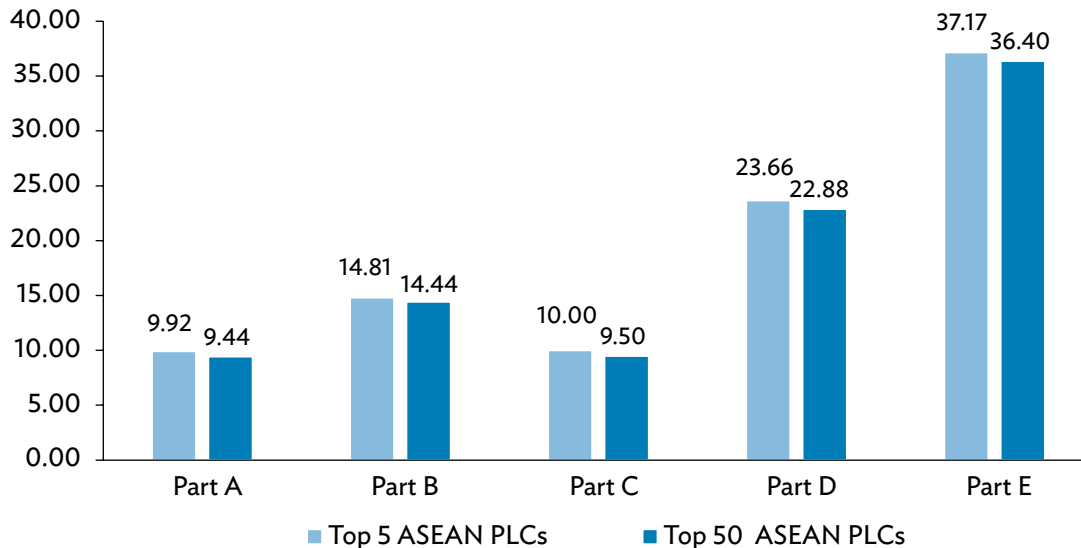


Source: ACMF Working Group D Secretariat 2015.

The top 50 ASEAN PLCs are composed of a diverse mix of companies from sectors such as telecommunications, energy, and financial services, among others. The total mean score of the top 50 companies is 102.85, indicating the exceptional corporate governance practices of the companies. The high average scores for each of the parts also gives an indication that all areas of corporate governance were addressed and considered by the top companies.

The top five PLCs in the region, in alphabetical order, were also duly recognized. Bursa Malaysia (Malaysia), DBS Group Holdings (Singapore), PTT Global Chemical (Thailand), Samart Corporation (Thailand), and Singapore Telecommunications (Singapore) have the distinction of being the best companies in the ASEAN region based on the ACGS. The total mean score of the top five companies is 112.16 points, clearly setting high standards for the other ASEAN PLCs to follow. All top five companies have perfect scores in the Role of Stakeholders part and near perfect scores in the Rights of Shareholders and Equitable Treatment of Shareholders parts, which indicate the importance given by said companies to their shareholders and other stakeholders.

² The top companies in each jurisdiction were certified by its respective regulatory body.

Figure 7: Mean Scores per Part for the Top ASEAN Publicly Listed Companies

ASEAN = Association of Southeast Asian Nations, 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: ACMF Working Group D Secretariat 2015.

In addition to the top 50 and top 5 ASEAN PLCs, the achievements of the top companies per country were also given recognition. Awards were also handed out to the top three companies per country, as well as the top two companies with Outstanding Achievement in terms of improvement in their scores. A review of the said companies per country showed that most are in the Telecommunications and Financial and Services sectors.

In the past 4 years of assessment, ASEAN PLCs assessed under the ASEAN Corporate Governance Scorecard have shown consistent and significant improvement in their corporate governance practices and standards, as evidenced by the increase not only in the total mean score from 2012 to 2015, but also by the increase in the scores received by the highest ranking PLCs. The increased awareness of corporate governance within the region reflects the success of the ASEAN Corporate Governance initiative. However, much is still left to be accomplished. As the ASEAN Corporate Governance Scorecard moves into the next phase, the assessment process shall be put on hold in 2016 and instead, focus will be given to a holistic and thorough review. This is to ensure that it is aligned with, and prescribes to, internationally recognized best standards such as the G20/OECD Principles of Corporate Governance and that it is contextualized based on the current need of the ASEAN Market and its PLCs. Each part shall then be reviewed to determine its relevance and applicability in the ASEAN context. Furthermore, for this initiative to progress further, the Scorecard must go beyond being disclosure-based. In this regard, the DRBs will determine the proper methodology to validate

the Scorecard results to ensure that PLCs' disclosures do not just follow a tick-box approach without sacrificing the Scorecard's independence and reliability.

With the end goal of encouraging all ASEAN PLCs to adopt the highest possible corporate governance standards, the group intends to come out with an improved ASEAN Corporate Governance Scorecard in 2016 that will not only be internationally recognized, but relevant, credible and distinctly ASEAN.

Table 7: Top 5 Publicly Listed Companies in ASEAN

(alphabetical order)

No.	Name	Country
1	Bursa Malaysia	Malaysia
2	DBS Group Holdings	Singapore
3	PTT Global Chemical	Thailand
4	Samart Corporation	Thailand
5	Singapore Telecommunications	Singapore

ASEAN = Association of Southeast Asian Nations.

Source: ACMF Working Group D Secretariat 2015.

Table 8: Top 50 Publicly Listed Companies in ASEAN

(alphabetical order)

No.	Name	Country
1	Aboitiz Equity Ventures	Philippines
2	Advanced Info Service	Thailand
3	Ayala Corporation	Philippines
4	Ayala Land	Philippines
5	The Bangchak Petroleum	Thailand
6	Bangkok Aviation Fuel Services	Thailand
7	BDO Unibank	Philippines
8	Bursa Malaysia	Malaysia
9	Capitaland	Singapore
10	Central Pattana	Thailand
11	CIMB Group Holding	Malaysia
12	DBS Group Holdings	Singapore
13	Eastern Water Resources Development and Management	Thailand
14	Electricity Generating Public Company	Thailand

continued on next page

Table 8 continued

No.	Name	Country
15	Globe Telecom	Philippines
16	GT Capital Holdings	Philippines
17	IJM Corporation	Malaysia
18	Indorama Ventures	Thailand
19	Intouch Holdings	Thailand
20	IRPC	Thailand
21	Kasikornbank	Thailand
22	Keppel Land	Singapore
23	Krung Thai Bank	Thailand
24	Malayan Banking	Malaysia
25	Manila Electric	Philippines
26	Manila Water	Philippines
27	Philex Mining	Philippines
28	Philippine Long Distance Telephone	Philippines
29	Pruksa Real Estate	Thailand
30	PT Bank CIMB Niaga	Indonesia
31	PT Bank Danamon Indonesia	Indonesia
32	PTT Exploration and Production	Thailand
33	PTT Global Chemical	Thailand
34	PTT	Thailand
35	Ratchaburi Electricity Generating Holding	Thailand
36	RHB Capital	Malaysia
37	Samart Corporation	Thailand
38	Samart Telcoms	Thailand
39	SATS	Singapore
40	The Siam Cement	Thailand
41	Siam Commercial Bank, The	Thailand
42	Singapore Exchange	Singapore
43	Singapore Post	Singapore
44	Singapore Press Holdings	Singapore
45	Singapore Telecommunications	Singapore
46	SM Prime Holdings	Philippines
47	Telekom Malaysia	Malaysia
48	Thai Oil	Thailand
49	Thaicom	Thailand
50	Total Access Communication	Thailand

ASEAN = Association of Southeast Asian Nations.

Source: ACMF Working Group D Secretariat 2015.

Table 9: Top 3 Publicly Listed Companies by Country
(alphabetical order)

Country	Name
Indonesia	Aneka Tambang Persero
	PT Bank Cimb Niaga
	PT Bank Danamon Indonesia
Malaysia	Bursa Malaysia
	CIMB Bank
	Telekom Malaysia
Philippines	Ayala Land
	Globe Telecom
	Philex Mining
Singapore	DBS Group Holdings
	Singapore Exchange
	Singapore Telecommunications
Thailand	PTT Exploration and Production
	PTT Global Chemical
	Samart Corporation
Viet Nam	Ho Chi Minh City Securities
	Petroviet Nam Fertilizer and Chemicals
	Viet Nam Dairy Products

Source: ACMF Working Group D Secretariat 2015.

Table 10: Top 2 Publicly Listed Companies with Outstanding Achievement by Country
(alphabetical order)

Country	Name
Indonesia	PT Bank NISP TBK
	PT Bank Tabungan Negara TBK
Malaysia	Allianz Malaysia
	Top Glove Corporation
Philippines	Asia United Bank
	GT Capital Holdings

continued on next page

Table 10 continued

Country	Name
Singapore	SATS
	Singapore Post
Thailand	Eastern Water Resources Development and Management
	Thaicom
Viet Nam	Hoang Anh Gia Lai
	Refrigeration Electrical Engineering

Source: ACMF Working Group D Secretariat 2015.

2

Reports and Assessments

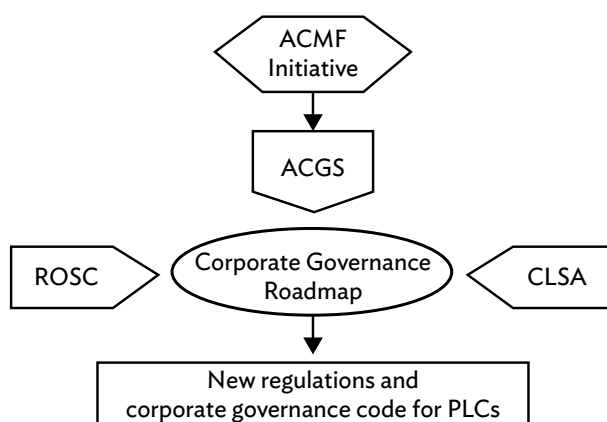
INDONESIA

Background of the Corporate Governance Framework

Since the corporate governance reform through the development of the Indonesia corporate governance road map, the corporate governance framework in Indonesia has been moving forward by gradually adopting best practices. The corporate governance road map was developed on the basis of the Organisation for Economic Co-operation and Development (OECD) principles: the corporate governance framework, protection of shareholders' rights, the role of stakeholders, disclosure and transparency, and responsibility of the board. The main objective of the road map is to serve as a milestone to improve the implementation of corporate governance practices in Indonesia.

Several new regulations and/or amendments of the existing regulations have been released by the Financial Services Authority or Otoritas Jasa Keuangan (OJK) as a consequence of the road map. A stronger regulatory framework is necessary to meet international standards as they are specified in the Association of Southeast Asian Nations (ASEAN) Corporate Governance Scorecard (ACGS). OJK continually strengthens the country corporate governance regulatory framework to set a basis for corporations to adopt international best practices. Approaches to corporate governance were extended to the application of a “comply or explain regime” by issuing a corporate governance code for publicly listed companies (PLCs). This comply or explain approach was launched in December 2015. Figure 8 shows the process of how the corporate governance framework has been strengthened to meet international best practices.

Figure 8: Process of Strengthening the Corporate Governance Framework in Indonesia



ACGS = ASEAN Corporate Governance Scorecard, ACMF = ASEAN Capital Markets Forum, ASEAN = Association of Southeast Asian Nations, CLSA = Credit Lyonnais Securities Asia, PLC = publicly listed company, ROSC = Report on the Observance of Standards and Codes.

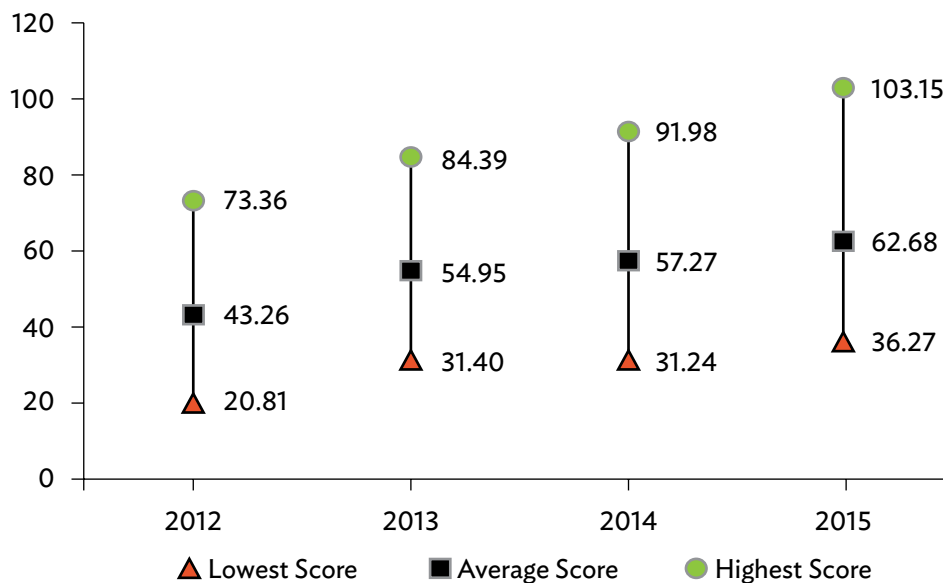
Source: Indonesian Institute of Corporate Directorship 2015.

To measure improvement in the implementation of corporate governance and how corporate governance reform has contributed to the enhancement of its implementation, the ACGS assessment was used. OJK, in cooperation with the Indonesian Institute for Corporate Directorship, regularly provided socialization training of the ACGS results and also facilitated training programs related to corporate governance issues to all issuers and publicly listed companies. It is expected that corporations will continue to adopt and improve their corporate governance implementation based on international best practices.

Overall Analysis

As in the previous assessments, the 2015 assessment was also undertaken on 100 Indonesian PLCs based on market capitalization as of 30 April 2015. Figure 8 shows the corporate governance scores from 2012 to 2015.

Figure 9: Indonesia—Corporate Governance Scores, 2012–2015

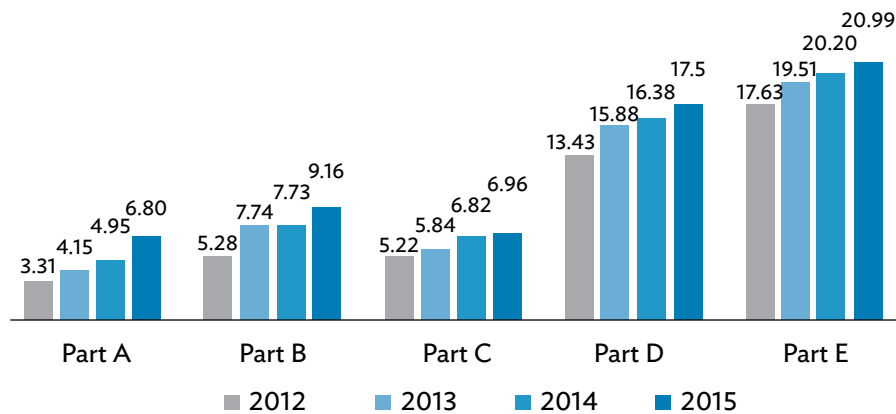


Source: Indonesian Institute of Corporate Directorship 2015.

Indonesian PLCs recorded a positive increase of 5.41 points, with an average score of 57.27 points in 2014 and 62.68 points in 2015, or an increase of 9.45%. The increase in scores was also recorded year on year from 2012 until 2015. The total increase until 2015 reached 44.89%. The highest score achieved by an Indonesian PLC in the 2015 assessment also increased significantly to 103.15 points compared with 91.98 points in 2014. Improvement was also found in the lowest score from 31.24 points in 2014 to 36.27 points in 2015. Noteworthy is that in 2015, two Indonesian companies were included

in the Top 50 ASEAN PLCs compared to none in the previous years. Corporate governance scores for each part of Level 1 can be seen in Figure 10.

Figure 10: Indonesia—Weighted Corporate Governance Scores of Individual Parts of Level 1, 2012–2015

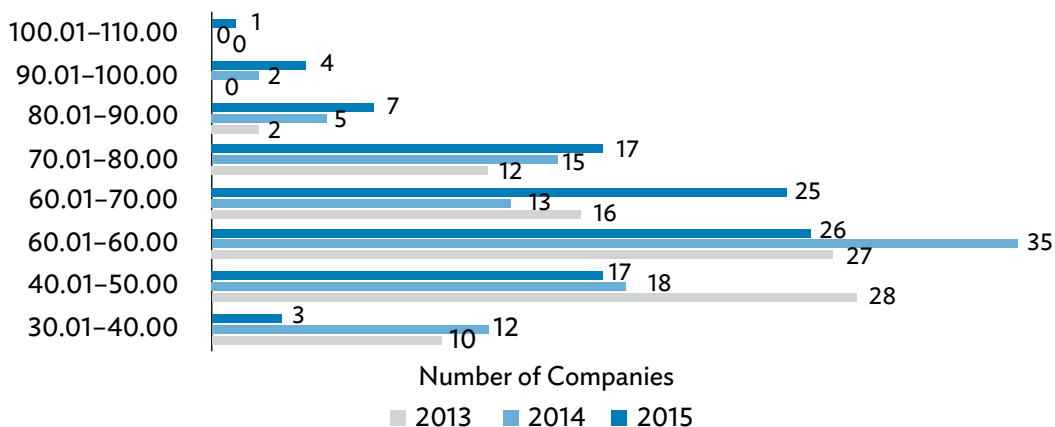


Note: Maximum scores for parts A = 10; B = 15; C = 10; D = 25; and E = 40.

Source: Indonesian Institute of Corporate Directorship 2015.

Since the 2012 assessment, progressive improvements have also been posted in all parts of Level 1. From 2012 to 2015, Rights of Shareholders improved by 105%; Equitable Treatment of Shareholders by 73.48%; Role of Stakeholders by 33.33%; Disclosure and Transparency by 30.31%; and Responsibility of the Boards by 19.06%. The Rights of Shareholders showed the greatest improvement from 2012 to 2015, while it scored lowest in 2012. The amendment of the OJK regulation pertaining to the annual general meeting of shareholders, POJK No. 32, significantly contributed to this improvement.

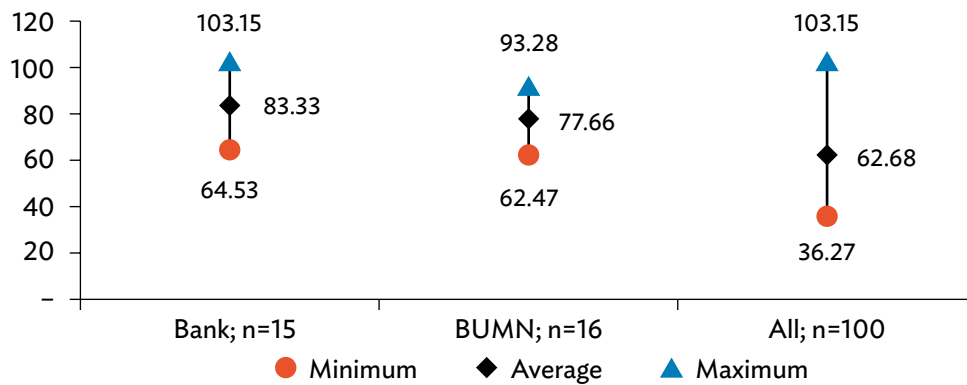
Figure 11: Indonesia—Corporate Governance Scores: Moving Forward to Higher Clusters, 2013–2015



Source: Indonesian Institute for Corporate Directorship 2015.

More Indonesian companies obtained higher scores in the 2015 assessment, as shown in Figure 11. One company received more than 100 points in 2015 compared to no company in 2014. Four Indonesian companies have attained scores in the 90.01–100.00 points cluster, while only two companies were in this cluster in 2014. Seven companies received scores between 80.01–90.00 points in 2015 compared to five companies in 2014. It is also important to note that more companies, 54%, scored 60.01 points and above compared to only 35% in this range in 2014. The trend shows that Indonesian PLCs are moving to higher clusters.

Figure 12: Indonesia—Corporate Governance Scores for Highly Regulated Publicly Listed Companies against Others, 2015



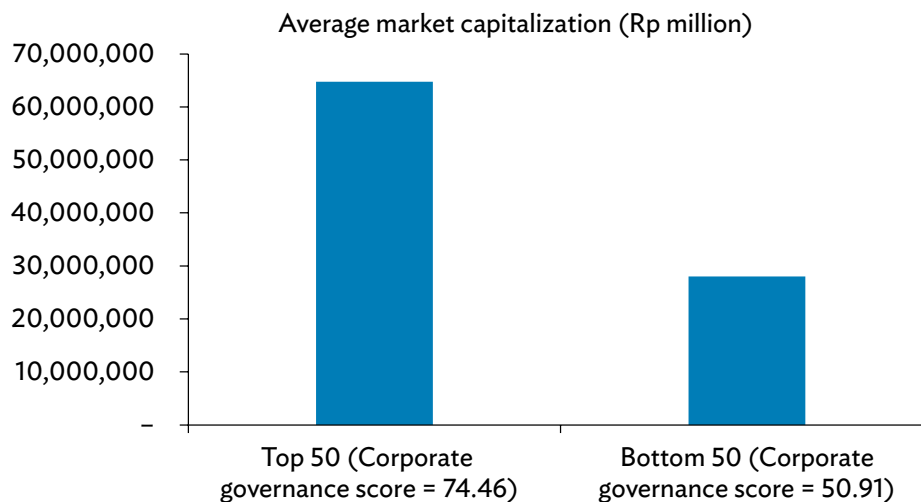
BUMN = Badan Usaha Milik Negara (state-owned enterprise).

Source: Indonesian Institute of Corporate Directorship 2015.

As in previous years, banks and state-owned enterprises (SOEs) still dominated the higher score ranges, as revealed in Figure 12. The average scores of banks was 83.33 and 77.66 for SOEs, which were much higher than the average score for all PLCs of 62.68 points. There are two reasons that contributed to the higher scores of these two sectors:

- Banks and SOEs are highly regulated sectors compared with others.
- Banks and SOEs are more capable of investing in corporate governance because they have larger assets than others.

Good corporate governance systems have better access to equity financing, as indicated in Figure 13, in which the top 50 companies showed market capitalization that was more than double that of the bottom 50 companies. This suggests that there is a strong correlation between good corporate governance and market capitalization. Thus, higher market capitalization may also be associated with better corporate governance systems.

Figure 13: Indonesia—Corporate Governance and Market Capitalization, 2015

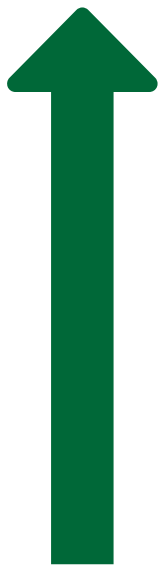
Source: Indonesian Institute for Corporate Directorship 2015.

Part A: Rights of Shareholders

Progressive improvements in Part A (rights of shareholders) by Indonesian PLCs have been observed over the last 4 years of assessment, especially in 2015. In the 2015 assessment, Indonesian PLCs scored an average of 6.80 points out of a maximum 10.00 points, with the average compliance level being 68% (on average, 68% of the 25 items being assessed was complied with). This is a 105% improvement from 2012 (see Figure 10). It can be said that companies have had a positive response to the issuance of POJK No. 32, pertaining to disclosure requirements of the annual general meeting of shareholders.

Moving forward, it is important for Indonesian PLCs to further strengthen initiatives to protect the rights of shareholders. OJK itself is strongly committed to strengthening corporate governance systems in Indonesia and significant changes have been made to strengthen the regulatory framework. Key success factors that have contributed to the increase of scores in Part A are

- (i) improved quality of minutes of meetings,
- (ii) publication in English of notices of annual general meetings (AGMs),
- (iii) strengthened regulatory framework to protect the rights of shareholders,
- (iv) socialization of new and amended OJK regulations, and
- (v) socialization of the 2014 ACGS results.

Figure 14: 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 a company's constitution,
 - authorization of additional shares, and
 - transfer of all or substantially all assets
- Rights of noncontrolling shareholders to nominate candidates for commissioners
- Shareholders' right to approve remuneration of the board of directors or board of commissioners
- Disclosure of the outcome of AGM resolutions
- AGM 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

- Voting by poll has not been commonly used
- Availability of AGM results by the next working day
- Validation of votes by independent party
- Shareholders not effectively encouraged to attend shareholders' general meetings

AGM = annual general meeting.

Source: Indonesian Institute for Corporate Directorship 2015.

Part B: Equitable Treatment of Shareholders

Equitable treatment of shareholders has improved significantly since 2012. As revealed in Figure 10, companies reached a score of 9.16 points from 5.28 points in 2012, or a 73.48 % improvement. The maximum number of points in Part B is 15; thus, the average compliance level of this part is 61.07%. This means that, on average, 61.07% of the 18 items being assessed was complied with. As in Part A, it was also found that stable improvement took place between 2012 and 2015. Key success factors that have contributed to the increase of scores in Part B are

- (i) improvement in the quality and standards of AGM notices,
- (ii) availability of AGM notices in English,
- (iii) strengthened regulatory framework to protect the rights of shareholders,
- (iv) socialization of new and amended OJK regulations, and
- (v) socialization of the 2014 ACGS results.

Figure 15: Indonesia—Strengths and Areas for Improvement in Equitable Treatment of Shareholders



STRENGTHS

- Voting rights for any class of shares
- Availability of proxy documents
- Policies on insider trading available, such as taking advantage of a symmetry information
- Policies on related party transactions available, such as conflict of interest and requiring board of commissioners to review material RPTs
- Rights of noncontrolling shareholders to approve RPTs



AREAS FOR IMPROVEMENT

- Poor quality of the AGM notices in terms of the following:
 - Lack of disclosure of the profile of board members to be appointed
 - Lack of disclosure of the profile of independent auditor to be appointed
 - Lack of disclosure of dividend policy and amount of dividend in the AGM notice

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

Source: Indonesian Institute for Corporate Directorship 2015.

Part C: Role of Stakeholders

The average score for the role of stakeholders in the 2015 assessment was 6.96 points, an increase of 33.33% from 2012. The average compliance level in this part is 69.60 % (on average, 69.60 % out of the 21 items being assessed was complied with). Stable improvement was found year on year during the last 4 years of assessment, as shown in Figure 10. Key success factors that have contributed to the increase of scores in Part C are that all companies have corporate social responsibility reports and that most large companies have separate sustainability reports.

Figure 16: Indonesia—Strengths and Areas for Improvement in Role of Stakeholders



Source: Indonesian Institute for Corporate Directorship 2015.

Part D: Disclosure and Transparency

Implementation of disclosure and transparency shows a year-on-year improvement since 2012, as revealed in Figure 10. This can be seen in the increase in scores from 13.43 points in 2012 to 17.50 points in 2015, or a 30.31% improvement. The average compliance level in this part is 70%. This means that, on average, companies complied with 70% of the 25 items being assessed. This is the largest compliance level among the five individual parts. The strength in this area is attributed to the regulations imposed by OJK on disclosure and transparency. Also noteworthy is that there are still some PLCs that have failed to disclose several items that are considered fundamental for disclosure and transparency. Figure 16 shows the areas of strengths and areas for improvement for Indonesian PLCs in this part.

Figure 17: Indonesia—Strengths and Areas for Improvement in Disclosure and Transparency



Source: Indonesian Institute for Corporate Directorship 2015.

Part E: Responsibilities of the Board

Board practices implemented by Indonesian companies are still weak. It was found that there was only a 19.06% improvement from 2012 to 2015, as shown in Figure 10. The average total score was 20.99 points in 2015. This means that the average compliance level was 52.48 % (on average, companies complied with only 52.48% out of the 79 items being assessed). It was the lowest compliance level among the five individual parts. Although there was year-on-year improvement during 2012–2015, directors still need to pay more attention to this measure. Board commitment to adopt corporate governance best practices is a key success factor in enhancing this area. Regulations can also play a critical role to ensure that the board takes on its responsibility effectively and efficiently.

Figure 18: Indonesia—Strengths and Areas for Improvement in Responsibilities of the Board



STRENGTHS

- Board responsibility in terms of the following:
 - Clearly defined board responsibility
 - Clearly defined vision and mission statement
- Audit committee:
 - Existence
 - Structure
 - Independence
 - Disclosure of committee charter
- Internal audit function:
 - Identification of the head of internal audit
 - Independence
- Board members equipped with knowledge and experience in the sector where the company operates and have accounting background
- Role of the corporate secretary
- Disclosure of risk mitigation
- Separation between chairperson and chief executive officer

AREAS FOR IMPROVEMENT

- Board duties and responsibilities:
 - Disclosure of board charter
 - Disclosure of the types of decisions requiring BOC approval
 - Review vision and mission
- Board structure:
 - Tenure of independent commissioners
 - Limit of board seat for independent commissioners
 - Meeting schedule/plan of BOC
 - Quorum for BOC decisions
- Board process:
 - Selection criteria for BOC
 - Process followed for BOC appointment
 - Reelection of commissioners every 3 years
 - Disclosure of board remuneration policy

Figure 18 continued



- Statement of BOC on the adequacy of internal control
- People on the board:
 - Independent chairperson
 - Responsibility of the chairperson
- Board performance

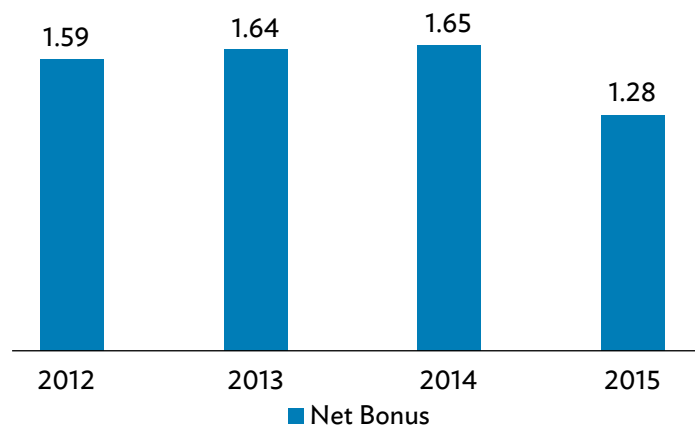
BOC = board of commissioners.

Source: Indonesian Institute for Corporate Directorship 2015.

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 will increase the total score, and a negative net score will result in a reduction. Bonus points are intended to motivate companies to adopt corporate governance practices beyond those 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. Figure 19 shows the net bonus and penalty scores from 2012 to 2015.

Figure 19: Indonesia—Net Bonus and Penalty Scores, 2012–2015



Source: Indonesian Institute of Corporate Directorship 2014.

The attainment of net bonus tended to be static from 2012 to 2015. However, companies received positive net bonus points during the assessment period, as shown in Figure 19.

Figure 20 shows the areas of strengths and areas for improvement for Indonesian PLCs in this part. Level 2 items contributed 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 20: Indonesia—Strengths and Areas for Improvement in Bonus and Penalty



AGM = annual general meeting.

Source: Indonesian Institute for Corporate Directorship 2015.

Conclusions and Recommendations

Year-on-year improvement in corporate governance scores and more companies moving to higher decimal cluster provide a signal for the development of a better corporate governance system in the future. The protection of minority and foreign shareholders is moving forward significantly. A stronger regulatory framework plays a critical role in the enhancement of the corporate governance score in 2015. Board commitment to international best practices remains a challenge to Indonesian PLCs. Although the adoption of voluntary best practices is recommended, the need to strengthen the regulatory framework continues to be critical to set up a baseline for companies to adopt best practices in accordance with international standards. Based on the assessment results of 2015, it is critical to pay attention to the low awareness level about the ASEAN scorecard, especially among the bottom 50 companies, to enhance the corporate governance score in the future.

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, especially with respect to the disclosure of profiles of the members of the board of commissioners (BOC) to be appointed, disclosure of the profile of the external auditor, and disclosure of the dividend policy. Shareholder engagement, especially with institutional shareholders, can be an effective channel to further promote shareholders' active involvement.

- (ii) **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. Professionalizing the board composition is critical for the BOC to act in the interest of the company and to ensure an effective management of conflict of interest.
- (iii) **Board performance.** Evaluation of the BOC as a whole and of the individual members, including committees under the BOC, is a powerful tool to see how corporate governance links to company's performance. The board should develop the evaluation criteria and steps in the process of evaluation. The evaluation objectives should be set up especially to link the results of the evaluation with competency requirements, including board remuneration schemes. An annual performance evaluation of the board of directors should also be conducted by the BOC for the purpose of succession planning and to link the board of directors' remuneration to performance.

Table 11: Indonesia—Top 50 Publicly Listed Companies Based on 2015 Total Score
(alphabetical order)

No.	Listing Code	Name
1	ABMM	ABM Investama
2	AKRA	AKR Corporindo
3	ANTM	Aneka Tambang (Persero)
4	APLN	Agung Podomoro Land
5	ASII	Astra International
6	AUTO	Astra Otoparts
7	BBCA	Bank Central Asia
8	BBNI	Bank Negara Indonesia (Persero)
9	BBRI	Bank Rakyat Indonesia (Persero)
10	BBTN	Bank Tabungan Negara (Persero)
11	BDMN	Bank Danamon Indonesia
12	BHIT	MNC Investama
13	BJBR	Bank Pembangunan Daerah Jawa Barat dan Banten
14	BJTM	Bank Pembangunan Daerah Jawa Timur
15	BMRI	Bank Mandiri (Persero)
16	BMTR	Global Mediacom
17	BNGA	Bank CIMB Niaga
18	BNII	Maybank Indonesia
19	BNLI	Bank Permata

continued on next page

Table 11 continued

No.	Listing Code	Name
20	BSDE	Bumi Serpong Damai
21	BTPN	Bank Tabungan Pensiunan Nasional
22	DSSA	Dian Swastatika Sentosa
23	EXCL	XLXiata
24	GEMS	Golden Energy Mines
25	GIAA	Garuda Indonesia (Persero)
26	HERO	Hero Supermarket
27	ICBP	Indofood CBP Sukses Makmur
28	INCO	Vale Indonesia
29	INTP	Indocement Tunggul Prakasa
30	ISAT	Indosat
31	ITMG	Indo Tambangraya Megah
32	JSMR	Jasa Marga (Persero)
33	KLBF	Kalbe Farma
34	LPPF	Matahari Departement Store
35	LSIP	PP London Sumatra Indonesia
36	MEGA	Bank Mega
37	NISP	Bank OCBC NISP
38	PGAS	Perusahaan Gas Negara (Persero)
39	PNBN	Bank Pan Indonesia
40	PTBA	Bukit Asam (Persero)
41	PTPP	Pembangunan Perumahan (Persero)
42	SMRA	Summarecon Agung
43	SRTG	Saratoga Investama Sedaya
44	TLKM	Telekomunikasi Indonesia
45	TOWR	Sarana Menara Nusantara
46	TPIA	Chandra Asri Petrochemical
47	UNTR	United Tractor
48	UNVR	Unilever
49	WIKA	Wijaya Karya
50	WTON	Wijaya Karya Beton

Source: Indonesian Institute for Corporate Directorship 2015.

MALAYSIA

Background of the Corporate Governance Framework

The amendments to the Capital Market Services Act and Listing Requirements were introduced in 2015 to further enhance the integrity of the Malaysian capital market and improve the corporate governance culture among the publicly listed companies (PLCs). These amendments were aimed at strengthening investor protection and boosting investor confidence in the Malaysian capital market while creating sustainable shareholder value.

The highlights of the amendments include the following:

- **Amendments to the Capital Market Services Act effective 15 September 2015.** The amendments to securities laws were made to facilitate innovative fundraising structures, enhance investor protection, clarify responsibilities of issuers and advisers, and expand the scope of the Securities Commission's supervisory powers. This includes the introduction of a new recognized market framework of an alternative trading platform and granting the Securities Commission with the power to appoint an independent advisor in takeover and merger transactions should the offeree fail to do so.
- **Amendments to the Listing Requirements effective 27 January 2015.** The amendments to the Listing Requirements by Bursa Malaysia which took effect from 27 January 2015 were aimed at strengthening investor protection and promoting greater transparency through various enhancements to the foreign listing requirements. With these amendments, foreign principal subsidiaries will be required to immediately announce any change in legal representation.
- **Sustainability framework.** Bursa Malaysia continues to play a critical role in shaping a more sustainable capital market by setting standards and defining best practices to facilitate sustainability practices and disclosures among PLCs. In October 2015, Bursa Malaysia launched its new sustainability framework, comprising amendments to the Listing Requirements and the issuance of a Sustainable Reporting Guide and Toolkits, paving the way toward greater integration of sustainable strategies among PLCs. Moving forward, PLCs will be required under the Listing Requirements to disclose a narrative statement of their material economic, environmental, and social risks and opportunities in their annual reports. The Sustainability Reporting Guide and Toolkits will provide PLCs with an in-depth guide and practical methods to embed sustainable business strategies; assess the impact of material economic, environmental, and social risks and opportunities on their business and their stakeholders; and report on them. While the amendments to the Listing Requirements will take effect on a staggered basis over 3 years, starting from 31 December 2016 until 31 December 2018, all PLCs are encouraged to initiate the process early.

Working closely with other market players, the Securities Commission is also in the process of charting the Malaysian Corporate Governance Priorities for the next 5 years as well as making amendments to the Malaysian Code on Corporate Governance.

Following the launch of the Malaysian Code for Institutional Investors (MCII) by the Minority Shareholder Watchdog Group and the Securities Commission in July 2014, the Institutional Investor Council was formed in July 2015 (comprising 14 members from among the institutional investors' fraternity) to oversee the area of investor stewardship.

The formation of the Institutional Investor Council marked a significant milestone in the Malaysian corporate governance landscape and serves as a platform to promote effective adoption of the MCII by influencing and shaping a wider spectrum of corporate governance culture among investee companies. The Institutional Investor Council also advocates institutional investors to become signatories of the MCII. As a signatory, it shows their commitment towards becoming responsible investors by imposing their corporate governance expectations on investee companies.

By the end of 2015, eight asset managers and asset owners had become signatories to the MCII. The notable signatories include Kumpulan Wang Persaraan (Diperbadankan), ValueCap Sdn Bhd, Hermes Fund Managers, Aberdeen Asset Management, Legal & General Investment, and BNP Paribas Investment Partners.

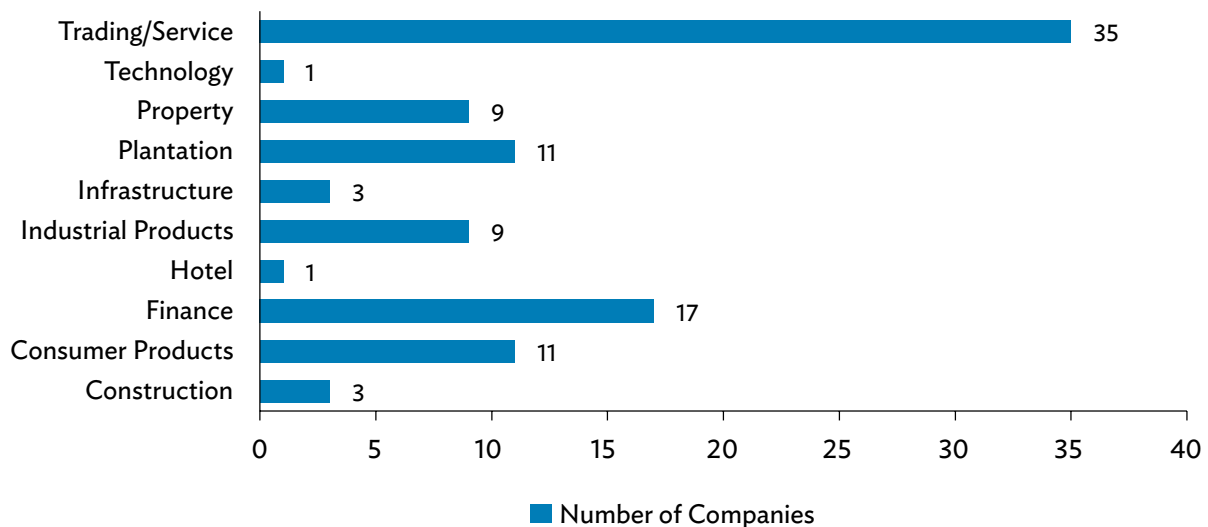
Initiatives have been taken to encourage board diversity where PLCs are required to disclose their diversity policies covering skill sets, gender, ethnicity, and age. PLCs are also encouraged to fill the gap in gender diversity in line with the target set by the Government of Malaysia to have women make up 30% of PLC boards by 2016.

As the appointed DRB, the Minority Shareholder Watchdog Group continues to play its role in advocating and educating Malaysian PLCs to enhance and improve their corporate governance practices and disclosures. Various sessions were held with the board and management of the PLCs on assessments using the Association of Southeast Asian Nations (ASEAN) Corporate Governance Scorecard (ACGS) methodology. For Malaysia, the assessments were carried not only for the top 100 PLCs according to market capitalization under the ASEAN project, but were also extended to all other Malaysian PLCs. In total, 870 PLCs were assessed in 2015.

Overall Analysis

The top 100 PLCs by market capitalization (as of 30 April 2015) that were assessed in 2015 represent 10% of the total number of PLCs on the Bursa Malaysia stock exchange and account for 83% of Bursa Malaysia's total market capitalization. A total of 29 of the top 100 PLCs are categorized as government-linked companies. The industry distribution of the top 100 PLCs is illustrated in Figure 21.

Figure 21: Malaysia—Industry Distribution, 2015



Source: Malaysia Minority Shareholder Watchdog Group 2015.

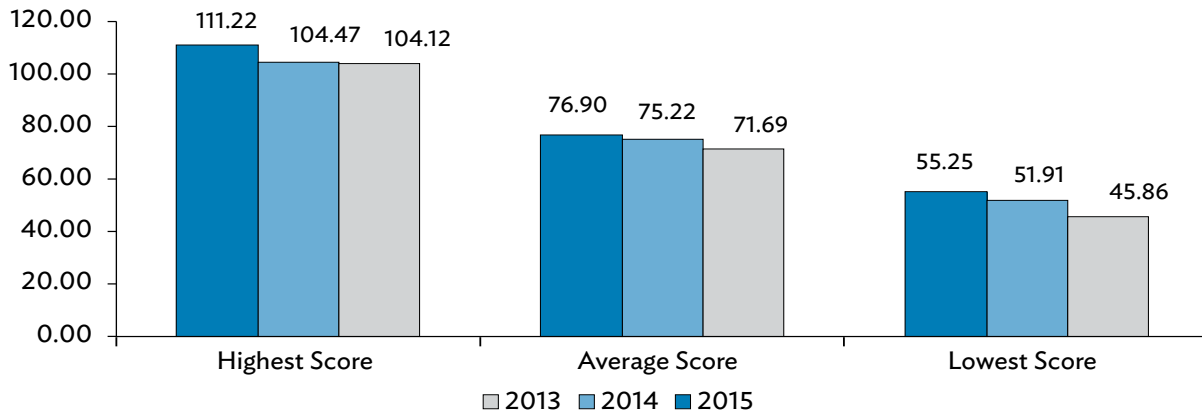
The top 100 PLCs were assessed based on publicly disclosed information (as of 31 July 2015) obtained from annual reports, corporate websites, company announcements on the Bursa Malaysia stock exchange website, circulars, Memorandums and Articles of Association, minutes of Annual General Meetings, corporate governance policies, codes of ethics and conduct, and sustainability reports.

The companies were assessed against 179 items of the ACGS, of which 30 were default response items. In respect of the default items, companies are assumed to have complied with them as they are mandated under Malaysian laws, regulations, and listing rules, unless there is evidence to the contrary.

The overall average corporate governance score increased by 1.68 points (from 75.22 points in 2014 to 76.90 points in 2015), with a maximum score of 111.22 and a minimum score of 55.25 in 2015 compared a maximum score of 104.47 and a minimum score of 51.91 in 2014. For the top 50 PLCs, the average score was 86.78 points compared with 85.19 points in 2014.

From 2013 to 2015, the overall average corporate governance scores steadily improved from 71.69 to 76.90 points. Figure 22 shows the overall performance of the 100 PLCs from 2013 to 2015.

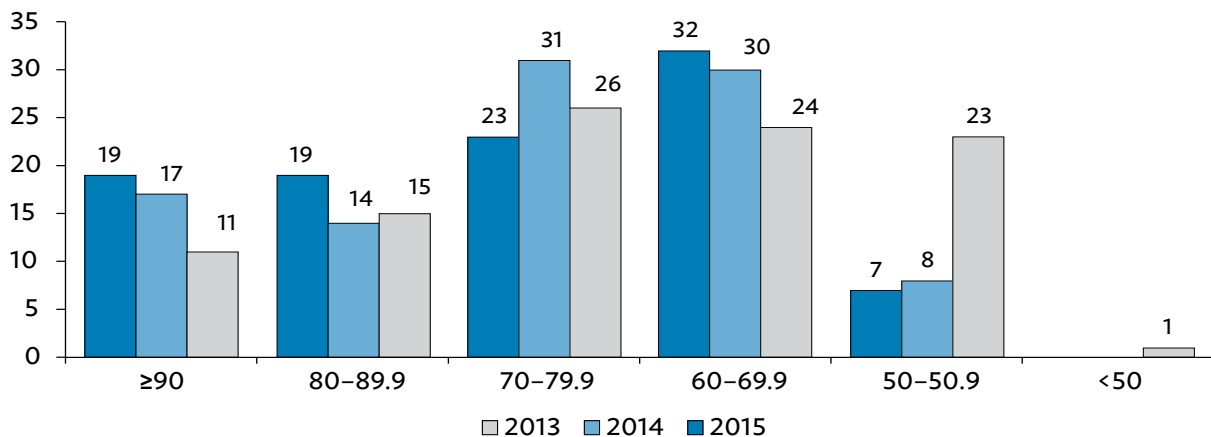
Figure 22: Malaysia—Corporate Governance Scores of Top 100 Publicly Listed Companies, 2013–2015



Source: Malaysia Minority Shareholder Watchdog Group 2015.

Figure 23 shows the trend on average score by band from 2013 to 2015 for the top 100 PLCs. Compared to 2013 where one company scored below 50 points, all other companies scored above 50 points with the lowest score improving to 55.25 points in 2015. The number of companies which scored above 90 points increased, from 11 in 2013 and 17 in 2014, to 19 in 2015. 19 companies scored within the 80 - 89.9 points range compared to 14 in 2014.

Figure 23: Malaysia—Corporate Governance Scores of Top 100 Publicly Listed Companies by Band, 2013–2015



Source: Malaysia Minority Shareholder Watchdog Group 2015.

The average corporate governance scores of the top 100 PLCs by sector is depicted in Table 12. The best-performing sector with the highest average score of 86.68 was finance followed by construction with an average score of 83.78 and consumer products (77.00).

Table 12: Malaysia—Average Corporate Governance Scores of Top 100 Publicly Listed Companies by Sector, 2013–2015

Sector	2013	2014	2015
Construction	79.43	76.46	83.78
Consumer Products	70.63	74.30	77.00
Finance	81.13	83.85	86.68
Hotel	55.35	60.79	57.11
Industrial Products	70.20	70.64	76.45
Infrastructure	60.42	67.81	66.67
Plantation	70.93	73.49	73.28
Property	69.20	70.16	71.23
Technology	–	–	57.53
Trading/Service	70.47	76.25	76.23

– = data not available.

Source: Malaysia Minority Shareholder Watchdog Group 2015.

In 2015 on average, PLCs showed improvements in Part A (rights of shareholders), Part C (role of stakeholders), Part D (disclosure and transparency), and Part E (responsibilities of the board). However, scores in Part B (equitable treatment of shareholders) showed a decline compared with 2014. Table 13 shows the distribution of average scores for the top 100 companies.

Table 13: Malaysia—Distribution of Average Scores for Top 100 Publicly Listed Companies, 2013–2015

Score (Points)	Year	Part A	Part B	Part C	Part D	Part E
Average Score	2015	6.20	13.04	6.70	18.60	29.22
	2014	5.95	13.60	6.40	18.60	27.96
	2013	5.18	12.81	5.88	17.23	25.19
Maximum Score	2015	9.60	15.00	10.00	23.78	37.84
	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 2015.

High-performing companies in each of the sections of the ASEAN scorecard are presented in Figure 24.

Figure 24: Malaysia—Exemplary Companies in Each Section



Source: Malaysia Minority Shareholder Watchdog Group 2015.

Part A: Rights of Shareholders

Malaysia’s regulatory framework places strong emphasis on the rights of shareholders. Under Part A, companies were assessed in the area of shareholder rights. In this category, there are 7 default response items out of the 25 parameters examined. The average score increased by 4.0% to 6.19 points compared with 5.95 points in 2014.

Malaysian PLCs have made efforts to safeguard the rights of shareholders. In terms of annual general meetings (AGMs), all the companies provided at least 21 days’ notice for all resolutions, and announced the outcome of the AGM, including the resolutions by the next working day. All companies conducted their AGMs in easily accessible locations. A total of 81% of the PLCs also disclosed their policies or practices to encourage attendance at general meetings by shareholders and institutional investors, as well as to promote increased engagement with the company. However, companies should improve their disclosures by providing the rationale and explanation for each agenda item in the notice of the AGM.

The one area in which Malaysian PLCs may be improving but have yet to match their ASEAN counterparts is the disclosure of AGM minutes. Among the top 100 PLCs, 34 companies disclosed their AGM minutes compared with 26 in 2014. PLCs need to step up and provide better disclosure of minutes of shareholder meetings, including information on attendance of directors and management, as well as details of question-and-answer sessions which took place during such meetings. This is clearly an improvement, compared with 2013 when only 17 companies observed this practice.

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. Most Malaysian PLCs tend to disclose only the approving and dissenting votes while ignoring the abstaining votes.

The current assessment revealed that a third of the companies paid dividends within 30 days after being declared for interim dividends and after being approved at the AGM for final dividends. Almost all Malaysian companies sought shareholders' approval only for payment of directors' fees at the AGM, excluding other remuneration such as allowances, benefits in kind, and other emoluments for nonexecutive directors. Companies are encouraged to conduct a poll vote on all resolutions in line with the one-share-one-vote principle. The number of companies that conducted a poll vote for all resolutions remained the same at six in 2015. Companies in Malaysia conduct mandatory poll voting on major disposals and related party transactions (RPTs) as required under the Bursa Malaysia Listing Requirements. However, Bursa Malaysia will be amending its Listing Requirements in 2016 to mandate poll voting for all resolutions. Currently, the Malaysian Code on Corporate Governance encourages companies to conduct poll voting on other substantive resolutions that are not procedural and administrative in nature, such as appointment of directors and auditors, general mandate to issue shares (Section 132D), share buy backs, and recurrent RPTs.

The strengths and areas for improvements identified in Part A are shown in Figure 25.

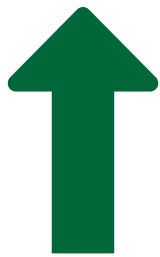
Part B: Equitable Treatment of Shareholders

This category examines the equitable treatment of shareholders in the company where, of the 17 parameters, seven are default response items. The average score showed a slight decrease to 13.03 compared with 13.60 points in 2014.

The Malaysian regulatory framework supports equitable treatment of shareholders as evidenced by the one-share-one-vote principle. Most of the listed companies (81%) 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 their annual reports, save for one company that did not make such a disclosure.

The notices of the AGM for all the companies were published in English, with 99% avoiding the bundling of multiple resolutions in their AGM agenda. Rules prohibiting insider trading and disclosure of directors' conflict of interest in 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

Figure 25: 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 an easy-to-reach location
- Disclosed policies and/or practices to encourage shareholders including institutional investors to attend the general meetings or engage with the company



AREAS FOR IMPROVEMENT

- Nondisclosure of rationale and explanation for each agenda item which requires shareholders' approval in the notice of AGM/circulars and/or the accompanying statement
- 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 to be given opportunity to approve remuneration packages for nonexecutive directors instead of only fees
- Dividends to be paid in a timely manner
- All resolutions to be voted by poll

AGM = annual general meeting.

Source: Malaysia Minority Shareholder Watchdog Group 2015.

seeking election and/or reelection, and clearly identified the auditors who were seeking reappointment in the notice of the AGM.

There is still a lack of explanations on dividend policies of PLCs, with only 35% clearly disclosing such policies. In addition, PLCs that have undertaken RPTs should disclose whether their RPTs were conducted in a fair manner and at arm's length, and were not detrimental to minority interests. There were also a few companies with RPTs that could be classified under financial assistance. For PLCs that had RPTs that required shareholders' approval, all had the decision made by disinterested shareholders. This ensures the protection of minority shareholders and will mitigate potential abuse to minority shareholders. Figure 26 shows the strengths and areas for improvements in the equitable treatment of shareholders.

Figure 26: 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
- Decision on RPTs that need shareholders' approval were made by disinterested shareholders



AREAS FOR IMPROVEMENT

- Lack of explanation on 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
- Clear statement that RPTs conducted are fair and at arm's length

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

Source: Malaysia Minority Shareholder Watchdog Group 2015.

Part C: Role of Stakeholders

Stakeholders play an important role. A company deals not only with its shareholders, customers, and regulators, but also with the interest of its suppliers, creditors, and society in mind. The average score under this category has shown steady improvement, from 5.88 points in 2013 to 6.40 points in 2014 and 6.68 points in 2015.

Almost all the Malaysian PLCs (96%) had a separate section in their annual reports disclosing their corporate responsibility statement, while a few offered specific stand-alone sustainability reports on their corporate websites. Malaysian PLCs have also made commendable disclosures of their policies elaborating on their efforts to ensure an environment-friendly value chain, and even the extent of the company's efforts to interact with communities. Policies on safeguarding creditors' rights, employees' health, safety, and welfare, as well as staff training and development programs, were also clearly disclosed.

Communication channels where stakeholders could voice their concerns were generally provided by the companies. More companies had disclosed the activities undertaken to implement the policies on customer health and safety, supplier and/or contractor selection and criteria, environment-friendly value chain, and interaction with the communities.

With the introduction of the Sustainability Reporting Guide, Malaysian PLCs are expected to demonstrate strong environmental, social, and governance 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 internal anticorruption programs and procedures.

The establishment of whistle-blowing policies is still a key area which needs to be improved. The number of companies that had procedures in place for complaints by employees concerning illegal and unethical behavior decreased from 67% in 2014 to 58% in 2015. Similarly, the number of companies with policies and procedures to protect an employee or individual from retaliation when they reveal illegal and/or unethical behavior also decreased from 52% in 2014 to 46% in 2015. The summary of strengths and areas for improvement in the role of stakeholders is shown in Figure 27.

Figure 27: Malaysia—Strengths and Areas for Improvement in Role of Stakeholders



Source: Malaysia Minority Shareholder Watchdog Group 2015.

Part D: Disclosure and Transparency

A sound corporate governance practice promotes transparency which helps investors make well-informed investment decisions, and builds confidence and trust between stakeholders and companies. Under this category, 41 parameters were assessed, with four considered default response items for

Malaysia. The average score in terms of disclosure and transparency has steadily increased from 17.23 points in 2013 to 18.60 points in 2014, and 18.86 points in 2015.

The majority of companies assessed were transparent in terms of their ownership structure. All companies disclosed the direct and indirect shareholdings of directors, and beneficial owners with more than 5% shareholding, as well as the direct and indirect shareholdings of the substantial shareholders and directors. Similar to 2014, only one company chose to disclose the direct and indirect shareholdings of senior management.

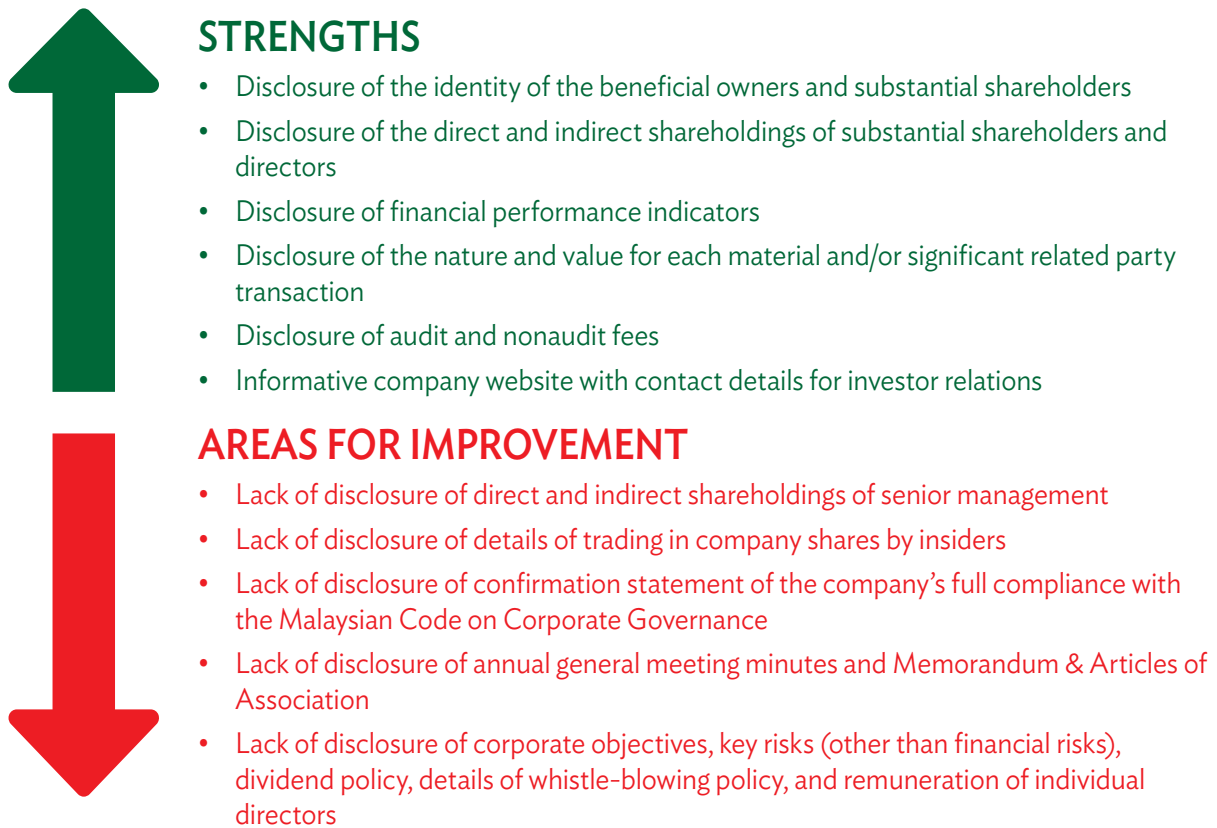
The annual report is an important tool for communicating with investors. As such, quality reporting is important in making the company attractive to investors. The report should provide its readers with a good understanding of the company's business, financial strengths, corporate governance practices, and quality of its management.

In terms of the quality of the annual reports, all the top 100 companies disclosed their financial performance indicators, offering valuable insight to shareholders and investors on the financial health of the company. A total of 55% of the companies disclosed nonfinancial indicators as well, which is encouraging but can be further improved. Companies that had RPTs disclosed the nature and value for each material and/or significant RPT. All companies disclosed the audit fees, with majority also disclosing the amount of nonaudit fees paid and/or payable to the same audit firm.

All the top 100 companies had corporate websites as required under the Listing Requirements, with a majority offering information on their business operations, financial statements, annual reports, company announcements, and contact details for investor relations. However, only 34% of the companies uploaded the minutes of AGMs on their websites, while only 30% uploaded memorandums and articles of association. In comparison, only 26% companies uploaded their minutes of AGMs and 22% uploaded Memorandum & Articles of Association in 2014.

In terms of key areas for improvement, only 11% (8% in 2014) of the companies disclosed details of trading in company shares by insiders. While disclosures of directors' trading in company 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. A total of 41 companies were deemed to have not disclosed a statement that confirmed the company's full compliance with the Malaysian Code on Corporate Governance, often attributed to the fact that in instances where there was noncompliance, the company did not provide explanation(s) for such a departure and, hence, were not given a score.

The disclosures of corporate objectives and key risks other than financial risks showed much improvement at 55% (2014: 24%) and 52% (2014: 26%), respectively. Disclosures of the dividend policy (38%), details of the whistle-blowing policy (53%), and remuneration of each individual director (35%) could be further improved. Figure 28 highlights the strengths and areas for improvement in disclosure and transparency.

Figure 28: Malaysia—Strengths and Areas for Improvement in Disclosure and Transparency

Source: Malaysia Minority Shareholder Watchdog Group 2015.

Part E: Responsibilities of the Board

The board is the cornerstone of the company's governance framework. It needs to play an active role in improving governance practices to ensure that the best interests of shareholders and other stakeholders are served by transparent disclosure policies. This category forms the bulk of the parameters of the ASEAN scorecard with 76 out of a total 179. It also has the highest weightage at 40% given its high importance. Of the 76 parameters, nine were default response items for Malaysia. The average score for this category has been steadily increasing, from 25.19 points in 2013 to 27.96 points in 2014 and 28.86 points in 2015.

The strengths and areas for improvement under this category are depicted in Figure 29. The majority of Malaysian PLCs clearly disclosed the roles and responsibilities of the board in both their annual reports and their board charters. The board charter ensures that members of the board are aware of their duties and responsibilities, as well as the various regulations affecting their conduct as directors. It also ensures that the principles and recommendations of the Malaysian Code of Corporate Governance are applied in all their dealings in respect and on behalf of the company.

The number of companies that established board charters showed an increase from 77% in 2014 to 93% in 2015, while the establishment of a code of ethics improved from 67% in 2014 to 68% in 2015. 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 significantly in 2015.

With regard to board structure, 95% (92% in 2014) of the companies had different persons assuming the roles of chair and chief executive officer (CEO), with 38% (2014: 48%) of the boards being led by an independent chair. The separation of the roles of chair and CEO is important in ensuring the appropriate balance of power, increasing accountability, and improving the board's capacity for decision making independent from the management.

The number of companies that adopted a term limit of 9 years or less for their independent directors increased slightly from 12% in 2014 to 15% in 2015. Under Recommendation 3.2 and Recommendation 3.3 of the Malaysian Code on Corporate Governance, an independent director who has served for 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, 83% of companies asserted that their company secretary played a significant role in supporting the board in discharging its responsibilities compared with 74% in 2014.

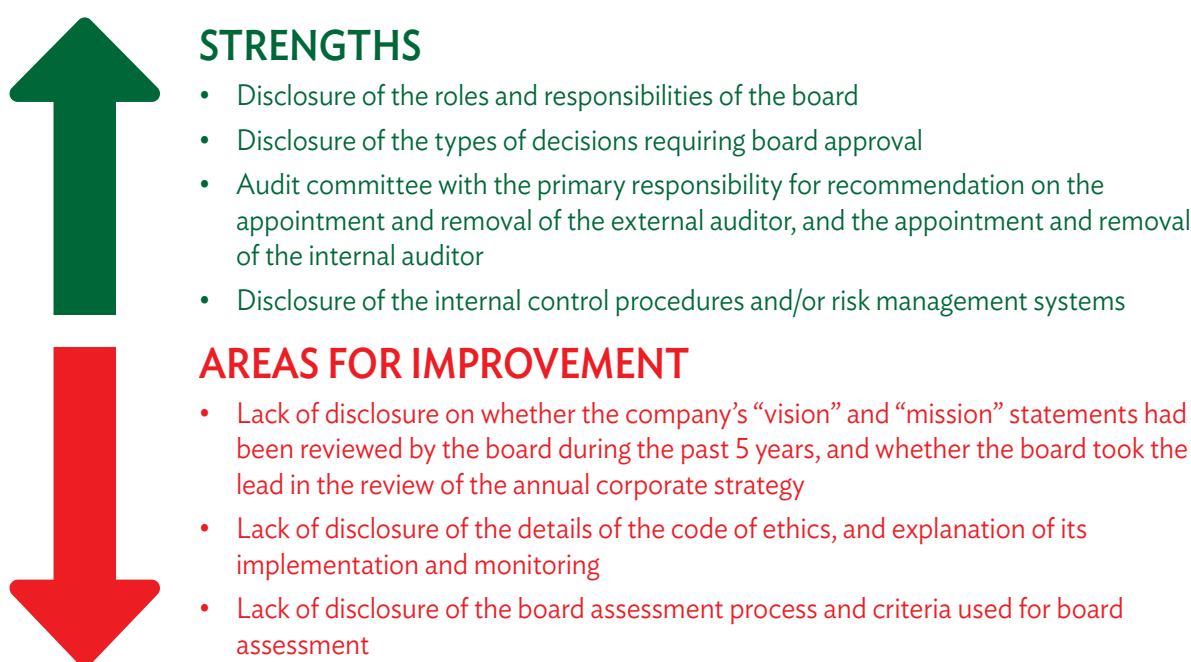
Similar to the findings in 2014, many listed companies vested the audit committee with the primary responsibility for recommending the appointment and/or removal of the external auditor as well as the appointment and/or removal of the internal auditor. All of the 100 companies had separate internal audit functions that provided a crucial line of defense to shareholders, which, when applied well, can be an effective deterrent to corporate governance transgressions and fraud. All of the listed companies disclosed their internal control procedures and/or risk management systems in place.

In terms of areas for improvement, only 19% (31% in 2014) of companies asserted that they had reviewed the company's "vision" and "mission" statement during the past 5 years. A total of 54% of the companies disclosed that the board took the lead in reviewing their annual corporate strategies. With regard to the code of ethics, companies should also explain how they implement and monitor compliance to assure shareholders that the check-and-balance functions are adequate. Disclosure of remuneration matters, in particular those that relate 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.

The number of companies that granted options to their independent directors decreased to 3% compared with 10% in 2014. Good corporate governance practice recommends that the board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. An annual performance assessment was conducted by 92% of companies compared with 74% in 2014. More companies had also conducted individual directors' and board committees' assessments in 2015. However, only 40% made further disclosures on the process and criteria used for such assessments.

One of the ways in which constructive debate can be encouraged is through having sufficient diversity on the board. This includes, but is not limited to, gender diversity. In terms of board diversity, only 43% (2014: 40%) disclosed their board diversity policy in their annual report. Women made up only 11% of the boards in 2014 and 12% in 2015. Further scrutiny of women directors on boards also revealed that in 2015, only 6.4% (2014: 5.8%) were independent directors. Malaysia still lags behind its target of having 30% women on corporate boards by 2016. Companies must make serious and more comprehensive efforts to improve this gender imbalance, as an inclusive and diverse board is likely to be a more effective one.

Figure 29: Malaysia—Strengths and Areas for Improvement in Responsibilities of the Board



Source: Malaysia Minority Shareholder Watchdog Group 2015.

Bonus and Penalty

Malaysian PLCs continue to show improvement when it comes to adopting good corporate governance practices that go beyond items in Level 1, as shown in Figure 30. Companies that adopted emerging good practices, for example, having a separate board-level risk committee, will be recognized, while those with poor governance practices such as violations of rules and regulations will be penalized. Of the 21 penalty items, three were default items.

The average overall bonus in 2015 was 4.79 points compared with 4.47 points in 2014. The highest was 15 points compared with 13 points in 2013. A notable improvement was in the increased number of companies having at least one female director on the board, which improved from 44% in 2014 to 48%

in 2015. The number of companies that set up separate board-level risk committee to strengthen the risk oversight process also increased significantly from 26% in 2014 to 44% in 2015.

Under the penalty section, 52% of the companies had independent directors who had served for more than 9 years, a slight decrease from 57% in 2014. In Malaysia, the corporate governance code suggests that independent directors who have served for 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. A few companies also incurred penalty points as their chairperson had been the company CEO for the last 3 years.

Figure 30: Malaysia—Strengths and Areas for Improvement in Bonus and Penalty



STRENGTHS

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



AREAS FOR IMPROVEMENT

- Independent directors serve for more than 9 years
- Chairperson same as the company CEO for the last 3 years

CEO = chief executive officer.

Source: Malaysia Minority Shareholder Watchdog Group 2015.

Conclusions and Recommendations

The Malaysian corporate governance framework has continued to strengthen over the years, and PLCs have been guided by this framework which was benchmarked against international standards and best practices. The Minority Shareholder Watchdog Group continues to influence companies to adopt international governance disclosures and practices in their operations to enhance long-term sustainability. Malaysian regulators have progressively taken steps with the introduction of a strong regulatory framework to advance corporate transparency in the building of a resilient business environment. These initiatives have resulted in the improvement of a corporate governance culture among PLCs in Malaysia as evidenced by the increase in the overall score under Level 1 by 7.27% over the last 3 years from 71.69 points in 2013 to 76.9 points in 2015. The improvement in the overall score shows that despite more stringent parameters and assessment over the years, PLCs are able to raise their corporate governance standards to meet higher expectations.

The results of the assessment where gaps to be addressed were identified have enabled boards and management of the PLCs to take steps to improve their corporate governance disclosures and practices. An area where improvements can be expected in the near future is the role of stakeholders.

Sustainability reporting is gaining traction in Malaysia, especially with the heavier emphasis on companies to disclose their management of material sustainability matters such as policies, measures, or actions taken or to be taken and indicators relevant to these sustainability matters as recommended in the Bursa Malaysia Sustainability Guide. This will lead to a higher quality of sustainable practices and disclosures, and realizing stakeholders' expectations. Adopting integrated reporting, while still at a nascent stage in Malaysia, may be a step in the right direction.

Nevertheless, there are still several areas for improvement as identified in the analysis of the respective sections. Some key areas in which Malaysian PLCs can further improve are

- (i) disclosure of AGM minutes and Memorandum & Articles of Association;
- (ii) disclosure of environmental, social, and governance policies and practices, especially those linking to companies' sustainability and strategy;
- (iii) increasing the number of women on boards to improve gender diversity;
- (iv) disclosure of policies and practices on board assessment, including the process and criteria used for the assessments;
- (v) disclosure of directors' profile which clearly separates directorships in listed and nonlisted companies;
- (vi) disclosure of directors' remuneration by individual directors, including fees and other emoluments instead of by bands;
- (vii) implementing tenure limit of 9 years for independent directors;
- (viii) disclosure of board's succession planning process for key management;
- (ix) disclosure of nonfinancial risks in annual reports; and
- (x) statement on level of shareholding by senior management.

PLCs must recognize the importance of strengthening their corporate governance to safeguard the interests of shareholders and stakeholders, and continuously strive to pursue best practices above and beyond the minimum legal requirements.

As a testimony to the efforts by regulators and the Minority Shareholder Watchdog Group, six Malaysian PLCs were awarded the prestigious accolade of "ASEAN Top 50 PLCs" at the Inaugural ASEAN Corporate Governance Awards in Manila in November 2015. The list of top 50 PLCs according to rank is shown in Table 14.

Table 14: Malaysia—Top 50 Publicly Listed Companies (by rank)

Rank	Company	Rank	Company
1	Bursa Malaysia	26	British American Tobacco (M)
2	Telekom Malaysia	27	IHH Healthcare
3	CIMB Group Holdings	28	Malaysian Resources
4	Malayan Banking	29	Alliance Financial Group
5	IJM	30	DiGi.Com
6	RHB Capital	31	Post Malaysia
7	Allianz Malaysia	32	IOI
8	Public Bank	33	DRB-Hicom
9	Axiata Group	34	BIMB Holdings
10	IJM Plantations	35	Petronas Gas
11	Sime Darby	36	UEM Edgenta
12	LPI Capital	37	IOI Properties Group
13	UEM Sunrise	38	Petronas Dagangan
14	UMW Oil & Gas	39	Bumi Armada
15	Astro Malaysia Holdings	40	KPJ Healthcare
16	UMW Holdings	41	Affin Holdings
17	Sunway	42	Guinness Anchor
18	Tenaga Nasional	43	Fraser and Neave Holdings
19	Malaysia Airports Holdings	44	MISC
20	Maxis	45	Kulim (M)
21	MSM Malaysia Holdings	46	United Plantations
22	Top Glove Corporation	47	Hong Leong Financial Group
23	Petronas Chemicals Group	48	Hong Leong Bank
24	Malaysian Building Society	49	Cahaya Mata Sarawak
25	Nestle (Malaysia)	50	Bintulu Port Holdings

Source: Malaysia Minority Shareholder Watchdog Group 2015.

PHILIPPINES

Background of the Corporate Governance Framework

Ever since the Philippines began its involvement in the Association of Southeast Asian Nations (ASEAN) Corporate Governance Scorecard (ACGS), the Securities and Exchange Commission of the Philippines (SEC) has been using the results to guide it in the formulation of rules and regulations which have improved the country's corporate governance framework involving publicly listed companies (PLCs).

For one, the SEC required all PLCs in 2013 to submit an annual corporate governance report. The report became the focal point for all public disclosures by PLCs of their corporate governance policies and practices.

The SEC also used the ACGS as a basis for discussion when it developed and launched the Philippine Corporate Governance Blueprint in conjunction with other players in the corporate governance ecosystem. The blueprint utilized the best practices espoused in the ACGS along with other global corporate governance principles as the foundation for a program which was designed to strengthen the corporate governance regime in the Philippines over the next 5 years.

Many of the recommendations contained in the blueprint are consistent with the best practices espoused by the ACGS:

- (i) Release of the information statements 28 days before the annual stockholders' meeting (ASM). Rationale and explanation of each agenda item that requires shareholders' approval should be provided.
- (ii) Right of shareholders to nominate candidates to the board. Full disclosure of experience and background of the candidates to the board including other board positions in listed companies is expected.
- (iii) Voting by poll at the ASM.
- (iv) Material/significant RPTs and similar matters involving conflicts of interest should be disclosed fully, accurately, and in a timely fashion.
- (v) Companies should give special attention to their customers, consumers, and other major constituencies. Relations with creditors, suppliers, and contractors should always be conducted in a professional and objective manner.
- (vi) Employee performance enhancing mechanisms are encouraged. Programs and relative information on the welfare and development of the employees should be available.
- (vii) Transparent ownership structures.
- (viii) Disclosure of financial and nonfinancial performance with the corporate objectives should be included in the annual report. Companies may consider applying the framework of sustainability or integrated reporting in their annual report.

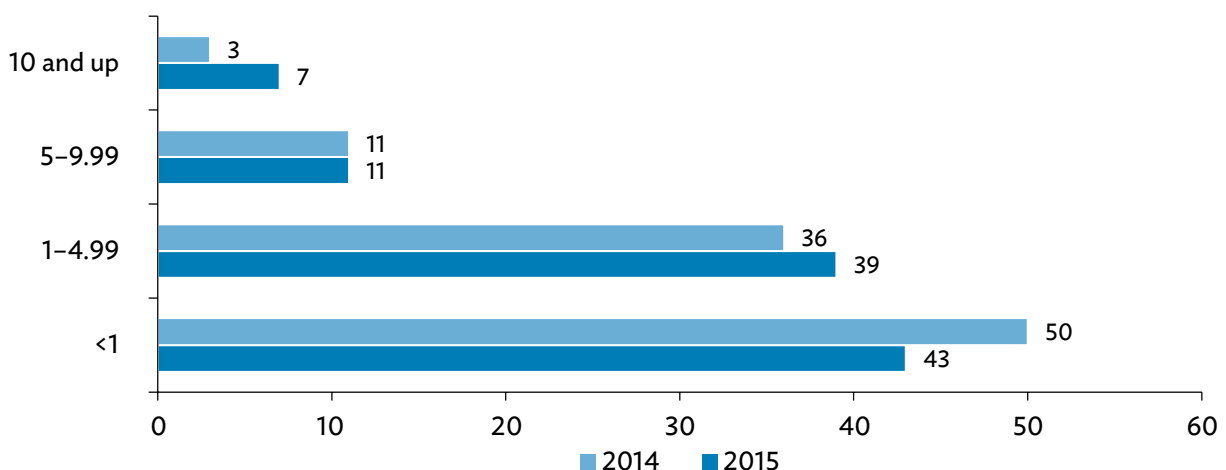
- (ix) Companies should have a formal and transparent board nomination process. There should also be succession planning for key management positions.
- (x) All companies should have an internal audit function. There should be a clear system of determining responsibility and accountability in the organization.
- (xi) Board committees should be established to improve the work of the board. The charter of the committees should be disclosed.
- (xii) There should be a right mix of backgrounds and competencies in the board; therefore, companies should have a board diversity policy. They are encouraged to have female independent directors.
- (xiii) An annual assessment of the performance of the individual directors board committees, and the chief executive officer (CEO) is recommended.

As a result of these and other initiatives undertaken by the SEC and the Institute of Corporate Directors, the domestic ranking body (DRB) appointed by the SEC for the ACGS, the country score of the Philippines showed a dramatic improvement from 48.9 points in 2012 to 73.09 points in 2015. This made the Philippines one of the most improved countries in the region in terms of the consolidated performance of its top 100 PLCs during the period.

Overall Analysis

The top 100 Philippine PLCs that were the focus of the 2015 assessment were selected according to their market capitalization as of 31 March 2015. Figure 31 shows the distribution of these companies according to their market capitalization.

Figure 31: Philippines—Profile of Top 100 Publicly Listed Companies by Market Capitalization



Note: Data are from the Philippine Stock Exchange.

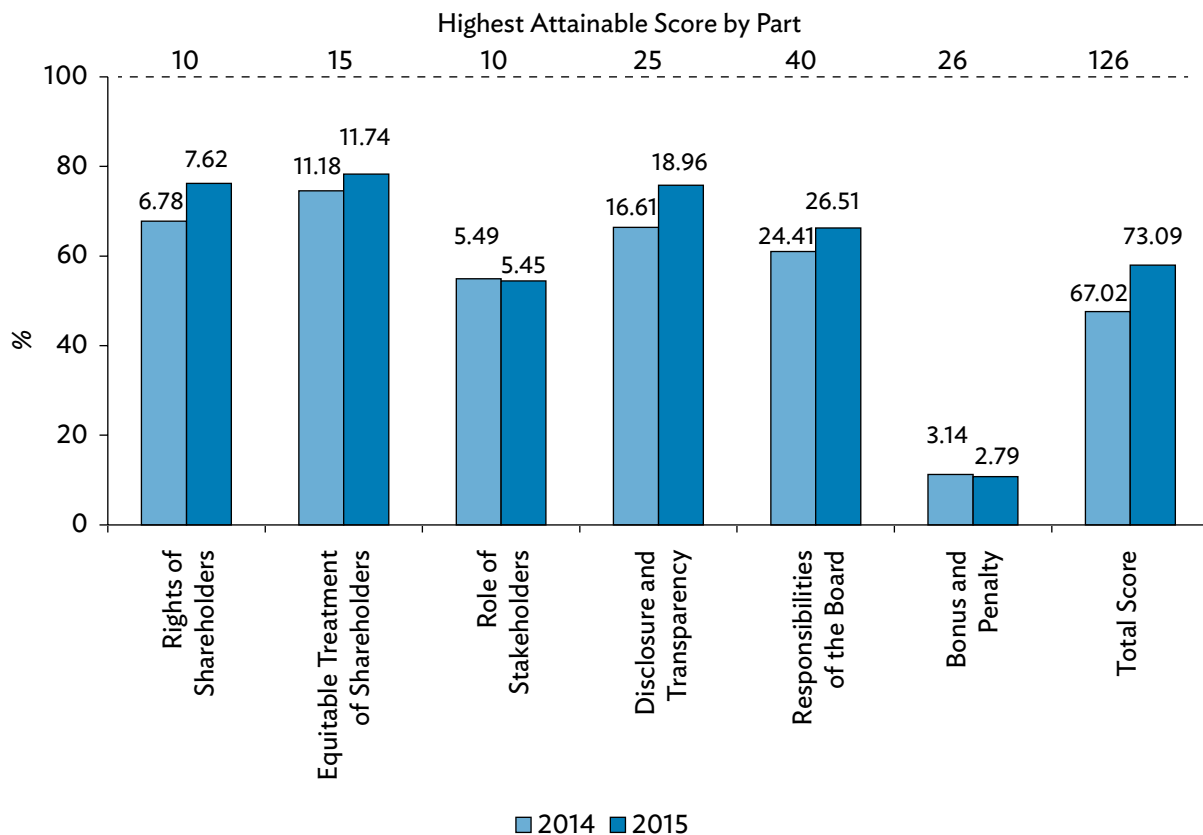
Source: Institute of Corporate Directors (Philippines) 2015.

The number of assessed companies belonging to each sector category of the Philippine Stock Exchange is as follows:

- Industrial (25)
- Services (19)
- Holding firms (18)
- Properties (15)
- Financial (14)
- Mining and oil (8), and
- Small, medium, and emerging boards (1)

The average corporate governance scores of the top 100 Philippine PLCs by market capitalization rose from 67.02 points in 2014 to 73.09 points in 2015.

Figure 32: Philippines—Total Score Distribution, 2014 and 2015

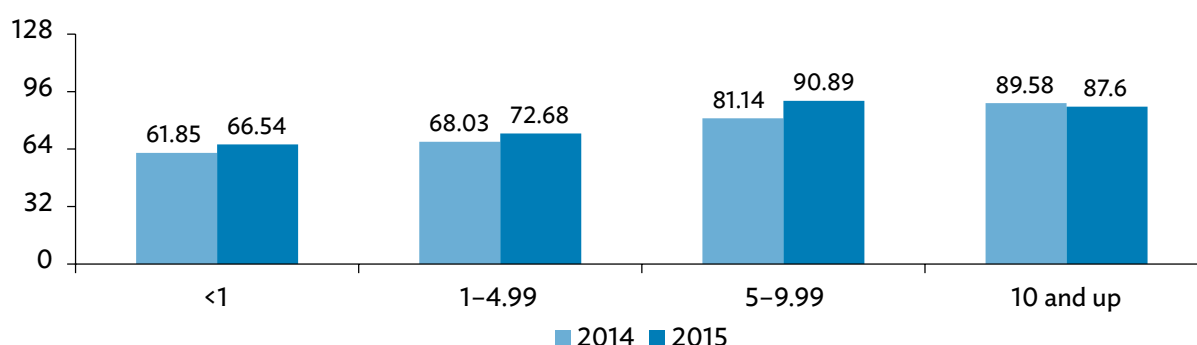


Source: Institute of Corporate Directors (Philippines) 2015.

As shown in Figure 32, of the five governance categories, the most dramatic improvement in average scores on a year-on-year basis is in disclosure and transparency (18.96 points in 2015 compared with 16.61 points in 2014) and rights of shareholders (7.62 points in 2015 compared with 6.78 points in 2014). Although there are a lot of things that still need to be done to raise the scores in all categories, special attention should be given to the role of stakeholders (5.45 points in 2015, maximum is 10), responsibilities of the board (26.51 points in 2015, maximum is 40), and the bonus section (2.79 points in 2015, maximum is 26).

Figure 33 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 between \$5 billion and \$10 billion.

Figure 33: Philippines—Average Scores of Top 100 Publicly Listed Companies by Market Capitalization Category



Source: Institute of Corporate Directors (Philippines) 2015.

Part A: Rights of Shareholders

The rights of shareholders to participate in decisions concerning fundamental corporate changes are embedded in the Corporation Code of the Philippines (CCP). Under the CCP, companies allow their shareholders to elect directors individually. This right is also disclosed in their manuals on corporate governance. In addition, companies allow cumulative voting for directors. This year, one positive observation is that more companies disclosed the voting and vote tabulation procedures in their information statements. Consistent with 2014, PLCs' information statements were released at least 21 days before the ASM. They were also made available on the Philippine Stock Exchange's website. Other areas worth recognizing are that all shareholders are encouraged to attend the ASM and the minutes of the ASM indicate the of resolutions that were adopted during the ASM and are made publicly available the next working day. There are five default items for Philippine PLCs in this category.

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



STRENGTHS

- Companies allow shareholders to elect directors individually.
- Voting and vote tabulation procedures are disclosed.
- Notice of ASM (information statement) is released at least 21 days before the ASM.
- The disclosure of outcomes of the most recent ASM includes resolutions.



AREAS FOR IMPROVEMENT

- Dividends should be paid within 30 days after declaration and approval.
- Companies should vote by poll during the ASM.
- Voting results including the approving, dissenting, and abstaining should be in the results or minutes of the ASM.

ASM = annual stockholders' meeting.

Source: Institute of Corporate Directors (Philippines) 2015.

Although the number of PLCs paying their dividends within 30 days from the date of declaration increased in 2015, it remains one of the items for improvement for Philippine PLCs. Companies also need to consider voting by poll during ASM. Further, the number of votes received by each agenda item should be disclosed in the minutes or the results of the ASM, including the number of approving, dissenting, and the abstaining votes.

Part B: Equitable Treatment of Shareholders

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. To ensure this equitable treatment, directors are required to abstain from participating in discussions when they have a conflict of interest. The notices have improved as most of them have only one resolution per agenda item and the auditors seeking appointment are clearly identified. More PLCs have declared that RPTs are conducted in an arm's length way. However, to further ensure that RPTs are not abusive, the companies should have a committee of entirely independent directors reviewing the material RPTs. This has become a challenge for many PLCs as their RPTs are reviewed by the audit committee, which, in most cases, is composed of a majority of independent directors.

Some companies have already required directors and officers to report their dealings in company shares within 3 business days to align with the best practice recommended by the ACGS; however, this remains to be one of the areas for improvement for many Philippine PLCs.

Figure 35: Philippines—Strengths and Areas for Improvement in Equitable Treatment of Shareholders



STRENGTHS

- Resolutions in the most recent ASM of the companies deal only with one item.
- Companies clearly identify the auditors seeking appointment in its notice of the ASM.
- Companies declare that RPTs are conducted in an arm's length way.



AREAS FOR IMPROVEMENT

- Material and/or significant RPTs should be reviewed by a committee of independent directors.
- Companies should have a policy requiring directors to report their dealings in company shares within 3 business days.

ASM = annual stockholders' meeting, RPT = related party transaction.

Source: Institute of Corporate Directors (Philippines) 2015.

Part C: Role of Stakeholders

This year's result for this category shows no improvement, indicating that many PLCs have yet to disclose their policies and activities on how they relate with other stakeholders. The assessment found that more PLCs have separate corporate social responsibility sections and have disclosed details of their programs on the development and welfare of their employees. This information is easily available in the companies' annual corporate governance report.

This category is still where Philippine PLCs received the lowest score. Aside from disclosing their policies and activities on how they relate with their other stakeholders, PLCs should also provide more specific contact details for other stakeholders to voice possible violations of their rights more than the general contact details that are usually found on the companies' websites. In addition, PLCs should consider adopting the practice of having a reward policy for employees, which accounts for the company's performance beyond short-term financial measures.

Figure 36: Philippines—Strengths and Areas for Improvement in Role of Stakeholders



STRENGTHS

- The safety, health, and welfare programs for the employees are disclosed.
- Companies have separate corporate social responsibilities sections and/or reports and sustainability sections and/or reports.
- Disclosure of the training and development programs for employees.



AREAS FOR IMPROVEMENT

- Companies may adopt a reward and/or compensation policy for employees which accounts for the company's performance beyond short-term financial measures.
- Relevant information on the training and development of employees should be disclosed.
- A contact that stakeholders can use to voice possible violations of their rights should be provided either in the annual report or on the company website.

Source: Institute of Corporate Directors (Philippines) 2015.

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 part on disclosure identifies the items PLCs must disclose to the general public to better secure observance of good corporate governance practices. Philippine PLCs' scores are better this year in this category. The annual corporate governance report that the Philippine SEC requires from 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 annual corporate governance report.

Although four PLCs have disclosed the details of the remuneration of their directors, this remains one of the main challenges for Philippine PLCs in the Disclosure and Transparency category. The assessment found that for the majority of PLCs it is not clear if they have conducted analyst and media briefings. Disclosures also do not show the summary of trading of company shares by directors and officers of the company.

Figure 37: Philippines—Strengths and Areas for Improvement in Disclosure and Transparency



STRENGTHS

- The direct and indirect shareholdings of substantial shareholders are available.
- The financial performance indicators of the companies are available in their annual report.
- Companies disclosed the nature and value of material and/or significant related party transactions.
- Audit fees were disclosed.
- Annual audited financial statements were released within 120 days from the financial year-end.



AREAS FOR IMPROVEMENT

- Media briefings should be evident in the companies' disclosures.
- Companies should use analyst briefings as one of the modes of communication.
- Trading of directors and key officers in company shares should be disclosed.
- Details of remuneration of each director should be disclosed.

Source: Institute of Corporate Directors (Philippines) 2015.

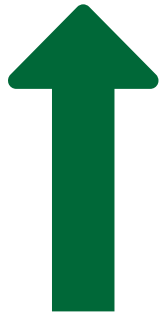
Part E: Responsibilities of the Board

The second major demand of modern corporate governance is for the Board of Directors to actively take on the role, duties, and responsibilities that the laws, rules, and regulations vest upon them. The board has the original task, which carries with it the fiduciary duty, of overseeing the management of the PLCs' affairs. The first concern that has to be fully addressed is the formulation of a corporate governance policy and, within it, the definition of board responsibilities.

Philippine PLCs continue to show significant improvement in this category increasing their total average score from 24.41 points in 2014 to 26.51 points in 2015. The manuals on corporate governance of the companies are comprehensive, including the roles and responsibilities of the board, directors, and board committees. This year, more PLCs have disclosed the details of their code of business ethics and conduct. Through the annual corporate governance report, more PLCs have clearly communicated their internal control and risk management systems.

There are items that remain challenges for Philippine PLCs, such as increasing the number of independent directors in the board and some other protocols recommended by the ACGS. Some of these protocols are the 9-year term limit for independent directors, five board seats limit for directors and nonexecutive directors, meeting separately without the presence of any executives.

Figure 38: Philippines—Strengths and Areas for Improvement in Responsibilities of the Board



STRENGTHS

- Roles and responsibilities of the board are clearly stated.
- Decisions that require directors' approval are disclosed.
- Details of the code of ethics are available.
- Companies declare that their independent directors are independent of management and substantial shareholders.
- Internal control and risk management systems are clearly communicated.



AREAS FOR IMPROVEMENT

- The board should be composed of at least 50% independent directors.
- The minimum quorum for board decisions should be two-thirds.
- Companies should have a policy limiting the number of board seats in publicly listed companies that an independent or nonexecutive director may hold simultaneously to five.
- Companies should have a term limit of 9 years or less for its independent directors.
- The nonexecutive directors should meet at least once during the year without any executives present.

Source: Institute of Corporate Directors (Philippines) 2015.

Bonus and Penalty

An increasing number of PLCs released their information statements at least 28 days before the ASM. Pursuant to Section 20 of the Securities Regulation Code, the information statement is used to notify shareholders of any matters that need to be acted upon during the ASM or other meeting of the shareholders. The results from this year's assessment also indicate that more PLCs have created a separate board-level risk committee. It is also observed that most Philippine PLCs do not meet the recommended practice on the number of independent board members. Some companies even have board members who have been serving as independent directors for more than 9 years. There are companies that have board members serving on more than five boards of listed companies. The assessment also found that some companies do not separate the role of the chairperson of the board from that of the CEO and that the two positions are held by the same person.

Figure 39: Philippines—Strengths and Areas for Improvement in Bonus and Penalty**STRENGTHS**

- Companies release their information statement at least 28 days before the annual stockholders' meeting.
- Some companies have a separate board-level risk committee.

**AREAS FOR IMPROVEMENT**

- The chairperson of the board and the chief executive officer should be two different persons.
- Companies should have no independent directors serving for more than 9 years.
- Companies should have no independent and nonexecutive directors serving on more than five boards of publicly listed companies.

Source: Institute of Corporate Directors (Philippines) 2015.

Conclusions and Recommendations

While the Philippines can pride itself on the improvement of its overall country scores and the recognition that 11 of its PLCs were included in the ASEAN top 50 PLCs based on the ACGS, there remains much work to be done in terms of convincing the rest of the PLCs to adopt the best practices espoused by the ACGS. As mentioned, much of the improvement in PLC scores was concentrated in the larger companies while the vast remainder—including those PLCs that were not part of the ACGS assessment but were still rated by the Institute of Corporate Directors—have not yet shown similar improvements.

The SEC should be commended for taking an active position in promoting corporate governance and mapping the way forward through its blueprint. The responsibility for maintaining the momentum created by the regulators now falls on the PLCs and investors who are the prime beneficiaries of improved corporate governance.

Table 15: Philippines—Top 50 Publicly Listed Companies based on 2015 Total Score

(Based on the top 100 companies according to market capitalization)

PLCs scoring 100 points and above (in alphabetical order) - 10 PLCs

- 1 Ayala
- 2 Ayala Land
- 3 BDO Unibank
- 4 Globe Telecom
- 5 GT Capital Holdings
- 6 Manila Electric
- 7 Manila Water
- 8 Philex Mining
- 9 Philippine Long Distance Telephone
- 10 SM Prime Holdings

PLCs scoring 90 points - 99 points (in alphabetical order) - 13 PLCs

- 1 Aboitiz Equity Ventures
- 2 Aboitiz Power
- 3 Asia United Bank
- 4 Bank of The Philippine Islands
- 5 China Banking
- 6 Energy Development
- 7 International Container Terminal Services
- 8 Metro Pacific Investments
- 9 Metropolitan Bank and Trust
- 10 Philippine Savings Bank
- 11 San Miguel Purefoods
- 12 Security Bank
- 13 Semirara Mining and Power

PLCs scoring 80 points - 89 points (in alphabetical order) - 13 PLCs

- 1 Belle
- 2 DMCI Holdings
- 3 East West Banking
- 4 First Gen
- 5 Integrated Micro-electronics
- 6 Lopez Holdings
- 7 Nickel Asia
- 8 Petron
- 9 Philippine National Bank
- 10 Premium Leisure
- 11 Rizal Commercial Banking
- 12 The Philippine Stock Exchange
- 13 Union Bank of The Philippines

continued on next page

Table 15 continued

PLCs scoring below 80 points (in alphabetical order) - 14 PLCs

- 1 Alsons Consolidated Resources
- 2 Far Eastern University
- 3 Filinvest Development Corporation
- 4 Filinvest Land
- 5 LT Group
- 6 Philippine Bank of Communications
- 7 Philippine Seven
- 8 Rockwell Land
- 9 SM Investments
- 10 Starmalls
- 11 Top Frontier Investment Holdings
- 12 Trans-Asia Oil and Energy Development
- 13 Travellers International Hotel Group
- 14 Vista Land & Lifescapes

PLC = publicly listed company.

Source: Institute of Corporate Directors (Philippines) 2015.

SINGAPORE

Background of the Corporate Governance Framework

Singapore's corporate governance rules and regulations are made up of the Companies Act (Chapter 50), the Securities and Futures Act of 2001 (Chapter 289), the Singapore Exchange (SGX) Listing Rules, and the Code of Corporate Governance (2012). The Monetary Authority of Singapore and the SGX are the two main bodies overseeing corporate governance practices of Singapore's publicly listed companies (PLCs). The Companies Act is the overarching legal framework for all companies incorporated in Singapore and it also sets out the duties of directors and officers. It was amended in 2014 and the changes were effected in two phases, in July 2015 and in January 2016.

The combination of legislation, listing rules, and the Code of Corporate Governance embodies Singapore's stance on maintaining high standards of corporate governance, while giving companies (of varying sizes and resources) sufficient flexibility in adopting these principles.

SGX, as the frontline supervisor of the securities market in Singapore, is responsible for administering its own business rules (including listing rules) and is empowered to take disciplinary action or impose sanctions on PLCs for breach of the SGX Listing Rules. These rules include requirements for PLCs to comply with the principles in the Code of Corporate Governance or otherwise provide a meaningful explanation on the noncompliance in their annual reports. PLCs that fail to do so and do not respond to subsequent queries satisfactorily may face disciplinary action. SGX also works closely with the Monetary Authority of Singapore and the Commercial Affairs Department to ensure that any market misconduct is swiftly detected, thoroughly investigated, and effectively dealt with so as to create an environment in which fair and efficient capital markets can thrive.

Singapore is recognized both regionally and globally as having a highly robust corporate governance framework. This has been validated by the Asian Corporate Governance Association's Corporate Governance Watch reports. The biennial report put Singapore at the top of the list of major Asian economies consecutively for the past three reports in 2010, 2012, and 2014. Titled "Balancing Rules and Flexibility," a study published by the Asian Corporate Governance Association and KPMG in 2014 examined the corporate governance requirements across 25 markets in terms of clarity and completeness of content, degree of enforceability, and prevalence.³ The Asian Corporate Governance Association-KPMG study ranked Singapore third globally, trailing behind the United Kingdom and the United States, and first in Asia. These studies reflect a strong momentum effect in the evolving corporate governance framework for Singapore.

³ Covering markets in three broad geographic regions: Asia and the Pacific; Europe, Middle East, and Africa (EMA); and the Americas (United States, Canada, and Brazil).

Overall Analysis

Methodology

The Association of Southeast Asian Nations (ASEAN) Corporate Governance Scorecard (ACGS) is benchmarked against Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance (2004). This assessment aims to raise the corporate governance standards and practices of ASEAN PLCs, including Singapore PLCs. Singapore PLCs' disclosure of corporate governance practices are guided by the SGX Listing Rules. Though the OECD Corporate Governance Principles (2004) and the Singapore Code of Corporate Governance differ in emphasis, there are similarities. This is demonstrated by the fact that 20 assessment items in the scorecard are default items for Singapore PLCs, which means each company has to be in compliance with these default items as they are mandatory requirements under Singapore's corporate governance framework.

Singapore's top 100 PLCs by market capitalization are included as part of the 2015 assessment. The cutoff date to determine the market capitalization was 31 March 2015. The combined market capitalization of the top 100 Singapore PLCs was S\$550 billion, which accounted for 67% of all PLCs listed on SGX.

Key Findings

Singapore PLCs on average scored 78.11 out of the maximum score of 126 points. In 2014, Singapore PLCs scored 70.72 out of the maximum of 128 points. There is an increase of around 10% in absolute total scores from last year. Average scores of Level 1 increased from 67.00 to 74.60. This shows that Singapore PLCs have made significant efforts in providing detailed disclosures on their corporate governance practices.

Table 16: Singapore—ASEAN Corporate Governance Scorecard Total Score, 2014 and 2015

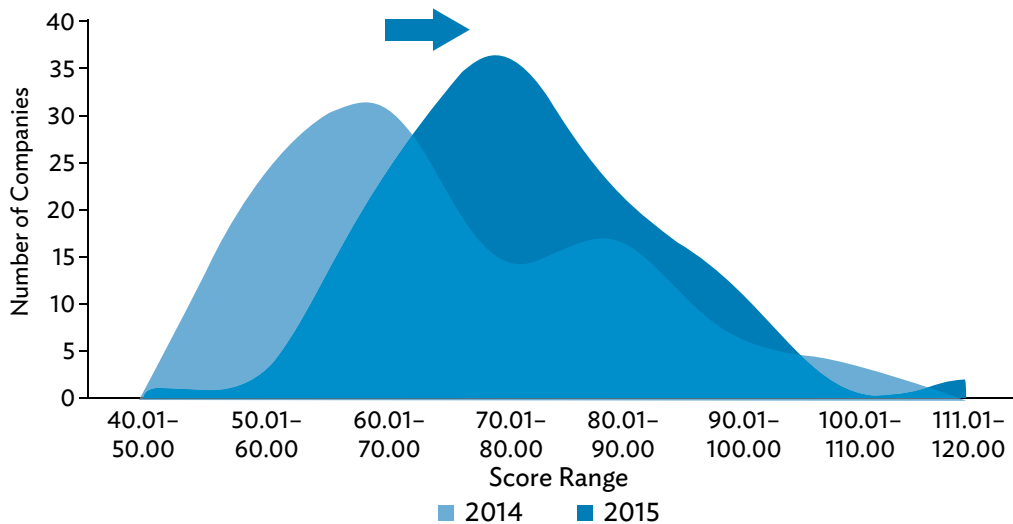
Year	Maximum Total Score	Total Score Range	Average Total Score	Average Level 1 Score (Out of 100)
2014	128	43.9–105.5	70.7	67.0
2015	126	49.0–116.0	78.1	74.6

ASEAN = Association of Southeast Asian Nations.

Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

Figure 40 provides the total score distribution for the 2014 and 2015 ACGS assessments. The figure shows that PLCs—21 of 28 such companies—which scored in the range of 50–60 in 2014, have made significant improvements and moved into the 60–80 score range in 2015. These are the companies that obtained a far below average total score in 2014 (70.72) and thus account for higher improvements.

Figure 40: Singapore—Total Score Distribution, 2014 and 2015

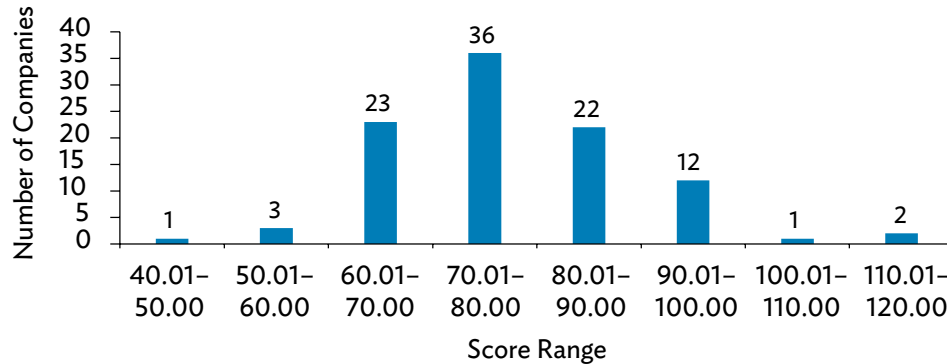


Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

Figure 41 provides the distribution of the 100 PLCs by total score in 2015. The top 10 Singapore PLCs with the highest total scores arranged in alphabetical order are CapitaLand, DBS Group Holdings, Keppel Land, Keppel Telecommunications & Transportation, SATS, Singapore Exchange, Singapore Post, Singapore Press Holdings, Singapore Telecommunications, and SMRT Corporation.

Comparison of Level 1 Scores

The annual ACGS results of Singapore PLCs are compared primarily based on Level 1 scores, which are out of 100 points, as Level 2 scores and weightages have been subjected to changes over time. From 2012 to 2015, the average Level 1 scores have steadily improved from 56.42 to 74.60 points. Table 17 illustrates the average Level 1 scores of the 100 PLCs for each of the 4 years. Average Level 1 scores have increased 11.3% from 2014 to 2015.

Figure 41: Singapore—Total Score Distribution for 2015

Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

Table 17: Singapore—Level 1 Scores, 2012–2015

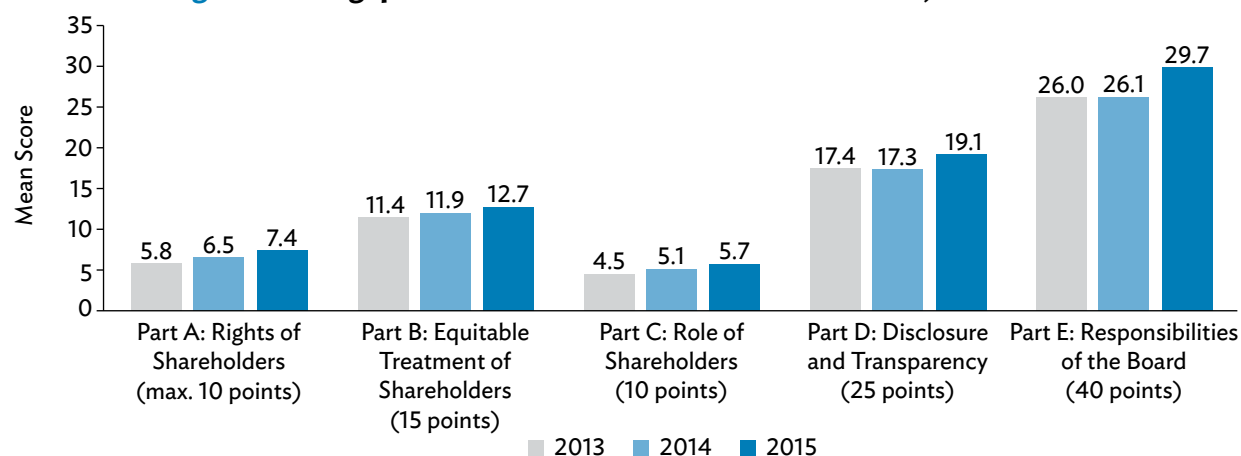
Year	Average Level 1 Score (out of 100)
2012	56.4
2013	65.1
2014	67.0
2015	74.6

Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

Scores by Component

As illustrated in Figure 41, many PLCs have improved their disclosures on corporate governance practices. This comes against the backdrop of ongoing developments in Singapore corporate governance regulations. In addition, PLCs' own aspiration and efforts in pursuing better corporate governance practices and improved disclosures have also contributed to the continued increase in average score from 2012 to 2015. These improvements are recognized as strengths in the 2015 ACGS assessment for individual scorecard sections. The improvements can be further enhanced if PLCs provide more detailed disclosures on practices already in place. Figure 42 provides a detailed breakdown of the Level 1 scores for the period 2013–2015.

On average, Singapore PLCs performed much better in all sections. Compared to 2014, PLCs on average made the biggest improvements in Part A (rights of shareholders) and Part E (responsibilities of the board). Scores in Part C (role of stakeholders) have also been continuously improving from 2013 to 2015, with companies continuing to provide disclosures pertaining to stakeholders' engagement.

Figure 42: Singapore—Scores of Individual Part of Level 1, 2013–2015

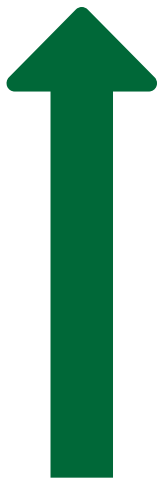
Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

Part A: Rights of Shareholders

Shareholders of Singapore incorporated companies have extensive participation and protection rights. These rights are clearly defined in the Companies Act. Fundamental safeguarding mechanisms have been embedded into the Companies Act so as to ensure shareholders' right to participate in, among other things, the amendment of the company constitution as well as authorization of new shares. This section includes nine out of the 20 default items that every company has to comply with by law. This demonstrates how shareholders' rights are enshrined in Singapore's regulatory framework.

The recent amendments in the Companies Act initiated further changes in the framework to bolster the role of shareholders. Subject to certain exceptions, effective from the first quarter of 2016, approval needs to be obtained from shareholders for compensation given to executive directors in the event of termination from employment. In addition to the legal amendments, SGX has also introduced new rules on poll voting in general meetings in Singapore for the PLCs. Reviews of this listing requirement have increased the number of companies who have adopted corporate poll voting.

The Companies Act's provisions require companies to engage shareholders in relevant proceedings in a timely manner. Singapore PLCs are also required to make available publicly the voting results of all their general meeting resolutions by the next day. The most recent AGMs for all the companies were also held in very accessible locations, with most PLCs providing the rationale and explanation for each agenda item in the AGM. However, there are two key areas that PLCs should improve on: to disclose whether an independent party was appointed as a scrutinizer to validate AGM resolution results and to provide detailed minutes of meetings which include attendance of the chairperson, board members, and CEO, as well as the questions and answers during the meeting proceedings. These weaknesses, in general, have persisted for the past few years, pointing to the need for PLCs to do more in adopting these practices.

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

STRENGTHS

- All PLCs are publicly available by the next working day the result of the votes taken during the most recent AGM for all resolutions.
- All PLCs organize their most recent AGM in an easy-to-reach location.
- The board appoints an independent party to evaluate the fairness of the terms and conditions of the transaction in cases of substantial mergers, acquisitions, and/or takeovers.
- Most PLCs provide the rationale and explanation for each agenda item that required shareholders' approval in the notice of the AGM, circulars, and/or the accompanying statement.
- Most PLCs vote by poll (as opposed to a show of hands) for all resolutions at the most recent AGM and allowed voting in absentia.



AREAS FOR IMPROVEMENT

- Few PLCs disclosed whether an independent party is appointed to count and/or validate votes at AGMs.
- Few PLCs disclose the AGM attendance of board members, including that of the chairperson, chairman of the audit committee, and chief executive officer.
- Few PLCs record questions and answers in the AGM minutes.

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

Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

Part B: Equitable Treatment of Shareholders

Singapore's legislation places strong emphasis on the equitable treatment of shareholders. The fundamental right of shareholders has been based on the one-share-one-vote principle. As such, each Singapore PLC ordinary shareholder is entitled to one vote per share. However, in the recent Companies Act reform, companies will now be able to offer shares with multiple voting rights. The unique feature of dual class shares is that it protects entrepreneurial management from the demands of ordinary shareholders. Moreover, given the increasingly complex demands by PLCs to raise capital, this share-class rights amendment is intended to give greater flexibility to PLCs in raising capital through the markets. Notwithstanding that, SGX does not allow PLCs to list dual class voting shares presently.

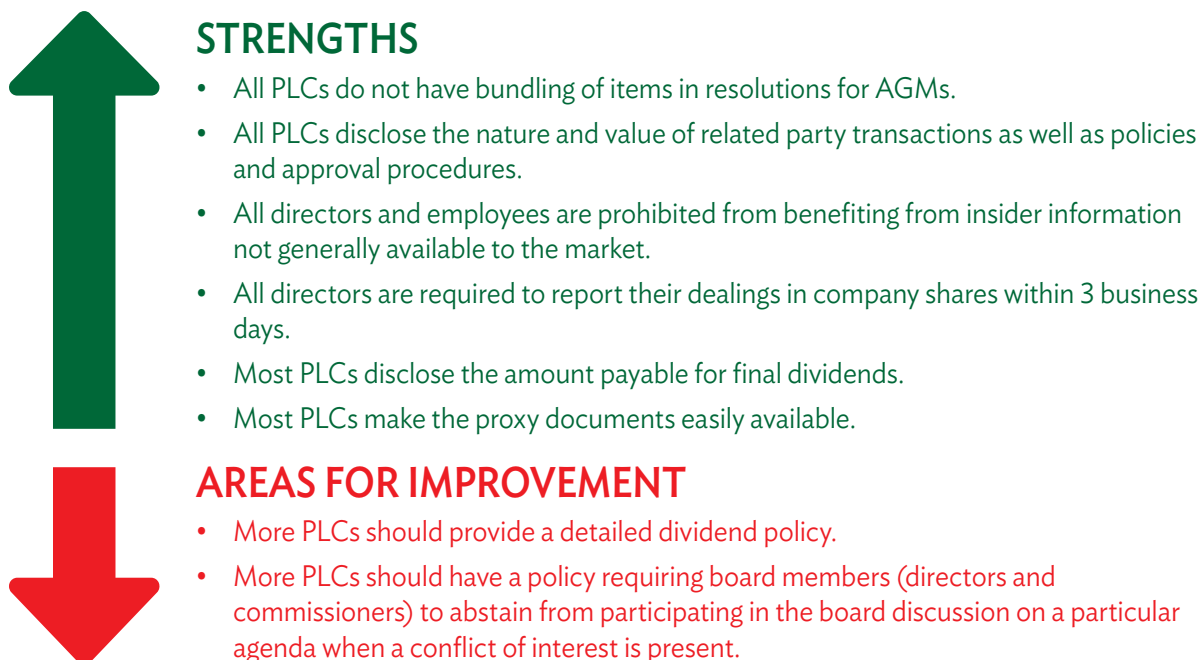
In the overall Singapore corporate governance framework, timely disclosure of material information or conflict of interest on the part of key executives and directors is mandatory. Company directors and CEOs (who may not be directors) must also disclose their dealings in company shares as required by the law. Since these are part of statutory and regulatory requirements, all the PLCs strictly adhere

to timely disclosures and seven out of 20 assessment scores cover the section on interested party transactions, insider trading, and dealing in company shares.

Singapore PLCs have generally performed very well in this section and there has been persistent year-on-year improvement in the score. The AGM notices submitted by most PLCs included detailed information on directors' profiles, auditors' appointments, and dividend policy. A significant number of PLCs also featured the profiles of directors seeking reelection in the AGM notices and circulars in an effort to share relevant and complete information beforehand with the shareholders. Many companies also disclosed the policy of conducting interested party transactions fairly and at arm's length.

There are, however, a couple of areas where PLCs still have some way to go. Specifically, PLCs should disclose whether they have in place a policy requiring board members to abstain from participating in board discussions in situations where the agenda poses a conflict of interest for these board members and whether RPTs have been conducted fairly and at arm's length. PLCs should take measures to address both these issues in order to ensure objective decision making on board matters as well as to offer greater transparency.

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



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

Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

Part C: Role of Stakeholders

Stakeholder engagement is one of the major strategic points for thriving businesses. In line with this, Singapore PLCs are looking forward to actively communicating with stakeholders through various disclosure practices. With emphasis on stakeholder engagement for PLCs, SGX has recently reviewed its policy on sustainability reporting. A sustainability reporting guide was issued in 2011 by SGX, and PLCs are encouraged to adopt the guidelines. Moving forward, SGX will require PLCs to either comply with the guidelines or account for any lack of adherence to the guide. SGX issued a consultation paper on its proposal in January 2016 as well as the content of the sustainability reporting rules and guide.⁴

Additionally, the Singapore corporate governance framework requires boards to consider sustainability issues, such as environmental and social factors, as part of their strategy formulation. However, there is still much room for improvement on the part of PLCs in providing detailed disclosures related to stakeholder matters.

In this year's assessment, most of Singapore's top 100 companies have either included a sustainability section in the annual report or have released 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. Increased adoption of these standards is reflected by the fact that Global 100, an index of the 100 most sustainable corporations in the world, included four Singapore PLCs.

The number of PLCs reporting their efforts to interact with the communities and to keep their value chain environment-friendly has increased in the past year. PLCs have also disclosed more details on employee welfare and training programs. However, companies still need to provide more information on the process of supplier and contractor selection. PLCs should also make public their policies against corruption.

Singapore PLCs are also encouraged to move toward integrated reporting. The Singapore Accountancy Commission has spearheaded this initiative by providing guidelines on integrated reporting to the PLCs. The Institute of Singapore Chartered Accountants has also set up a steering committee to advocate for an integrated reporting standard for the PLCs. However, only one company adopted the International Integrated Reporting Council model framework in 2015.

⁴ SGX expects the new rules and guide on sustainability reporting to apply to companies from the financial year-ending on or after 31 December 2017, with reports published from 2018.

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 environment-friendly.
- More PLCs stipulated the existence and scope of their efforts to address customers' welfare.
- More PLCs are disclosing details of their employee welfare and development policies and measures.
- More PLCs published relevant information on training and development programs for its employees.
- Most PLCs have a comprehensive whistle-blowing policy in place.

**AREAS FOR IMPROVEMENT**

- More PLCs can disclose their supplier and contractor selection and criteria.
- More PLCs can make public their antibribery and anticorruption policy and practices.
- More PLCs can introduce integrated reporting in their annual reports.

PLC = publicly listed company.

Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

Part D: Disclosure and Transparency

Disclosure of information to the public and transparency in business operations is very important for PLCs. Best practices in this domain not only provide better information to the stakeholders but also improve investor confidence in the way PLCs conduct their business.

On the whole, Singapore PLCs performed well in terms of transparency, and the scores have, in general, been improved upon as compared to last year. All 100 PLCs reported quarterly financial statements on time and shared their audit and nonaudit fees. Additionally, most PLCs disclosed the trading of their shares by company employees and also provided the company's financial performance indicators. The methods of disclosure for most companies were also diverse since the PLCs used various channels (annual reports, company websites, and analyst and media briefings, among others) to disseminate information to the public. More companies also disclosed the direct and indirect shareholdings of senior management. Also, an increasing number of companies reported their detailed corporate governance compliance statement in annual reports with accountability in cases of noncompliance.

The PLCs can, however, further improve their disclosures in order to move toward a more robust culture of transparency. The audited financial statements, for instance, should be released within 60 days from the end of financial year. Additionally, all PLCs should make minutes of general meetings public in an effort toward greater disclosures. PLCs should also look into disclosing their nonfinancial performance indicators as well as their dividend policy in annual reports and company websites.

They should be more transparent by disclosing the nature and value of each significant RPT in order to boost confidence in their business dealings. These measures toward increased transparency, combined with improved disclosure methods, can also better adhere to the corporate governance framework and reporting overall.

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



PLC = publicly listed company.

Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

Part E: Responsibilities of the Board

The Code of Corporate Governance in Singapore puts significant emphasis on board responsibilities. Companies need to comply with or explain any deviation from the guidelines of the code which cover matters related to nomination, remuneration, audit and accountability, and communication with shareholders. This emphasis is rightly echoed by the Singapore PLCs, since they generally perform well on scores related to board responsibilities. For instance, more PLCs have boards and board committees with a majority of independent directors. All the Singapore PLCs, with the exception of one, have an internal audit function in place. In addition, companies' annual reports contain a statement by their boards or audit committees on the adequacy of their internal controls and risk management systems.

New amendments in the Companies Act have introduced additional measures to the governance structure that deals with the board members and senior executives. Effective 2015, there is no longer

a maximum age limit for directors and the disclosure requirements of RPTs previously specific to the directors will be extended to CEOs (who are not directors). This means that CEOs will be required to disclose any potential conflicts of interest in business transactions or ownership of shares in their own company or another related corporation.

Companies have significantly improved their scores from 2014. More companies have provided disclosures on the process and criteria used for selecting new directors. The disclosures include composition and progressive renewal of the board and each director's competencies, commitment, contribution, and performance. Directors in most of the PLCs are subject to reelection at least once every 3 years.

However, there are still additional measures to be taken: more companies need to appoint independent chairpersons, disclose details and implementation of their code of ethics or conduct, provide public information of detailed criteria and process of conducting board and director assessments, as well as identify the process of managing key risks in the business. Further, detailed disclosures on these aspects will offer a better view on how the business transactions and corporate functions are being conducted in the top echelons of the company.

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



PLC = publicly listed company.

Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

Bonus and Penalty

Scorecard Level 2 scores comprise bonus and penalty points as an additional layer on top of Level 1 scores. PLCs are generally awarded bonus points if they are at the forefront of adopting best practices as part of the governance framework. Similarly, PLCs that significantly lag behind or have committed

violations of laws and policies in the governance domain are penalized as part of the Level 2 scoring process.

Singapore PLCs in general had improved bonus points in several sections, especially on disclosure and transparency and responsibilities of the board. There was an increase in the number of companies with board-nominating committees comprising entirely of independent directors. Additionally, more companies disclosed details on the remuneration of their CEOs. Companies can, however, improve their scores further by releasing their audited annual financial reports within 60 days from the financial year-end and by releasing their AGM notices at least 28 days before the meeting.

Companies received penalty points on matters related to board composition and responsibilities, i.e., some PLCs had independent directors serving for more than 9 years in the same capacity. Also, in some instances, the chairperson has been the company CEO in the last 3 years. These factors suggest a lack of attention on board renewal and succession planning. Last, companies received penalty points for having appointed “busy” directors, i.e., independent and nonexecutive directors holding more than five directorships in listed companies. To ensure that directors have the time and energy to serve effectively on the respective boards, companies should determine and disclose a limit on the number of board seats an individual may hold.

Conclusions and Recommendations

Overall, Singapore PLCs have improved their scores in 2015, as evidenced by the overall average scores as well as higher scores in every section of Level 1. PLCs have increasingly started providing more details on insider trading policies, shareholdings by senior management, as well as PLCs’ compliance with the Code of Corporate Governance and the explanations for noncompliance. More companies have also been transparent on the process and criteria of new directors’ selection.

Nevertheless, PLCs need to continue their move toward increased transparency in the way they conduct business without any loss of momentum. More PLCs should disclose the AGM attendance of their board members, details of their dividend policy, and the criteria for their supplier selection. Companies should also make public their AGM and extraordinary general meeting minutes as well as provide more comprehensive disclosures. One way is to adopt integrated reporting, which allows PLCs to give a holistic and integrated representation of their performance, both in terms of finances and sustainability.

Furthermore, corporate governance is an ever-evolving framework as evident from the changes that have been made to the corporate governance framework as part of the SGX review as well as amendments to the Companies Act which now allows Singapore companies to issue dual class shares. However, SGX does not currently allow dual class shares in their PLCs. In this dynamic environment, PLCs have to move in step by adopting the enhancements in the framework in order to maintain a high level of transparency and disclosures.

Table 18: Singapore—Top 50 Publicly Listed Companies Based on 2015 Total Score

Rank	Name	Rank	Name
1	Singapore Telecommunications	26	Biosensors International Group
2	DBS Group Holdings	27	United Overseas Bank
3	Singapore Exchange	28	Del Monte Pacific
4	CapitaLand	29	UOL Group
5	Singapore Press Holdings	30	M1
6	SATS	31	Nam Cheong
7	Keppel Land	32	Yangzijiang Shipbuilding (Holdings)
8	Singapore Post ^a	33	Noble Group
9	SMRT	34	Venture
10	Keppel Telecommunications & Transportation	35	Indofood Agri Resources
11	Singapore Airlines	36	Roxy-Pacific Holdings
12	StarHub	37	United Industrial
13	Singapore Technologies Engineering	38	OUE
14	Keppel	39	Hong Leong Finance
15	Sembcorp Industries	40	ARA Asset Management
16	Global Logistic Properties	41	Great Eastern Holdings
17	Yoma Strategic Holdings	42	First Resources
18	Oversea-Chinese Banking	43	Perennial Real Estate Holdings
19	City Developments	44	Gallant Venture
20	Fraser and Neave	45	Olam International
21	SIA Engineering	46	Bumitama Agri
22	Tiger Airways Holdings	47	Sarine Technologies
23	Sembcorp Marine	48	United Engineers
24	Neptune Orient Lines	49	Ho Bee Land
25	ComfortDelGro	50	Sheng Siong Group

^a On 19 January 2016, Singapore Post Limited provided an update to its shareholders on the conduct of a special audit and corporate governance review. This ranking table is based on information disclosed as of 31 July 2015.

Sources: Singapore Institute of Directors and Centre for Governance, Institutions and Organisations of the National University of Singapore Business School 2015.

THAILAND

Background of the 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 a 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 by the Stock Exchange of Thailand and regulatory notifications by the Securities and Exchange Commission (SEC).

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

Since 2001, the Thai Institute of Directors has been objectively assessing the corporate governance practices of Thai listed companies on a regular basis, resulting in the Corporate Governance Report of Thai Listed Companies. A major goal of the report is to encourage Thai listed companies to strive toward international best practices of corporate governance. The Corporate Governance Report assessment framework was initially based on the Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance and has been periodically updated as deemed appropriate. The most recent revision was in 2014 corresponding to the Association of Southeast Asian Nations (ASEAN) Corporate Governance Scorecard (ACGS) to further ensure that PLCs comply not only in form but also in substance.

In October 2015, the SEC, OECD, the Stock Exchange of Thailand, and the Institute of Directors, with support from the Government of Japan organized the 2015 Asian Roundtable on Corporate Governance in Bangkok. The participants were top executives and representatives from the government and private sectors. There were over 150 domestic and foreign participants. The aims were to promote the development of good corporate governance in the region and disseminate the new corporate governance principles by OECD.

In 2015, the SEC, the Thai Institute of Directors, and the Thai Listed Companies Association convened a meeting to discuss the development of the New Corporate Governance Code for Thailand. A review put emphasis on the role of the board of directors in incorporating corporate governance into the

business operations by underlining social and environmental sustainability. It is still a work in progress at the time of writing.

Overall Analysis

The 2015 ACGS assessed the corporate governance practices of 100 companies whose market capitalizations were ranked as the top 100 as of 31 March 2015 and whose annual reports were available in English on their websites. There were 212 assessment criteria, with one additional item from 2014 from the Equitable Treatment of Shareholders category.

Overall and Category Performance

The overall average score of Thai listed companies is 87.53 points in 2015, an increase by 3 points from 2014 (Table 19). The maximum score is 110.70 points as compared with 104.60 points in 2014.

For the scores in each category, Thai listed companies showed an improvement in average scores in all but one category (Table 20). The Rights of Shareholders category showed a drop in its average score due to the missing English annual general meeting (AGM) minutes of companies that entered the assessment sample for the first time in 2015. The lack of AGM minutes caused a decline in the average score of the category and the minimum score of the overall results. Since the AGM document is essential in the assessment of the Rights of Shareholders practices, it is recommended that the companies make the English AGM notices and minutes publicly available.

The Role of Stakeholders category on average exhibited the most improvement, showing a 10% increase in its average score. This was followed by the Disclosure and Transparency and Board Responsibilities categories, both with a 5% increase in average scores.

Table 19: Thailand—Overall Performance in 2014 and 2015

Score	2014	2015
Maximum	104.60	110.70
Average	84.53	87.53
Minimum	62.68	61.39

Source: Thai Institute of Directors 2015.

Table 20: Thailand—Performance by Categories in 2014 and 2015

Part	Year	Rights of Shareholders	Equitable Treatment of Shareholders	Role of Stakeholders	Disclosure and Transparency	Board Responsibilities
Average	2014	9.19	14.51	7.38	19.06	28.35
Score (Level 1 only)	2015	9.06	14.75	8.09	20.07	29.68
	% Change	(1)	2	10	5	5

(-) = negative.

Source: Thai Institute of Directors 2015.

Performance by Score Range

Of the 100 sample companies, the majority of Thai listed companies are in the 90–99 score range in 2015 (Table 21). In general, Thai listed companies have demonstrated an improvement in corporate governance practices, as evidenced by 15 companies in the 100-or-above score range in 2015 versus only five companies in 2014.

Table 21: Thailand—Performance by Score Intervals in 2014 and 2015

Range of Score	Number of Companies	
	2014	2015
100 and upper	5	15
90–99	29	30
80–89	32	24
70–79	31	24
60–69	3	7
Total Companies	100	100

Source: Thai Institute of Directors 2015.

Performance by Industry Group

Both in 2014 and 2015, the top three industry groups were the technology and telecommunications, energy and utilities, and financial services sectors. The most improved average performance was the Technology and Telecommunications sector. The health care group showed the greatest decline in average performance due to the missing English AGM minutes of a new company entering the 2015 assessment for the first time. Note that the financial services sector exhibited a relatively high average score in 2014 and 2015, but showed no observable improvement. Thus, more encouragement to improve the corporate governance practices of financial services companies is recommended.

Table 22: Thailand—Performance by Industry Group in 2014 and 2015

Industry Group	2014 Score		2015 Score	
	No. of Companies	Average	No. of Companies	Average
Technology and Telecommunications	11	91.22	10	98.30
Energy and Utilities	16	86.23	19	91.47
Financials	12	90.97	14	90.87
Industries	9	79.56	9	85.51
Consumer Services	15	83.42	16	84.25
Property	17	81.47	18	83.65
Consumer Goods in 2014 Country Report	17	82.31	12	82.53
Health Care	3	75.43	2	73.00

Source: Thai Institute of Directors 2015.

Performance by Market Capitalization

This section has classified listed companies into four groups. The first group includes companies with a large market capitalization of B600,000 million–B1,000,000 million (four companies). Companies with a market capitalization of B100,000 million–B599,999 million (24 companies) form the second group. The third group represents companies with a market capitalization of B60,000 million–B99,999 million (10 companies). The smallest group contains companies with a market capitalization of B10,000 million–B59,999 million (62 companies).

Table 23 below shows the corporate governance performance of companies by their market capitalization. In general, the higher the market capitalization, the higher the average scores. On the average, there has been an improvement in all size-groups. Companies in the 60,000 million–99,999 million baht size-group exhibited the most improvement.

Table 23: Thailand—Performance by Market Capitalization in 2014 and 2015

Range of Market Capitalization (B million)	2014 Score		2015 Score	
	No. of Companies	Average	No. of Companies	Average
600,000–1,000,000	3	97.45	4	101.35
100,000–599,999	21	89.15	24	92.50
60,000–99,999	13	85.10	10	91.55
10,000–59,999	63	82.25	62	84.06

Source: Thai Institute of Directors 2015.

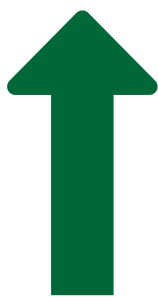
Part A: Rights of Shareholders

The rights of shareholders category 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 AGM, and elect the directors, among others.

The average score in the rights of shareholders category is 9.06 points in 2015, a slight decline from 9.19 points in 2014. Most companies provided opportunities for shareholders to ask questions at the AGM and recorded the questions and answers in the AGM minutes. There was a discussion of the voting and vote tabulation procedures before the AGM as well as a disclosure of the vote by poll for all AGM resolutions. These aforementioned governance practices imply that the listed companies paid attention to the rights of shareholders at the AGM. However, the percentage of Thai companies earning scores in these criteria declined because the new companies in the 2015 sample did not disclose their AGM minutes in English on which several assessment criteria were based (Figure 48).

A suggested area for improvement is for Thai listed companies to propose all forms of director remuneration for shareholders' approval at the AGM. Specifically, they should indicate whether or not there are other benefits (in addition to the regular retainer fees, meeting allowance, and bonuses) for directors. Nonetheless, the proportion of companies earning a score in this item increased from 27% in 2014 to 40% in 2015.

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



STRENGTHS

- Companies disclose voting and vote tabulation procedures used, declaring both before the meeting proceeds, as well as the vote by poll (as opposed to a show of hands) for all resolutions at the most recent AGM.
- Companies disclose that the AGM minutes show that there is an opportunity for shareholders to ask questions.
- Companies disclose that all questions and answers are recorded in the AGM minutes.



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 2015.

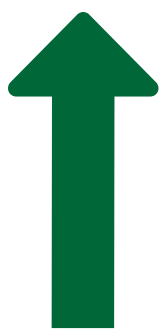
Part B: Equitable Treatment of Shareholders

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

Thai listed companies have done well in the equitable treatment of shareholders category since the commencement of the ACGS assessment. The average score in 2015 is 14.75 points, which is higher than 14.51 points in 2014.

The strength of Thai listed companies is the notice to call the AGM. Important information, e.g., appointment of auditors and dividend payment, for shareholders' consideration was available in the notice to call the AGM. An obvious improvement was the information on candidate directors with respect to the date of their first appointment and directorship in other listed companies. The proportion of companies earning a score in this criterion increased from 68% in 2014 to 91% in 2015 (Figure 49).

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



STRENGTHS

- Companies 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 to the call annual general meeting.
- Details of the auditor and dividend are provided in the notice to call the annual general meeting.
- The dividend policy and the amount payable for final dividends are disclosed in the notice to call the annual general meeting.

Source: Thai Institute of Directors 2015.

Part C: Role of Stakeholders

The role of stakeholders principle concentrates on the issue of corporate social responsibility to all stakeholders. The goal is to encourage corporate responsibility through the company's activities in relation to the environment, consumers, business partners, competitors, employees, communities, creditors, and other stakeholders. This category examines the company's policies and practices pertaining to the acknowledgement and treatment of its related stakeholders.

An apparent improvement is observed for the Role of Stakeholders category in 2015. The average score is 8.09 points in 2015, an increase of 10% from 7.38 points in 2014.

The most observed governance practices in this category were that almost all companies published a separate sustainability report or included a corporate responsibility section in their annual report, and a majority of companies disclosed a policy on and practices dealing with the customers, communities, and the environment. A significant improvement in the companies' practices in anticorruption programs was marked by an increase in the percentage of companies earning a score in this criterion from 58% to 85% (Figure 50).

There is still room for improvement, however. Thai listed companies should fully disclose their governance practices pertaining to the supplier selection procedures; protection of creditor's rights; statistics on employees' health, safety, and welfare; compensation policy for employees linked to short-term and long-term corporate performance; and policy or procedures to protect an employee or individual who reveals illegal and/or unethical behavior from retaliation. Even though the percentages of companies earning scores in these areas are not high, the visible improvement is encouraging.

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 practices dealing with customers' welfare.
- There are activities with regard to communities.
- There are clear activities with regard to environmental sustainability.
- There are clear practices on anticorruption programs and procedures.



AREAS FOR IMPROVEMENT

- Practices dealing with supplier selection should be disclosed clearly.
- Practices dealing with creditors' rights should be disclosed clearly.
- Information relating to employees' health, safety, and welfare should be disclosed clearly, including actual evidence.
- Procedures for dealing with complaints by employees concerning illegal and/or unethical behavior should be disclosed.
- The policy or procedures to protect an employee or individual who reveals illegal and/or unethical behavior from retaliation should be disclosed.
- Policies relating to reward or compensation for employees should be disclosed clearly.

Source: Thai Institute of Directors 2015.

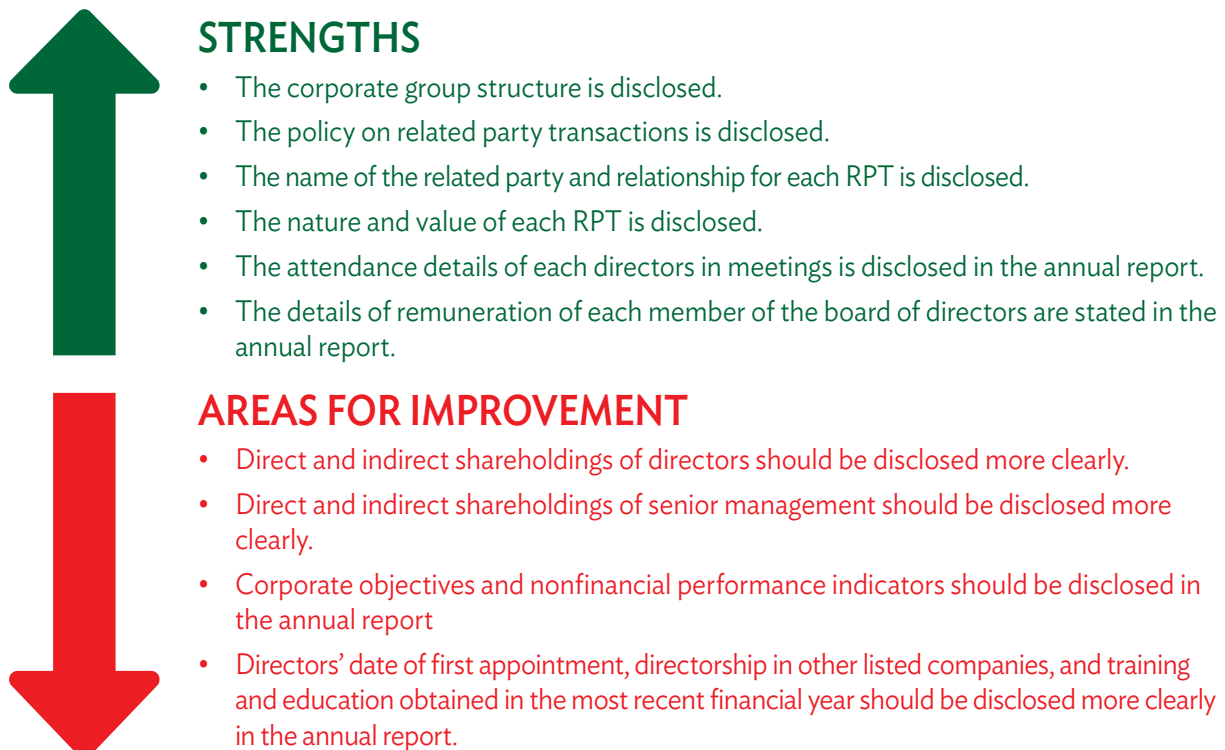
Part D: Disclosure and Transparency

The disclosure and transparency principle contemplates 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.

The average score in the Disclosure and Transparency category is 20.07 points in 2015, which is higher than 19.06 points in 2014. In general, more Thai listed companies were willing to disclose nonfinancial information to the public.

The strength in this category lies in the fact that most Thai listed companies disclosed the policy and details of their RPTs, corporate group structure, meeting attendance records of each director, and the details of the board remuneration for each director in the annual report (Figure 51).

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



RPT = related party transaction.

Source: Thai Institute of Directors 2015.

Areas for improvement for Thai listed companies are the disclosure of the direct and indirect shareholdings of directors and senior management and of the corporate objectives and nonfinancial performance indicators (e.g., the company's market share). The information for each director on the date of first appointment, directorship in other listed companies (showing separately the listed and nonlisted companies), and training and education obtained in the most recent financial year should be disclosed in the annual report as well. Again, though the percentages of companies earning the scores in these areas are not high, the visible improvement is encouraging.

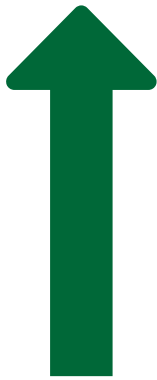
Part E: Responsibilities of the Board

The responsibilities of the board focus on 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, and preventing conflicts of interest.

This category assesses the development of the corporate strategy, monitoring of the business operations, a pledge of transparent business practices, the presence of proper financial controls and reports, procedures for director nomination, orientation of new board members, board performance evaluation, and search process and evaluation of the CEO, among others.

The average score in this category increased by 5%, from 28.35 points in 2014 to 29.68 points in 2015. The board of directors of Thai listed companies put more emphasis on the implementation of the stated corporate governance policies. Encouraging practices were that all directors, senior management, and employees were required to comply with the code of conduct, together with the effective implementation and monitoring of the code, and that there were disclosures of the process for the appointment of new directors, of a policy that encourages directors to attend ongoing or continuous professional education programs, of an effective internal control and risk management in place, and of the annual performance assessment of the board of directors (Figure 52).

The board of directors should review the vision and mission statements every year and ensure the implementation of the corporate strategies, set a policy on the requirement of a minimum quorum of at least two-thirds for board decisions, decide on a policy on the term limit of 9 years for independent directors, state a remuneration policy for executive directors and the CEO linked to short-term and long-term corporate performance, annual performance assessment not only of the board of directors but also of individual directors, and annual performance evaluation of the board committees. Relative to 2014, the percentages of companies earning scores in 2015 show an upward trend.

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

STRENGTHS

- Companies disclose that all directors, senior management, and employees are required to comply with the code. They also disclose the implementation and the monitoring of the code of ethics or conduct.
- Companies disclose the process for the appointment of new directors.
- The board provides a review of the internal control and risk.
- Companies have a policy that encourages directors to attend ongoing or continuous professional education programs.
- Companies conduct an annual performance assessment of the board of directors.



AREAS FOR IMPROVEMENT

- Companies should state that the board of directors reviewed the vision and mission strategy in the last financial year.
- Companies should state that the board of directors monitors and oversees the implementation of the corporate strategy.
- Companies should set the policy on the minimum quorum requirement of at least two-thirds for board decisions.
- Companies should set the policy on the term limit of 9 years for independent directors.
- The annual performance assessment of individual directors should be stated clearly.
- The annual performance assessment of the board of directors committees should be stated clearly.
- The remuneration policy for executive directors and CEO should be disclosed clearly.

Source: Thai Institute of Directors 2015.

Bonus and Penalty

The bonus and penalty criteria are discussed separately in this section. The purpose of the bonus items is to recognize companies that go 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 areas. Most Thai listed companies provided 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 and distributed their audited financial statements within 60 days from the financial year-end.

However, Thai listed companies should conduct an assessment of any director who has served on the board beyond 9 years from the date of first appointment. Also, the board of directors should undertake a process of identifying the quality of directors, which aligns with the company's strategic direction. The use of professional search firms or other external sources of candidates when searching for candidates to the board of directors is recommended.

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



Source: Thai Institute of Directors 2015.

Conclusions and Recommendations

Continuous Improvement in Corporate Governance Practices

- The 2015 assessment shows that Thai listed companies have exhibited continuous improvement in good corporate governance practices. The overall average score is 87.53 points in 2015, which is 3 points higher than in 2014. The Role of Stakeholders category exhibits the most improvement.
- Thai listed companies have stressed the importance of their corporate governance policies and practices not only in form but also in substance. Examples are the anticorruption programs, implementation of the code of ethics, and performance evaluation of the board of directors. Companies, large or small and newly listed or long-standing, are encouraged to

continue improving their corporate governance practices. Important corporate documents for shareholders and investors should also be available in English.

- Thai listed companies carry out their business operations with social responsibilities to achieve business sustainability. More companies are willing to disclose the policies and practices pertaining to stakeholders through the publication of a sustainability report using international standards.

Challenges Still Remain

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

Role of Stakeholders

Thai listed companies should fully disclose their governance practices pertaining to the supplier selection procedures, protection of creditor's rights, and policy and procedures to protect an employee or individual who reveals illegal and/or unethical behavior from retaliation.

Remuneration

Thai listed companies can improve by disclosing a remuneration policy

- for employees to account for the performance of the company beyond short-term financial measures and
- for executive directors and the CEO to align with the short-term and long-term incentives and performance measures.

Board Practices

Thai listed companies should disclose their actual practices according to the stated corporate governance policies. For example, the board should report on the implementation, review, and monitoring of the determined corporate strategy or disclose the course of action of the performance evaluation of the individual directors and board committees.

Table 24: Thailand—Top 50 Publicly Listed Companies based on 2015 Total Score
(Companies with scores of 90 points and above)

No.	Ticker	Name
1	AAV	Asia Aviation
2	ADVANC	Advanced Info Service
3	AOT	Airports of Thailand
4	BAFS	Bangkok Aviation Fuel Services
5	BBL	Bangkok Bank
6	BCP	Bangchak Petroleum
7	BIGC	Big C Supercenter
8	BMCL	Bangkok Metro
9	CIMBT	CIMB Thai Bank
10	CK	CH. Karnchang
11	CPF	Charoen Pokphand Foods
12	CPN	Central Pattana
13	DELTA	Delta Electronics (Thailand)
14	DTAC	Total Access Communication
15	EASTW	Eastern Water Resources
16	EGCO	Electricity Generating
17	HANA	Hana Microelectronics
18	HEMRAJ	Hemaraj Land and Development
19	HMPRO	Home Product Center
20	INTUCH	Intouch Holdings
21	IRPC	IRPC
22	IVL	Indorama Ventures
23	KBANK	Kasikornbank
24	KKP	Kiatnakin Bank
25	KTB	Krung Thai Bank
26	LH	Land and Houses
27	LHBANK	LH Financial Group
28	MBK	MBK
29	MINT	Minor International
30	PS	Pruksa Real Estate
31	PTT	PTT
32	PTTEP	PTT Exploration and Production
33	PTTGC	PTT Global Chemical
34	RATCH	Ratchaburi Electricity Generating Holding

continued on next page

Table 24 continued

No.	Ticker	Name
35	SAMART	Samart Corporation
36	SAMTEL	Samart Telcoms
37	SCB	Siam Commercial Bank
38	SCC	Siam Cement
39	SPALI	Supalai
40	THCOM	Thaicom
41	TISCO	Tisco Financial Group
42	TMB	TMB Bank
43	TOP	Thai Oil
44	TRUE	True Corporation
45	TVO	Thai Vegetable Oil

Companies with a score of 80–89 points

No.	Ticker	Name
1	BAY	Bank of Ayudhya
2	BECL	Bangkok Expressway
3	COL	COL
4	KTC	Krungthai Card
5	STEC	Sino-Thai Engineering and Construction

Notes: Companies are listed by cluster in alphabetical order. There are 18 other companies with scores between 80 points and 89 points that are not listed in the top 50 companies.

Source: Thai Institute of Directors 2015.

VIET NAM

Background of the Corporate Governance Framework

Since its issuance in 2012, Circular 121/2012/TT-BTC, which provides regulations on corporate governance, has created a better legal framework for the Vietnamese stock market and enhanced enforcement on compliance with corporate governance regulations. A law on handling of administrative violations was issued in 2012, and a decree on administrative penalties for violations in the securities field and market was launched in 2013 aimed at strengthening the monitoring performance of government authorities and contributing to market transparency and greater disclosure. The latter provides sanctions in the securities market with a number of specific monitoring and enforcement measures against violations in corporate governance regulations, such as reporting, disclosure, and insiders' and shareholders' transactions.

A new circular on information disclosure on securities market, Circular 155/2015/TT-BTC, was issued in 2015 to improve stock market transparency and adapt to the new market developments and international integration. One of the notable changes in this circular is the inclusion of provisions that encourage listed companies to disclose information in both Vietnamese and English in order to increase foreign investors' access to information. This new circular is expected to promote information disclosure in English and gradually raise the domestic disclosure practices to meet international standards in the near future.

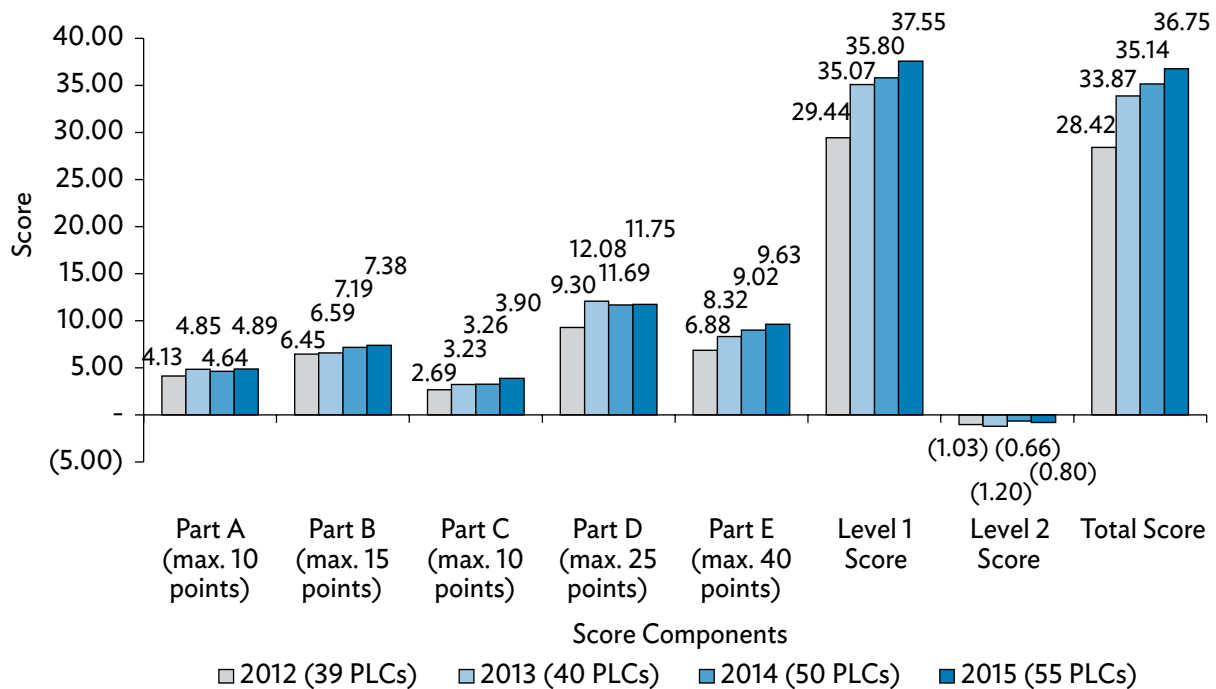
Overall Analysis

Overall Results

There were 55 companies that were reviewed for the year 2015. The number of reviewed companies increased by 10% as more companies were found to have key investor information available in English. This is a very encouraging signal, which means that more firms are now aware of their responsibilities in providing equitable treatment to both foreign and local investors.

Figure 54 shows the performance of each corporate governance principle of companies reviewed in four continuous years of assessment. There is an improvement in most areas of corporate governance observed in 2015 compared to previous years. The mean total score in 2015 is 36.75 points (compared to 35.14 points in 2014, 33.87 points in 2013, and 28.42 points in 2012). Though the improvement is encouraging, more effort should be exerted to raise the awareness of PLCs on the importance of corporate governance to companies' sustainable development. This year, the most remarkable improvements are seen in parts C and E.

Figure 54: Viet Nam—Corporate Governance Performance in Each Area, 2012–2015



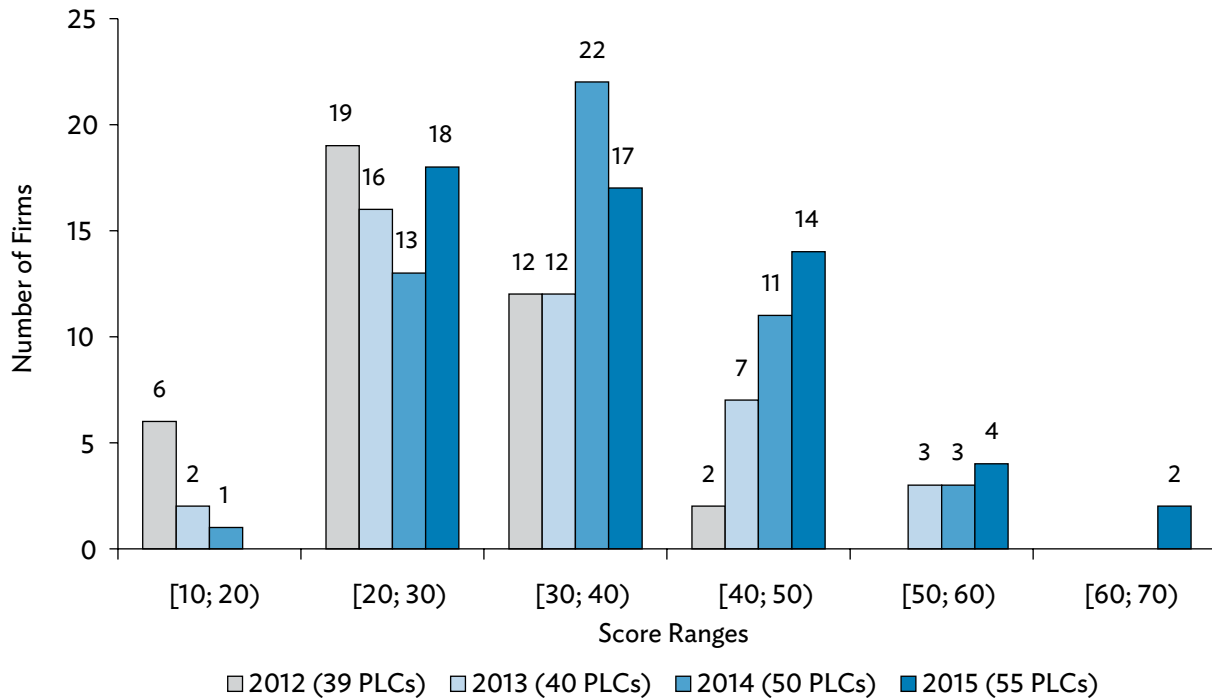
PLC = publicly listed company.

Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

Among the 50 companies reviewed in 2015, there were 46 additional companies reviewed previously in 2014 and another 30 companies reviewed throughout the last 4 years. Improvement in overall corporate governance results are found when comparison is made of the sample of 30 companies included in the project from the first year. This means that the improvement found is a signal of better performance and continuous efforts of firms in improving corporate governance. Meanwhile, sufficient attention is needed in each specific area.

Figure 55 shows the distribution of PLCs in the 4 years of assessment in each score scale. Firms tend to move from lower scales to higher scales, and there are twice as many companies scoring over 50 points than in the previous years (six companies in 2015 compared with three companies in 2014). The highest total score achieved has increased by 15.9 points. The lowest total score has also risen by 1.87 points. There are no more companies scoring below 20. This improvement reveals the great efforts of listed companies, especially the top-ranked, in enhancing disclosure and transparency, in implementing corporate governance practices, and in adopting international best practices this year.

However, based on the figure above, 63.33% of the companies have scores lower than 40 points. It is normally easier to fulfill the fundamental requirements than reach above the bar which requires much more effort and commitment. ACGS is built not only to encourage firms to perform at minimum compliance, but also to aim at building real concern for investors and ethical practices of corporate

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

PLC = publicly listed company.

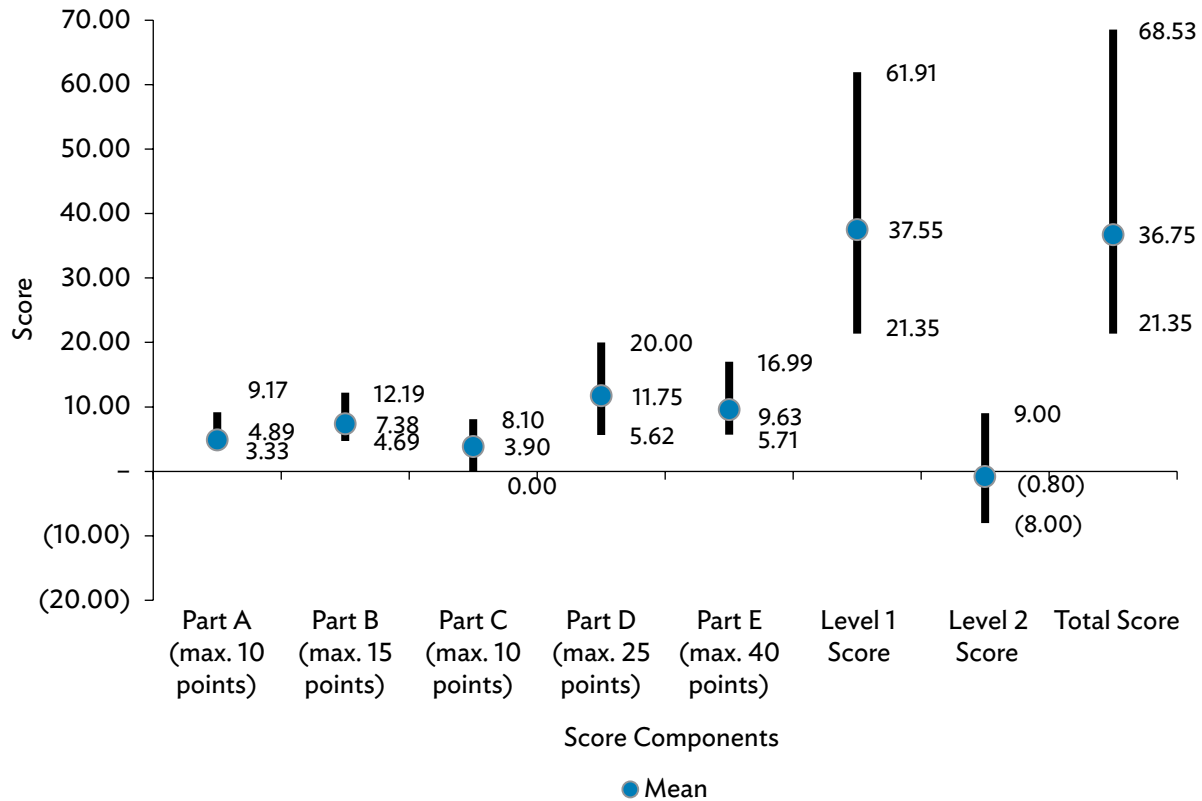
Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

governance. To enable attainment of higher scores, efforts need to come from the top leaders who are expected to set the tone at the top with regard to corporate governance and continuously commit to implement good corporate governance down to the management levels.

Figure 56 shows the ranges of scores in each part, along with the maximum, minimum, and mean scores. There is a large difference in total scores among PLCs. The best-performing company scored 68.53 points, while the poorest-performing company scored only 21.35 points.

The scorecard consists of two main parts: Level 1 includes criteria for good corporate governance practices in all aspects, and Level 2 includes bonuses for best corporate governance practices, or penalties for serious violations of the same. The maximum score in Level 1 is 100. The maximum score in Level 2 that a company satisfying all bonus criteria and not receiving any penalties can achieve is 26. The minimum score in that level is -59 if the company did not get any bonus and incurred all penalties.

Figure 56: Viet Nam—Maximum, Mean, and Minimum Scores in Each Part



() = negative.

Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

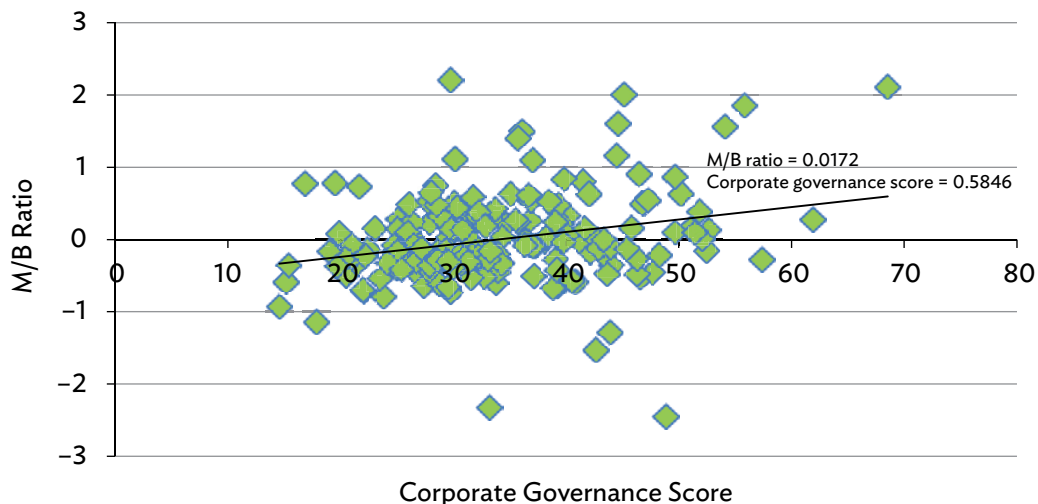
Corporate Governance and Firm Values – Observations from 4-Year Assessment

The benefits of good corporate governance can be derived from the analysis of the relationship between the corporate governance scores and market values of firms, reflected by Market-to-Book (M/B) ratio, which is measured by stock price divided by book value of equity. A higher M/B ratio reflects a better market assessment of firms’ stocks.

The results from the analysis of the relationship of M/B ratios and corporate governance scores of the 4-year assessment show that scores and M/B ratios are positively related, which means that firms that have higher corporate governance scores have higher stock prices. This analysis took into account the differences of firms in terms of size, growth, profitability, and leverage, as these factors are believed to have a significant impact on firms’ corporate governance scores. The positive relationship of the M/B ratio and the corporate governance score is very convincing evidence to explain why it is worthy for firms to invest in corporate governance. The slope of the regression line shows that an increase in

10 points of the corporate governance score resulted in a \$17.20 increase in stock price for every \$100 of book value of the stock. The market highly values firms' investment in governance and is willing to pay significantly higher prices for companies with good governance.

Figure 57: Viet Nam—Market-to-Book Ratio and Corporate Governance Scores
(after controlling for differences in size, growth, profitability, and leverage)



M/B ratio = market-to-book ratio.

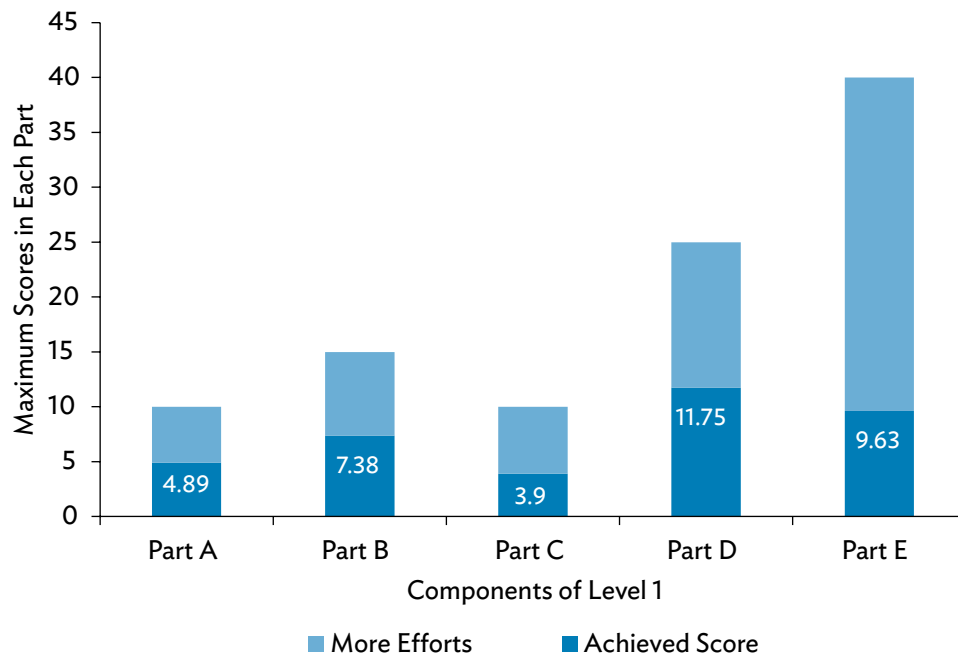
Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

Level 1 Performance

Level 1 questions are important to Vietnamese firms as they require fundamental compliance with various corporate governance principles. Level 1 questions also have a significant impact on the overall scores of the companies. However, it is not easy to perform well in this level. There are 180 criteria under Level 1. Figure 58 presents the component scores of all corporate governance areas in Level 1.

Among the 100 total points in Level 1, Part E has the highest weight (40%), followed by Part D (25%), Part B (15%), and part A and C (10% each). From the results, there are three parts that require full attention: Part E (with an average score of 9.63 out of 40 points) on board responsibilities, Part D (with an average score of 11.75 out of 25 points) on disclosure and transparency, and Part C (with an average score of 3.9 out of 10 points) on the role of stakeholders. Part A (with an average score of 7.38 out of 15 points) and Part B (with an average score of 4.89 out of 10 points) also need to receive close attention so that corporate governance scores of Vietnamese companies can improve.

2015's results show a significant improvement in Part E. However, there is still much room for improvement to meet the regional standards. Companies need to pay more attention to the disclosure of the English version of corporate governance policies, board charter, code of conduct and/or code of

Figure 58: Viet Nam—Achieved Score in Each Part of Level 1

Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

ethics, and list of board roles and responsibilities in their annual report. Complying with the Corporate Governance Code 2012 with regard to the presence of independent directors on the board is critical as this is a highly regarded corporate governance standard in the ASEAN markets.

Information on board independence is essential to build confidence among investors as to the capability of the board to make objective judgments, monitor key executives, and prevent conflicts of interest. The supervisory board's independence is also important; therefore, companies should disclose fully its independent status and qualifications. Companies need to build functional committees to support the board in fulfilling the variety of assigned duties. The board of directors has to put in more effort to fulfill its roles of overseeing and reviewing key areas in the internal risk management systems and this information needs to be clearly shown in the annual report. Disclosure of the remuneration and fee structure of board members and key executives is among the important responsibilities of the board. Succession planning, orientation programs, and education activities for new and current directors are also among key important information that investors expect to know.

The next important area is Part D on disclosure and transparency. Compared with previous years, the increase in both the highest and lowest scores shows the enhancement of Vietnamese listed companies' information disclosure. However, the mean score is still below the passing mark. In general, companies need to devote more time in preparing and disclosing fully all necessary information to satisfy disclosure and transparency criteria, as well as to provide important evidence for good practices and policies that companies have in place and are implementing.

Vietnamese PLCs should pay more attention in effectively disclosing direct and indirect shareholdings of major shareholders, board members and key executives, board remuneration, and meeting attendance. Also, comprehensive biographical details of board members, including information about directorships of board members in other listed companies, should be fully presented in the annual report. Timely disclosure of key information such as financial statements and annual reports should be well implemented. To avoid potential conflict of interest, Vietnamese companies should embed necessary policies about reviewing and approving significant RPTs by board of directors in their corporate governance policies.

According to the assessment of Part C, more than half of the companies have an independent sustainability report or separate corporate responsibility section in the annual report. This is a very encouraging signal that their awareness of corporate responsibility is heightened. Nevertheless, the contents of these reports need to be improved, especially in terms of revealing disclosure 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 also needs to be set up and applied well. Performance in Part A on rights of shareholders could be enhanced if enough attention is paid in providing more rationales, explanations, and information to help investors in approving AGM resolutions. Part A focuses on AGM and related documents to look for evidence of the exercise of basic shareholders' rights. Therefore, good disclosure of AGM minutes with sufficient information would help companies improve their scores remarkably.

The 2015 results show that performance in Part B improved only slightly. Implementing and disclosing policies on equitable treatment of shareholders require much attention. Companies need to put more effort into the timely disclosure of AGM notices in English including comprehensive information such as profiles of directors seeking election, names of auditors seeking appointment, and explanations of the dividend policy. Some policies and good practices are needed, such as policies on reviewing, approving, and conducting RPTs, policies on requiring board members to abstain from participating in board discussions of matters when they have a conflict of interest, and a policy on the reporting requirement of directors' dealings in company shares within 3 business days. These should be clearly stated and mentioned in companies' corporate policies.

While many companies exerted effort to score in Level 1, some of them lost significant points in Level 2 since they were penalized for committing administrative violations, having a chairperson who was the company CEO in the past 3 years, and failing to disclose the independent status of board members. However, bonuses were awarded to companies implementing good corporate governance practices, e.g., timely disclosure, establishing a separate board-level risk committee, having at least one female independent director, and disclosing details of CEO remuneration.

In general, the assessment for 2015 shows the efforts of Vietnamese authorities and listed companies in improving corporate governance performance in the country. Further improvement will require more awareness raising activities among listed companies on the importance of corporate governance and practical steps to implement them.

Part A: Rights of Shareholders

The Rights of Shareholders category aims to assess how a company acknowledges and facilitates the exercise of all fundamental shareholders' rights. The country's corporate governance framework requires shareholders to be able to exercise their rights, including the right to participate and vote in the AGM, make fundamental decisions for the company, nominate and elect directors, approve major transactions, and receive a share in company profits. One of the strengths of PLCs in this area is the prompt and public disclosure of AGM resolutions. In addition, the ratio of companies disclosing practices to encourage participation of shareholders, especially institutional shareholders, has increased significantly compared to last year's assessment.

The main areas for improvement in Part A relate to the lack of disclosure of AGM minutes and incomplete information in AGM notices. A substantial majority of AGM notices fail to reach shareholders at least 21 days before the meeting and provide insufficient explanations and information for each agenda item that requires shareholders' approval. It is also uncommon for Vietnamese PLCs to release AGM minutes, which are expected to reveal valuable information on the proceedings and the effectiveness of the AGM. This leads to poor scores on a number of relevant items, such as those on the attendance of board members and key executives or the question-and-answer session.

Moreover, the majority of PLCs failed to disclose the AGM outcome within 24 hours and the voting results were not in the format of detailed breakdowns of approving, dissenting, and abstaining votes for each resolution. Also, the ratio of companies adopting the best practice of paying dividends within 30 days after the declaration or approval of the dividend needs to improve.

Figure 59: Viet Nam—Strengths and Areas for Improvements in Rights of Shareholders



STRENGTHS

- Resolutions of the AGM are disclosed publicly and promptly.
- Policies to encourage participation of shareholders, especially institutional shareholders, are disclosed in annual reports.



AREAS FOR IMPROVEMENT

- Notice of AGM and supporting documents are not published at least 21 days before the meeting.
- AGM notices lack rational 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.
- Disclosure of AGM results is not evident or failed to be made within 24 hours.
- Dividend payments usually are not made within 30 days after declaration or approval.

AGM = annual general meeting.

Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

Part B: Equitable Treatment of Shareholders

According to the principle of equitable treatment of shareholders, companies are required to ensure fair treatment of shareholders, especially minority and foreign shareholders. The AGM procedures, for example, should facilitate the participation of all shareholders without undue complexity. Similarly, insider trading and intransparent RPTs should be prohibited to protect the disinterested shareholders.

The general practice in Viet Nam is that listed companies solely have one class of ordinary shares and each ordinary share is equivalent to one vote. This ensures that all ordinary shareholders are treated equitably. In addition, only few PLCs have RPTs that could be classified as financial assistance to entities other than wholly owned subsidiaries. Another notable observation in this category is the slight improvement of AGM notices' content. In particular, the ratio of companies including a list of auditors seeking appointment and the dividend policy in their AGM notices is higher than 2014 result.

Nevertheless, the scores of Vietnamese PLCs in this category still remain low compared with regional standards primarily due to the unavailability of AGM notices in English. Only a few companies provide in the notices of the AGM complete details of the profiles of directors seeking election or reelection. In addition, AGM notices in English, if available, are usually released later than the local language version, which limits the access to timely information by foreign shareholders.

Figure 60: Viet Nam—Strengths and Areas for Improvement in Equitable Treatment of Shareholders



STRENGTHS

- Resolutions of the AGM deal with only one item and there is no bundling of several items into the same resolution.
- There is a limited number of cases of financial assistance to entities other than wholly owned subsidiaries.



AREAS FOR IMPROVEMENT

- AGM notices 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 names of auditors seeking appointment or reappointment is inadequate.
- 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 RPTs.
- The statement that RPTs are executed on fair terms and at arm's length regardless of the nature and size is rarely observed.
- There is little evidence of policies requiring directors to abstain from participating in board discussions of matters when they have a conflict of interest.

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

Source: Change to Ho Chi Minh City University of Technology, VNU-HCM 2015.

In terms of RPT policy, few companies disclosed that they have a policy that requires independent directors to review material RPTs and interested directors to abstain from voting in order to avoid conflict of interest. Moreover, virtually none of Vietnamese PLCs stated that RPTs were conducted in a fair manner and at a reasonable distance. The lack of such evidence raises the issue of poor protection of minority shareholders from significant RPTs. It is also rare for PLCs to have a policy requiring directors to report their dealings within 3 business days.

Part C: Role of Stakeholders

The OECD Principles of Corporate Governance state that the corporate governance framework should consider the economic, social, and environmental impacts of companies' activities in protecting the rights of stakeholders, including the employees, suppliers, customers, creditors, environment, and community. During the 4 year assessment of PLCs using the ACGS, it is found that the role of the stakeholders has not received comprehensive attention from most Vietnamese PLCs. It suggests that

Figure 61: Viet Nam—Strengths and Areas for Improvement in Role of Stakeholders



STRENGTHS

- Most PLCs report their efforts to interact with the communities and to keep their value chain environmentally friendly.
- Many PLCs have a separate corporate responsibility report or section, or sustainability report or section.
- More PLCs disclose information relating to employees' health, safety, and welfare, as well as on training and development.



AREAS FOR IMPROVEMENT

- There is lack of disclosure of practices relating to customer welfare and supplier selection.
- Policies and procedures pertaining to anticorruption activities and protection of creditors' interests should be disclosed.
- More PLCs should provide contact details via company websites or annual reports, which stakeholders can use to voice their concerns or complaints on any violation of their rights.
- More PLCs should have in place a reward or compensation policy for staff to recognize their long-term performance.
- Procedures for dealing with complaints by employees concerning illegal and/or unethical behaviors as well as protection policies or procedures for whistle-blowers from retaliation should be provided.

PLC = publicly listed company.

Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

the interest of broader stakeholders should be given importance by the company to reach sustainable development.

The 2015 results for this category shows improvement, indicating increasing compliance on disclosures relating to the employee such as disclosures on health, occupational safety, and welfare, as well as staff training and development programs. Most companies are more concerned about policies and activities to protect the environment and the community.

However, many companies still fall short in disclosures regarding customer welfare and supplier selection practices. Policies and procedures pertaining to anticorruption activities and protection of the creditors' interests have been poorly addressed by the sampled PLCs. Most of them should be encouraged to provide accessible channels for the related parties to voice their concerns or report any violations of their rights. In addition, an employee reward policy based on long-term performance remains to be an area that Vietnamese PLCs have not appropriately implemented. Furthermore, most PLCs do not even have policies and procedures for dealing with complaints from employees about illegal and/or unethical behavior, and for the protection from reprisal of those who reveal such behaviors.

Part D: Disclosure and Transparency

The Disclosure and Transparency category aims to assess a company's level of transparency relating to the release of relevant information. This is an important area as the greater the disclosure and transparency, the greater the evidence of good practices in corporate governance are revealed.

Compared to assessment results of previous years, notable improvements in this area are seen with the apparent increase in both maximum and minimum scores. It could imply that Circular 52 guiding information disclosure and Circular 121 providing corporate governance regulations have effectively raised the transparency of the securities market.

In 2016, the quality of annual reports, an important information channel to investors, has improved as most Vietnamese PLCs adequately incorporate fundamental information in the report, such as corporate objectives, key risks, and financial and nonfinancial performance indicators. In addition, the identity of the beneficial owners of substantial shareholdings and details of corporate group structure are fully disclosed. The companies are also good at presenting all required information relating to RPTs and insider trading. In terms of the quality of the company website, a large majority of the companies exhibit good practice in providing up-to-date information about business operations, current and prior years' financial statements, and downloadable annual reports.

Nonetheless, there is still much room for improvement in this area. Companies need to improve the disclosure of both direct and indirect shareholdings of major shareholders, board members, and key executives. Information about dividend target ratio, directorships of board members in other listed companies, training and education programs of directors, and remuneration details of board members are hardly found in the annual reports. Other improvements that need to be made are the practice of timely disclosure of audited financial statements and the use of alternative communication

Figure 62: Viet Nam—Strengths and Areas for Improvement in Disclosure and Transparency

STRENGTHS

- Fundamental company information, e.g., corporate objectives, key risks, and financial and nonfinancial performance indicators are stated in the annual report.
- There is disclosure of the identities of the beneficial owners and substantial shareholders and details of corporate group structure.
- Adequate information relating to related party transactions and insider trading are presented in the annual report.
- The company website in English provides fundamental information, current and prior years' financial statements, and downloadable annual reports.



AREAS FOR IMPROVEMENT

- The direct and indirect shareholdings of major shareholders, board members, and key executives are not disclosed.
- There is insufficient information about directorships of board members in other listed companies, training and education programs of directors, and details of remuneration of board members.
- The dividend target ratio is rarely found in the annual report.
- Publication of audited financial statements in English is usually more than 120 days from the financial year-end.
- There is limited use of alternative communication channels between companies and investors, e.g., analyst briefings, press conferences, and media briefings.
- The company does not have a clear statement on full compliance with the Corporate Governance Code.
- There is lack of disclosure of audit and nonaudit fees.
- AGM notices, AGM minutes, and the company's constitutive documents are not found on the company website.
- The contact details of the department or person in charge of investor relations are not disclosed.

AGM = annual general meeting.

Source: Change to Ho Chi Minh City University of Technology, VNU-HCM 2015.

channels between companies and investors, e.g., analyst briefings, press conferences, and media briefings. Moreover, there are few annual reports that contain a statement confirming the company's full compliance with the Corporate Governance Code 2012 or at least an explanation for cases of noncompliance. Similarly, the disclosure of audit fees and details of the whistle-blowing policy is rarely observed. The company websites need to fully incorporate AGM notices, AGM minutes, company's constitutive documents, and contact details of the department or person in charge of investor relations so that the websites operate more effectively as the key information and communication channel of shareholders.

Part E: Responsibilities of the Board

According to the OECD Principles of Corporate Governance, the board should ensure that it perform its central role which is mainly to be responsible for guiding corporate strategy and monitoring managerial performance. It is expected to add more value to business in the market and consider the best interest of shareholders as the board fulfills certain key functions effectively.

In 2015, it is more apparent that board members exercise active roles in reviewing and monitoring the implementation of the corporate strategy and in attending board meetings. Moreover, the Vietnamese PLCs remain strong in clearly stating their vision and mission in the annual reports and company websites, as well as in providing profiles or qualifications of supervisory board members. With regard to the separation of monitoring and management, it is found that more PLCs have different persons assuming the roles of chairperson and CEO.

There is still room for improvement as many PLCs did not disclose details of the code of ethics and remuneration of board members and the CEO. None of the reviewed companies has more than 50% independent directors in the board or has a policy limiting the term of independent directors to 9 years. Moreover, most of the reviewed companies did not clearly state the independence of the board from management and major shareholders, as well as disclose the identity of the independent board members. Most of them did not explicitly show the other directorships that each board member holds in other listed companies. Not many PLCs schedule board meetings before the start of the new fiscal year or have at least one meeting of the nonexecutive board members.

In addition, very few companies apply diversity policy in selecting and nominating new directors. It was also found that only some boards conducted annual evaluations of boards, individual directors, and board committees and disclosed the assessment process and criteria. Although the board committees are established to facilitate board activities in specific expertise; few companies set up subcommittees, such as the nominating and remuneration committees. Similarly, activities of the board in conducting a review and commenting on the adequacy of the company's internal control and risk management systems also need to be further improved.

Bonus and Penalty

The bonus section in Level 2 is to motivate companies that implement corporate governance practices that go beyond the criteria in Level 1. In 2015, PLCs have improved in several practices, such as disclosure of details of CEOs' remuneration, presence of a female independent director on the board, and establishment of a separate risk committee of the board. One notable improvement that deserves bonus points is that two companies released AGM notices 28 days before the date of the meeting, compared to none in the previous year. Also, one Vietnamese listed company published its audited financial statements within 60 days after the fiscal year-end.

Figure 63: Viet Nam—Strengths and Areas for Improvement in Responsibilities of the Board

STRENGTHS

- The board of directors monitor the implementation of the corporate strategy.
- Profiles or qualifications of supervisory board members are disclosed.



AREAS FOR IMPROVEMENT

- There is a lack of detailed disclosure of the code of ethics.
- There is lack of detailed disclosure of the remuneration of the board of directors and chief executive officer.
- Independent directors do not make up at least 50% of the board.
- There is no policy on the term limit of 9 years for independent directors.
- Disclosure of other directorships that each board member holds in listed companies is limited.
- Few PLCs schedule board meetings before the start of the new fiscal year.
- Nonexecutive board members do not organize a meeting for themselves during the year.
- Few PLCs have a board diversity policy.
- There is inadequate disclosure of selection criteria and nomination processes of new directors.
- There is a lack of disclosure on the board annual assessment, evaluation, process and criteria for the board, individual directors, and board committees.
- Few companies set up subcommittees, such as the nomination and remuneration committees.
- There is a lack of disclosure of the independence of the board from the management and major shareholders, and of the identity of the independent board members by most companies.
- There is no evidence that the board reviews and comments on the adequacy of the company's internal control and risk management systems.

PLC = publicly listed company.

Source: Change to Ho Chi Minh City University of Technology, VNU-HCM 2015.

Penalty points in Level 2 were deducted for violations of laws pertaining to labor, employment, consumer, insolvency, commercial, competition or environmental issues and one case in which the chairperson had been the company CEO in the last 3 years.

Conclusions and Recommendations

The regulatory and judicial enforcement capacity in Viet Nam has improved with new regulations being issued that facilitate a better corporate governance framework for the stock market, such as Circular 155/2015/TT-BRC. One of the notable changes in this circular is provisions that encourage

listed companies to disclose information in both Vietnamese and English in order to increase foreign investors' access to information. This new circular is expected to promote information disclosure in English and gradually raise the domestic disclosure practices to meet international standards in the near future. As a result, more companies are found to have key investor information available in English in the 2015 assessment.

Though the improvement is encouraging, more effort should be made to raise awareness of PLCs on the importance of corporate governance to companies' sustainable development. Good corporate governance requires policies and procedures that promote awareness and observance of shareholders' and other stakeholders' rights at company level. In 2015, the most remarkable improvements have been seen in disclosure and transparency and in responsibility of the board (Part C and Part E). However, much more effort should be exerted at both the regulatory and corporate levels to match the regional jurisdictions.

To improve disclosure and transparency, companies need to devote more time in preparing and disclosing fully all necessary information to satisfy the disclosure and transparency criteria, as well as to provide important evidence of good practices and policies that companies may have in place and are implementing.

An encouraging evidence was that the market is willing to reward good governance. The positive relationship of the M/B ratio and corporate governance scores found from the performance scores of the last 4 years of assessment is very convincing evidence to explain why it is worthy for firms to invest in corporate governance. An increase of 10 points of the corporate governance score will result in a \$17.20 increase in stock price for every \$100 of book value of the stock. The market highly values firms' investment in governance and is willing to pay significantly higher prices for companies with good governance. Therefore, shareholder engagement and market activism should be encouraged and facilitated, more so that voluntary efforts of PLCs in improving corporate governance are more quickly observed.

The 2015 assessment shows modest improvement and this is largely due to the role played by the State Securities Commission to raise awareness and listed companies taking corporate governance practices more seriously. The government, shareholders, institutional investors, and market activists need to work harder to promote a strong culture of good governance in PLCs.

It is normally easier for PLCs to fulfill fundamental regulatory requirements. Reaching above the bar to meet market expectations requires much more effort and commitment. ACGS is an initiative that not only aims at encouraging firms to perform at regulatory compliance levels, but also aims at building a culture of real concern for investors and promoting ethical practices of corporate governance. For Vietnamese PLCs to match their peers in the ASEAN region, serious effort needs to come from the top corporate leaders who are expected to set the tone of good corporate governance and continuously commit to implementing good corporate governance practices down to the management level.

Table 25: Viet Nam—Top 3 Publicly Listed Companies in the ASEAN Corporate Governance Scorecard based on 2015 Total Score
(alphabetical order by stock code)

No.	Stock Code	Name
1	DPM	PetroViet Nam Fertilizer and Chemicals
2	HCM	Ho Chi Minh City Securities
3	VNM	Viet Nam Dairy Products Joint Stock

ASEAN = Association of Southeast Asian Nations.

Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

Table 26: Viet Nam—Top 10 Publicly Listed Companies in the ASEAN Corporate Governance Scorecard based on 2015 Total Score
(alphabetical order by stock code)

No.	Stock Code	Name
1	CTG	Viet Nam Joint Stock Commercial Bank for Industry and Trade
2	DHG	DHG Pharmaceutical Joint Stock
3	DPM	PetroViet Nam Fertilizer and Chemicals
4	HAG	Hoang Anh Gia Lai Joint Stock
5	HCM	Ho Chi Minh City Securities
6	HSG	Hoa Sen Group
7	PAN	Pan Pacific
8	SSI	Sai Gon Securities
9	VCB	Joint Stock Commercial Bank for Foreign Trade of Viet Nam
10	VNM	Viet Nam Dairy Products Joint Stock

ASEAN = Association of Southeast Asian Nations.

Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

Table 27: Viet Nam—Top 30 Publicly Listed Companies in the ASEAN Corporate Governance Scorecard based on 2015 Total Score
(alphabetical order by stock code)

No.	Stock Code	Name
1	ACB	Asia Commercial Bank
2	BIC	BIDV Insurance
3	BID	Joint Stock Commercial Bank For Investment And Development of Viet Nam
4	BVH	Bao Viet Holdings
5	CNG	CNG Viet Nam Joint Stock
6	CTG	Viet Nam Joint Stock Commercial Bank For Industry and Trade
7	DHG	DHG Pharmaceutical Joint Stock
8	DPM	PetroViet Nam Fertilizer and Chemicals
9	EIB	Viet Nam Export Import Commercial Joint Stock Bank
10	EVE	Everpia Viet Nam Joint Stock
11	FPT	FPT
12	GMD	Gemadept
13	HAG	Hoang Anh Gia Lai Joint Stock
14	HBC	Hoa Binh Construction & Real Estate
15	HCM	Ho Chi Minh City Securities
16	HSG	Hoa Sen Group
17	MSN	Masan Group
18	PAN	Pan Pacific
19	PNJ	Phu Nhuan Jewelry Joint Stock
20	PVD	PetroViet Nam Drilling & Well Service
21	REE	Refrigeration Electrical Engineering
22	SHB	Sai Gon - Hanoi Commercial Joint Stock Bank
23	SSI	Sai Gon Securities
24	STB	Sai Gon Thuong Tin Commercial Joint Stock Bank
25	TCM	Thanh Cong Textile Garment Investment Trading Joint Stock
26	TRA	Traphaco Joint Stock
27	VCB	Joint Stock Commercial Bank For Foreign Trade of Viet Nam
28	VIC	Vingroup Joint Stock
29	VNM	Viet Nam Dairy Products Joint Stock
30	VNR	Viet Nam National Reinsurance

ASEAN = Association of Southeast Asian Nations.

Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

Table 28: Viet Nam—List of All Publicly Listed Companies Being Reviewed in the ASEAN Corporate Governance Scorecard in 2015
(alphabetical order by stock code)

No.	Stock Code	Name
1	ACB	Asia Commercial Bank
2	BCI	Binh Chanh Construction Investment Shareholding
3	BIC	BIDV Insurance
4	BID	Joint Stock Commercial Bank for Investment and Development of Viet Nam
5	BMI	Baominh Insurance
6	BMP	Binh Minh Plastics Joint Stock
7	BVH	Bao Viet Holdings
8	BVS	Bao Viet Securities Joint Stock
9	CII	Ho Chi Minh Infrastructure Investment Joint Stock
10	CNG	CNG Viet Nam Joint Stock
11	CTD	COTEC Construction Joint Stock
12	CTG	Viet Nam Joint Stock Commercial Bank for Industry and Trade
13	DHG	DHG Pharmaceutical Joint Stock
14	DPM	PetroViet Nam Fertilizer and Chemicals
15	EIB	Viet Nam Export Import Commercial Joint Stock Bank
16	EVE	Everpia Viet Nam Joint Stock
17	FPT	FPT
18	GAS	PetroViet Nam Gas Joint Stock
19	GMD	Gemadept
20	HAG	Hoang Anh Gia Lai Joint Stock
21	HBC	Hoa Binh Construction & Real Estate
22	HCM	Ho Chi Minh City Securities
23	HHS	Hoang Huy Investment Services Joint Stock
24	HPG	Hoa Phat Group Joint Stock
25	HSG	Hoa Sen Group
26	IMP	Imexpharm

continued on next page

Table 28 continued

No.	Stock Code	Name
27	ITA	Tan Tao Investment and Industry
28	KBC	Kinh Bac City Development Holding
29	KDC	Kinh Do
30	KDH	Khang Dien House Trading and Investment JSC
31	MBB	Military Commercial Joint Stock Bank
32	MSN	Masan Group
33	NBB	NBB Investment
34	NLG	Nam Long Investment
35	NSC	National Seed Joint Stock
36	NTP	Tien Phong Plastic JSC
37	PAC	Dry Cell and Storage Battery Joint Stock
38	PAN	Pan Pacific
39	PNJ	Phu Nhuan Jewelry Joint Stock
40	PVD	PetroViet Nam Drilling & Well Service
41	REE	Refrigeration Electrical Engineering
42	SAM	SACOM Development and Investment
43	SHB	Sai Gon - Hanoi Commercial Joint Stock Bank
44	SMC	SMC Trading Investment Joint Stock
45	SSI	Sai Gon Securities
46	STB	Sai Gon Thuong Tin Commercial Joint Stock Bank
47	SVC	Saigon General Service
48	TCM	Thanh Cong Textile Garment Investment Trading Joint Stock
49	TDH	Thu Duc Housing Development
50	TLG	Thien Long Group
51	TRA	Traphaco Joint Stock
52	VCB	Joint Stock Commercial Bank for Foreign Trade of Viet Nam
53	VIC	Vingroup Joint Stock
54	VNM	Viet Nam Dairy Products Joint Stock

ASEAN = Association of Southeast Asian Nations.

Source: Ho Chi Minh City University of Technology, VNU-HCM 2015.

ASEAN Corporate Governance Scorecard Country Reports and Assessments 2015

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. In this fourth edition 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. In depth analysis of each country including rights of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, and responsibilities of the board are discussed.

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