Corporate Governance Developments in the ASEAN Region

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Chief Executive Officer

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ASEAN Economy

A Highly Competitive Economic Region

With a combined GDP of US$2.6 trillion in 2014, ASEAN economy was the 7th largest in the world and the 3rd largest in Asia.

ASEAN FDI

A World Class FDI Investment Destination

ASEAN attracted US$136 billion in FDI in 2014, accounting for 11% of global FDI inflows, up from only 5% in 2007.

ASEAN Population

A Region Fully Integrated Community

In 2014, ASEAN was the 3rd largest market in the world with 622 million people behind only China and India.

ASEAN Connectivity

A More Connected Community

Annual tourist arrivals were up from 62 million in 2007 to 105 million in 2014, almost half of which were intra-ASEAN.

The rate of Internet subscription more than doubled from 11.8 per 100 inhabitants in 2007 to 28.6 in 2014.

ASEAN Trade

A More Integrated Market

Total trade increased by nearly US$1 trillion between 2007 and 2014, with intra-ASEAN trade comprising the largest share of ASEAN's total trade by partner.
The 1997 Asian Financial Crisis sparked the adoption of corporate governance in ASEAN.
Causes of the Asian Financial Crisis

Challenges in Asia

- Concentrated Ownership Structure
- Lack of Board Independence
- Prevalence of Related Party Transactions

Source: OECD CG White Paper on Asia
<table>
<thead>
<tr>
<th>Country</th>
<th>Landmark CG Laws</th>
<th>CG Private Sector Partners</th>
</tr>
</thead>
</table>

- Ensuring the Basis for an Effective Corporate Governance Framework
- The Rights of Shareholders and Key Ownership Functions
- The Equitable Treatment of Shareholders
- The Role of Stakeholders in Corporate Governance
- Disclosure and Transparency
- The Responsibilities of the Board
## Second Wave: Convergence of CG Laws

<table>
<thead>
<tr>
<th>Country</th>
<th>Recent CG Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Indonesian Corporate Governance Roadmap (2013)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Corporate Governance Blueprint (2011)</td>
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<td></td>
<td>Bursa Malaysia Corporate Disclosure Guidelines (2013)</td>
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<td>Malaysian Code for Institutional Investors (2014)</td>
</tr>
<tr>
<td>Philippines</td>
<td>Philippine Corporate Governance Blueprint (2015)</td>
</tr>
<tr>
<td></td>
<td>Code of CG for PLCs (2016)</td>
</tr>
<tr>
<td>Singapore</td>
<td>SGX Listing Requirements (amended in 2011)</td>
</tr>
<tr>
<td></td>
<td>Singapore Code of Corporate Governance (revised 2012)</td>
</tr>
<tr>
<td>Thailand</td>
<td>Principles of Good Corporate Governance for Listed Companies 2006 (revised 2013)</td>
</tr>
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<td></td>
<td>Sustainability Development Roadmap (2013)</td>
</tr>
<tr>
<td></td>
<td>Disclosure Rule (2012)</td>
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<td></td>
<td>Listing rules of the Ho Chi Minh and Hanoi stock exchanges</td>
</tr>
</tbody>
</table>
Introduction of Corporate Governance Scorecards

1990s – adoption of country CG codes

2004 onwards – development of scorecards

2011 – ASEAN Capital Markets Forum (ACMF) initiates ASEAN CG Scorecard
Initiatives towards an ASEAN integrated market...

- Cross-border fundraising
  - ASEAN Disclosure Standards for equity and plain debt securities
  - Expedited entry for secondary listings

- Cross-border product distribution
  - Mutual recognition of Collective Investment Schemes
  - ASEAN Trading Link
  - Settlement Link

- Cross-border offering of services

- Regional capital market development
  - Corporate governance ranking of ASEAN PLCs
  - Regional cooperation in Islamic capital markets
  - Cross-border enforcement and dispute resolution
  - Technical support for newer markets e.g.: Laos, Cambodia, Vietnam, Brunei
ACGS is an ASEAN Capital Markets Forum initiative:

1. Raising corporate governance standards of ASEAN PLCs
2. Promote ASEAN as an asset class spearheaded by its PLCs
The Scorecard is mainly based on OECD Principles of Corporate Governance...

...and takes into account other global and regional best practices and initiatives.
**Focus of the ASEAN CG Scorecard**

**ASEAN Corporate Governance Scorecard**

Assesses the compliance of a **PLC** with the OECD Principles of Corporate Governance

... based on publicly available and accessible information, sourced from:

- Annual reports
- Company websites
- Announcements of AGM
- Articles of association
- Minutes of AGM
- Corporate Responsibility / ESG Report

**ACGA-CLSA Corporate Governance Watch**

Assesses a **COUNTRY** in the following categories:

- CG rules and practices
- Enforcement
- Political and regulatory
- Accounting & Auditing (IGAAP)
- CG culture

**World Bank CG ROSC Assessment**

Assesses the compliance of a **COUNTRY** with the OECD Principles of Corporate Governance:

- Corporate Governance Framework
- Shareholder Rights
- Equitable Treatment of Shareholders
- Role of Stakeholders
- Disclosure and Transparency
- Responsibilities of the Board
Weightage of each part takes into account national initiatives

<table>
<thead>
<tr>
<th>Sections of Scorecard</th>
<th>Weights per section of Scorecard</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A: Rights of shareholders</strong></td>
<td>20%</td>
</tr>
<tr>
<td><strong>B: Equitable treatment of shareholders</strong></td>
<td>15%</td>
</tr>
<tr>
<td><strong>C: Role of stakeholders</strong></td>
<td>15%</td>
</tr>
<tr>
<td><strong>D: Disclosure and transparency</strong></td>
<td>25%</td>
</tr>
<tr>
<td><strong>E: Responsibilities of the board</strong></td>
<td>25%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

Bonus (11) and penalty sections are added to:

- **Bonus**: reward CG practices that are higher than the common standards adopted by ASEAN countries
- **Penalty**: penalize those that do not meet the common standards

Bonus and penalty sections are added to:

- **Bonus** item is allocated 2, 3 or 4 pts
- **Penalty** attracts between -1 and -4 pts
Assessment Process

SELECT TOP 100 PLCs by market cap

DOMESTIC RANKING

PEER-REVIEW

FINALIZATION OF SCORES
Based on average scores, the best performing PLCs were from TH followed by SG and MY.
Countries with most improved average scores since 2012 are PH (49.5%) and IND (44.8%).
Comparison of 2012, 2013, 2014 and 2015

The scores of ASEAN PLCs have positively moved toward the upper scale.

Breakdown by Levels...

<table>
<thead>
<tr>
<th>Score (points)</th>
<th>Mean</th>
<th>Median</th>
<th>Max attainable score</th>
<th>No. of PLCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVERALL</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>53.66</td>
<td>64.02</td>
<td>67.69</td>
<td>71.81</td>
</tr>
<tr>
<td>Median</td>
<td>55.79</td>
<td>64.55</td>
<td>68.29</td>
<td>72.69</td>
</tr>
<tr>
<td>Max attainable score</td>
<td>90</td>
<td>100</td>
<td>105.48</td>
<td>115.95</td>
</tr>
<tr>
<td>No. of PLCs</td>
<td>536</td>
<td>529</td>
<td>550</td>
<td>555</td>
</tr>
<tr>
<td>LEVEL 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>54.32</td>
<td>60.09</td>
<td>64.72</td>
<td>68.87</td>
</tr>
<tr>
<td>Median</td>
<td>56.91</td>
<td>61.50</td>
<td>65.56</td>
<td>70.16</td>
</tr>
<tr>
<td>LEVEL 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>-0.66</td>
<td>3.92</td>
<td>2.98</td>
<td>2.94</td>
</tr>
<tr>
<td>Median</td>
<td>0</td>
<td>3.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
</tbody>
</table>

Mean for total scores increases by 5% in 2015 compared to 2014.
2015 ASEAN Top 50 PLCs

<table>
<thead>
<tr>
<th>No.</th>
<th>Country</th>
<th>TOP 5 ASEAN PLCs (in alphabetical order)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MY</td>
<td>BURSA MALAYSIA BERHAD</td>
</tr>
<tr>
<td>2</td>
<td>SG</td>
<td>DBS GROUP HOLDINGS LTD</td>
</tr>
<tr>
<td>3</td>
<td>TH</td>
<td>PTT GLOBAL CHEMICAL PUBLIC COMPANY LIMITED</td>
</tr>
<tr>
<td>4</td>
<td>TH</td>
<td>SAMART CORPORATION PUBLIC COMPANY LIMITED</td>
</tr>
<tr>
<td>5</td>
<td>SG</td>
<td>SINGAPORE TELECOMMUNICATIONS LIMITED</td>
</tr>
</tbody>
</table>
Today is August 9, 2016

To: ALL PUBLICLY-LISTED COMPANIES

Subject: RECOMMENDED BEST CORPORATE GOVERNANCE PRACTICES

SEC ADVISORY

In view of the best corporate governance practices espoused in the ASEAN Corporate Governance Scorecard and in light of the Commission’s vision for a corporate governance culture for Philippine companies, the Commission hereby highly recommends to all publicly-listed companies (PLCs) to adopt the following practices:

1. The Chairman of the Board and the Chief Executive Officer should not be the same individual.

2. The Chairman of a publicly-listed company (PLC) should be separate from the company’s CEO in the last three (3) years.

3. Independent and non-executive directors should not hold any board seats in PLCs.

4. At least one (1) female independent director should be elected.

Mandaluyong City, 12 March 2015.
The SingTel Case: Board Diversity

- 7 male, 4 female
- 1 executive, 10 non-executive
- 8 independents, 3 non-independents
- 7 Chinese, 4 foreign
- 7 over 60 years old, 4 between 50 and 60 years old, 1 below 50
- At least 1 female on the Corp Gov & Nomination Committee
The SingTel Case: Board Development and Director Training

- Presentations by experts in telco technology, regulatory matters, economic/business environment
- Seminars and courses
- Overseas trips
- Key industry events
The SingTel Case: Director Commitment

- No more than 6 principal board appointments
- Directors must provide the CGNC with details of their other board commitments and an indication of time involved
- NEDs must consult with the Chairman or CGNC Chairman before accepting other appointments
- Cannot trade in shares of listed associates of SingTel
The SingTel Case: Role of the Chairman

- Executive but separate from CEO
- Leads the board and ensures its effectiveness
- Sets agenda in consultation with CEO
- Promotes dialogue between CEO and directors
- Works with CEO on talent management
- Together with board and management, establishes risk boundaries
- Ensures governance systems and processes are in place
- Communicates with large shareholders
The SingTel Case: Board Committees and Composition

- Audit: 4 IDs, 1 non-ID
- CG & Nomination: 3 IDs, 1 non-ID
- Executive Resource & Compensation: 4 IDs, 1 non-ID
- Finance & Investment: 3 IDs, 1 non-ID
- Risk: 2 IDs, 1 non-ID
- Technology Advisory Panel
- Optus Advisory Board
The SingTel Case: Disclosures

- Board and committee attendance for the year
- Quarterly results released 45 days after quarter close
- Remuneration paid to individual directors and CEO
- Remuneration paid to employees who are related to directors
The SingTel Case: Investor Relations

• group/one-on-one meetings
• Conference calls
• Email and website
• Investor conferences
• Roadshows
• surveys
The SingTel Case: Director Remuneration

- Chairman remuneration
  - 2/3 in cash with balance in shares
  - Car benefit
  - No committee fees or travel allowance

- NEDs compensation consists of
  - Basic retainer
  - Committee fee
  - Attendance fee for ad hoc meetings
  - Travel allowance for overseas directors
The SingTel Case: Executive Remuneration

Total remuneration = fixed + performance-related

Fixed = base + benefits + retirement

Performance-related = variable bonus + LT incentives
Value-sharing: deferred bonuses to align sustainable value creation

- “bank” is created for each executive annually
- 1/3 of bonus is paid in cash
- 2/3 carried forward and at risk/subject to clawback depending on the performance of SingTel
The SingTel Case: Executive Remuneration – Long Term Incentives

Restricted Share Awards: 2 year performance period

50% NPAT vs targets; 50% Free Cash Flow

<table>
<thead>
<tr>
<th>Accomplishment</th>
<th>Vesting</th>
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</thead>
<tbody>
<tr>
<td>Stretch</td>
<td>130%</td>
</tr>
<tr>
<td>Target</td>
<td>100%</td>
</tr>
<tr>
<td>Threshold</td>
<td>50%</td>
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The SingTel Case: Executive Remuneration – Long Term Incentives

Performance Awards: =3 year performance period

50% shareholder return vs MSCI Asia; 50% absolute shareholder return

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</tbody>
</table>
Best practices being adopted:

- Disclosure of voting and vote tabulation procedures
- Appointment of an independent party to evaluate the fairness of transaction prices
- Disclosure of policies to encourage shareholders participation (including institutional investors)
- Disclosure of policies on related party transactions
- Communication of internal control and risk management systems
- Disclosure of safety, health, welfare, training and development programs for employee
Areas of Improvement

• Term limits for independent directors
• Limits to number of board seats
• Voting by poll
• Board performance evaluation
• Relationship with other stakeholders
“Has there been empirical evidence to show that corporate governance has a significant influence on the performance of a company? To date, we have not seen any study that supports in a concrete way that view…. I think there is some but not significant.”

– MVP, November 2015
<table>
<thead>
<tr>
<th>Section</th>
<th>Details</th>
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<tbody>
<tr>
<td>I. Ensuring the basis for an effective CG Framework</td>
<td>• Quality of supervision &amp; enforcement by regulatory agencies</td>
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<tr>
<td></td>
<td>• Role of stock markets in promoting corporate governance</td>
</tr>
<tr>
<td>II. The rights and equitable treatment of shareholders and key</td>
<td>• Information technology at shareholder meetings</td>
</tr>
<tr>
<td>ownership functions</td>
<td>• Procedures for approval of RPTs</td>
</tr>
<tr>
<td></td>
<td>• Shareholder participation on executive remuneration</td>
</tr>
<tr>
<td>III. Institutional investors, stock markets and other intermediaries</td>
<td>• Fiduciary capacity of institutional investors</td>
</tr>
<tr>
<td></td>
<td>• Need to disclose and minimize conflict of interest that may</td>
</tr>
<tr>
<td></td>
<td>compromise integrity of analysts, brokers, rating agencies, etc.</td>
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<tr>
<td>V. Disclosure and transparency</td>
<td>• Recognition of trends with respect to non-financial information</td>
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<tr>
<td></td>
<td>that companies may volunteer in their management reports</td>
</tr>
<tr>
<td>VI. The responsibilities of the board</td>
<td>• Role of the board on risk management</td>
</tr>
<tr>
<td></td>
<td>• Recommends board training and evaluation</td>
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</tbody>
</table>
Third Wave: Investor-Led Reform?

• Stewardship Codes
• Environmental, Sustainability and Governance (ESG) Reporting
Thank you!
Corporate Governance Framework - Indonesia

• Indonesian law on limited-liability companies (Undang-Undang No. 40 2007 Perseroan Terbatas)

• General Guidance on Good Corporate Governance developed by the National Committee on Governance Policy in 2001 (revised in 2006)

• Indonesian Corporate Governance Roadmap ("Roadmap") which was launched in early 2014 by the Indonesia Financial Services Authority (Otoritas Jasa Keuangan / "OJK")
Corporate Governance Framework - Malaysia

• Major Laws and Regulations Affecting Corporate Governance in Malaysia
  – Companies Act of 1965 and amendments in 2007
  – Banking and Financial Institutions Act of 1989
  – Development Financial Institutions Act of 2002
  – Bursa Malaysia Listing Requirements
  – Securities Commission Act 1993 and amendments in 2011
  – Capital Markets and Services Act of 2007
  – Malaysian Code on Corporate Governance of 2012
Corporate Governance Framework - Malaysia

- Corporate Governance Blueprint 2011
- Malaysian Code on Corporate Governance, 2012
- Bursa Malaysia Corporate Disclosure Guidelines 2013
- Malaysian Code for Institutional Investors (MCII) 2014
Corporate Governance Framework - Singapore

- **Companies Act** (revised 2014)
- **Securities and Futures Act of 2001** (and subsequent amendments),
- **Listing Requirements** (amended in 2011)
- **Singapore Code of Corporate Governance** (revised 2012)
Corporate Governance Framework - Thailand

- Public Limited Companies Act
- Securities and Exchange Act
- Civil and Commercial Code
- Listing Rules of the Stock Exchange of Thailand
- Sustainability Development Roadmap 2013
Corporate Governance Framework - Vietnam

- Law on Enterprises of 2005
- Law on Securities of 2006
- Corporate Governance Code 2007 and Amendments 2012
- Disclosure Rule 2012
- Listing rules of the Ho Chi Minh and Hanoi stock exchanges
Corporate Governance Framework - Philippines

- Corporation Code
- Securities Regulation Code
- PSE Listing Requirements
- BSP Circular No. 749 Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions
- Code of Corporate Governance (revised 2016)
- Philippine Corporate Governance Blueprint 2015