

Changing Places: A Shifting Corporate Governance Landscape in Asia

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“A New World Order” by the Asian Corporate Governance Association (ACGA) charts the shifting corporate governance landscape in the region. The 2023 edition of the biennial CG Watch report released last December shows Singapore losing ground against its peers in 12 regional markets, slipping from second to third place in the regional rankings.

For more than two decades, ACGA has tracked the highs and lows of corporate governance (CG) in 12 markets in the region. The December 2023 rankings saw the biggest change in the league table since the survey first started in 2003.

Japan soared up the league table, jumping three places to rank second behind Australia. Other markets edging forward included Taiwan, India and Korea. Hong Kong meanwhile was toppled from its long-held position as one of the top three: it fell from second to tie for sixth place with India.

ACGA Market Survey Findings

Market	2023	2020	Highlights
Australia	1	1	Marginal improvement overall but lower score on auditors and audit regulators
Japan	2	=5	Strong govt reform programme, TSE proactive and improved listed company performance
Singapore	=3	=2	Hard stop on INED tenure a plus but underwhelms in tackling large-scale financial scandals
Taiwan	=3	4	Strong on sustainable development roadmap, finally lowered threshold for substantial disclosure
Malaysia	5	=5	Regulators driving reform, but market manipulation still a significant problem
Hong Kong	=6	=2	Changed political landscape, pro-issuer reforms undermine CG landscape
India	=6	7	Solid regulators who listen to investors, better audit regulation
Korea	8	9	Rise of the retail investor, activism
Thailand	9	8	CG reform takes back seat to politics
China	10	10	New IPO regime, focus on independent directors
Philippines	11	11	Policy focus is elsewhere, securities regulator lacks resources
Indonesia	12	12	Corruption, insider trades increase but some solid players among large caps

■ Rising Market ■ Falling Market

Source: ACGA

Market Scores by Category, 2023 vs 2020

(%)		AU	CH	HK	IN	ID	JP	KR	MY	PH	SG	TW	TH
1. Government & Public Governance	2023	71	32	55	45	32	61	52	37	29	56	67	35
	2020	68	29	65	45	31	60	60	32	28	60	68	35
2. Regulators	2023	66	56	62	53	29	65	57	58	25	63	65	50
	2020	65	52	69	53	24	62	53	53	27	63	66	51
- Funding, capacity, CG reform	2023	61	44	54	52	35	67	51	56	25	56	61	45
	2020	62	42	62	51	31	58	45	53	27	56	62	47
- Enforcement	2023	72	69	72	54	22	63	64	60	24	71	70	54
	2020	68	64	76	56	16	66	62	54	26	70	70	56
3. CG Rules	2023	83	63	75	73	40	67	65	79	48	77	71	75
	2020	82	63	75	69	35	58	56	77	45	75	66	76
4. Listed Companies	2023	76	39	53	60	36	49	49	66	48	58	55	51
	2020	79	51	59	65	38	44	48	66	55	60	63	60
5. Investors	2023	69	22	33	46	20	65	56	42	25	39	40	35
	2020	66	18	34	44	19	60	44	43	21	39	38	38
6. Auditors & Audit Regulators	2023	82	49	82	69	65	83	73	92	62	83	83	79
	2020	86	43	81	54	59	77	70	86	60	81	76	76
7. Civil Society & Media	2023	82	26	50	74	44	66	43	53	33	64	62	46
	2020	80	22	60	78	38	62	36	44	36	64	62	49

Source: ACGA

Singapore and Thailand fell in the rankings. China saw no change to its position and remains in 10th place, while the Philippines and Indonesia remain at the bottom of the league table. Malaysia remained in fifth position, unchanged from the previous year.

The *CG Watch* survey seeks to answer 108 questions in seven categories, ranging from government,

public policy and regulators to CG rules, auditors, audit regulation and civil society. The survey looks at disclosure by 180 listed companies and scores investors on their performance in improving corporate governance. The research process involves desktop research as well as speaking to regulators, investors, issuers, auditors and other stakeholders in the region.

While the ranking sets the tone, it is the components of these category scores which tell the full story. For example, while Australia held its position as the best-performing market in the region, it saw only a marginal increase in score. Japan, in contrast, saw marked improvements in several categories, cumulatively bumping its overall score by 5.3 percentage points.

Shareholder activism on the rise

The biggest strides in performance were seen in markets where there is strong government support for CG, but also where the entire ecosystem is receiving a boost: either in the form of greater activism by investors and retail shareholders, or notable changes to the rules and regulatory landscape. CG reform agendas were most notable in Australia, Japan and Taiwan.

Japan's score benefited from the ambitious CG Action Programme advocated by the government in April 2023, as well as efforts by the Tokyo Stock Exchange to enhance shareholder value and improve gender diversity. Listed companies in Japan meanwhile improved their CG disclosure, while investors seem more willing to challenge corporates via engagement and shareholder proposals.

Across the region, disclosure by issuers is showing some sign of improvement. Investors are increasingly finding their collective voice and are more creative and visible in how they use their votes. Activism is gaining ground in markets such as Korea and Japan and is getting the attention of investors and (slightly less so) corporates.

Points tend to be lost where core institutions underpinning the CG ecosystem were under threat, such as in Hong Kong, including the judiciary, securities regulators, and the media. Meanwhile, where issuers tend to tick boxes and adhere to a compliance culture, it drags down the market score.

Hong Kong's drop in score reflects market concerns that the stock market reform agenda of the past

few years has diminished shareholder rights and protections, while neglecting to offer significant initiative to improve the quality of listed companies. The fears around the independence of the judiciary and a stifling of the press and academia have also contributed to its lower ranking.

Korea, meanwhile, has been buoyed by the rise in retail shareholder activism as a potent voice for CG change, while in India, companies seem to be more open to engaging with investors and a securities regulator which takes stock of what shareholders are saying.

Singapore fails to keep pace

Singapore slipped a place to rank equal third with Taiwan on a slightly lower score of 62.9 per cent, a 0.3 per cent drop on its 2020 performance. While the market gained credit for reforms such as the nine-year cap on independent non-executive director tenure and the disclosure of remuneration on a named basis, points were shaved for the introduction of a SPAC (special purpose acquisition company) regime. Singapore held steady in most categories, but it failed to keep pace with other markets moving faster and more aggressively on reform.

Regulators tend to be better resourced in Australia, Taiwan and Hong Kong. In general, given the large number of for-profit bourses in the region, stock exchanges tend to be less forthcoming on information than securities exchanges.

Enforcement remains strongest in Australia and Hong Kong, with Singapore also faring well in this category. CG rulebooks are solid across the region, but some still lack the basics, such as controls on connected transactions, takeover protections, and director disclosure.

Domestic investors in the region, meanwhile, are generally less visible and forthcoming than foreign ones as active stewards, and both are less likely to physically attend annual general meetings. ●