

CG WATCH 2018

Hard decisions

Asia faces tough choices in CG reform

Special report

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Contents

Executive summary 3

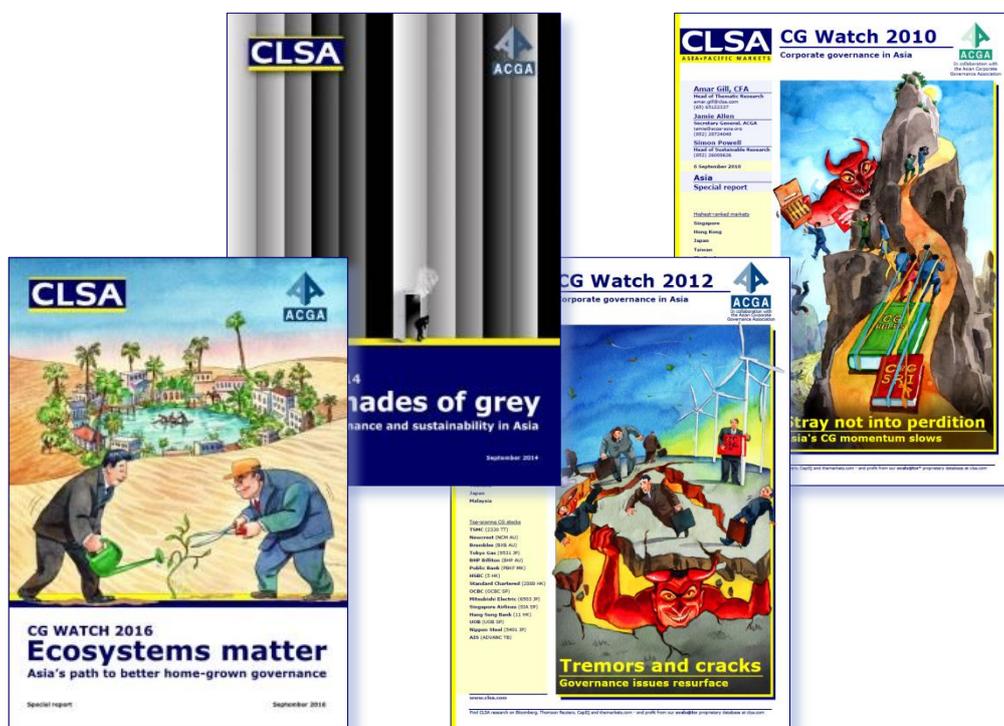
Investment thesis..... 4

Markets overview 11

All prices quoted herein are as at close of business 4 December 2018, unless otherwise stated



In collaboration with



Acknowledgements and disclaimer

This report was produced in collaboration with the Asian Corporate Governance Association (ACGA), an independent, non-profit organisation based in Hong Kong and working on behalf of all investors and other interested parties to improve corporate governance practices in Asia. CLSA is one of the Founding Corporate Sponsors of ACGA.

ACGA endorses the methodology used in the CLSA company survey and undertook the market rankings. ACGA did not participate in the assessments of companies, however, for which CLSA retains responsibility. ACGA bears final responsibility for the market rankings.

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Asian market reform is under threat

Transparency and accountability continues, but fairness is under fire

DCS hurts top-down scores for HK/Singapore

Malaysia was the top-mover in the surveys from both ACGA and CLSA

Over-reliance on simple ESG scores is risky, but there is value in screens

Difference between CLSA and ACGA scoring methodology

CLSA computes market scores based on aggregating bottom-up assessments of companies under CLSA coverage in Asia

ACGA computes market scores based on evaluating country performance using its survey

Hard decisions

Fostering more competitive markets through higher corporate-governance standards has driven Asian capital market reform over the past 20 years. While this edition of *CG Watch* provides plenty of evidence of the ongoing push towards better CG, the introduction of dual-class shares in Hong Kong and Singapore highlights the threat to that fundamental driver. For ACGA, this leaves little prospect of either market unseating leader Australia any time soon. In fact, both face tougher competition from top-movers like Malaysia.

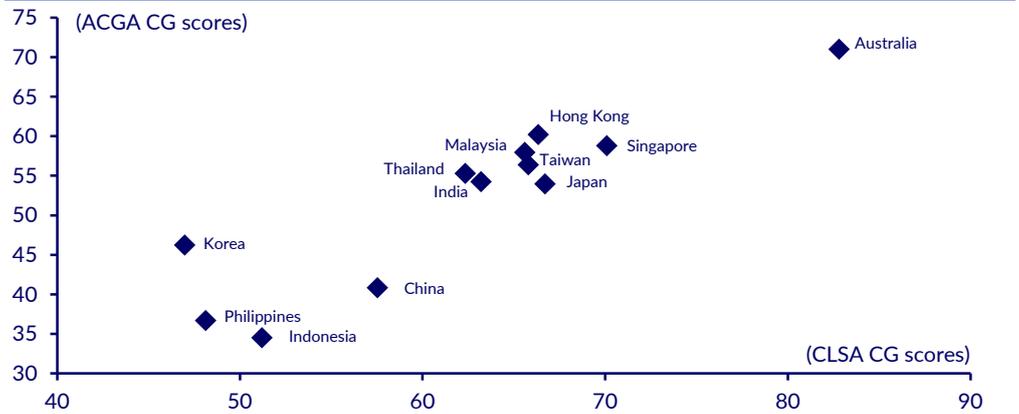
To varying degrees, regulators across the region have sought to push, persuade or cajole market participants towards higher levels of transparency, accountability and fair treatment of consumers and shareholders. A belief in the value of transparency and accountability remains largely intact, but the third principle, fairness, has come under fire. In the face of competition from the USA for listings of Asian companies, certain governments have pushed aggressively for dual-class shares (DCS) as necessary to 'maintain competitiveness and fund innovation'.

Asian leaders Hong Kong and Singapore have made opportunistic moves towards DCS, which has taken a toll on their scores in this year's top-down survey. While both markets still rank in the top three, they do so by the barest of margins. Australia's position at the top remains secure.

Malaysia was the biggest gainer in both ACGA's top-down survey as well as CLSA's bottom-up one this year, reflecting concrete moves to tackle endemic corruption issues fostered by the previous Najib regime. In contrast to ACGA, the introduction of DCS has not moved the needle for CLSA's company-level scoring in Hong Kong or Singapore, simply because almost none of the companies we cover employ them. Our analysts continue to focus on capital management, independence and the risks around related parties. These areas are also in focus for short-sellers, who have recently stepped up attacks in the region.

The volume of environmental and social governance (ESG) data in Asia is skyrocketing to match surging demand. But the quality and comparability of that data remains hotly contested and we would caution against over-reliance on simple ESG scores. Nevertheless, there is still clearly value in screens. The Microstrategy team finds that companies with top quintile ESG scores outperformed the worst quintile by over 7% per annum over the past five years.

CG score: CLSA versus ACGA



Source: CLSA, ACGA

For 20 years, the belief that better CG led to stronger capital markets held sway

Official mindsets now appear to be changing

Hong Kong pips Singapore to 2nd; Malaysia up to 4th; Japan down to 7th, tied with India

The fairness principle has never been evenly applied

Transparency, accountability and fairness

A fundamental policy position has guided most capital market reform in Asia over the past two decades: that higher standards of corporate governance will lead to more competitive markets and companies. To varying degrees, regulators across the region have sought to push, persuade or cajole market participants of all kinds towards higher levels of transparency, accountability and fair treatment of consumers and shareholders. Governments have moved at different speeds, held back by local vested interests or entrenched laws and attitudes, and they have not always agreed on what the right mix of best practices should be. All of them, understandably, have sought to build upon existing institutions of law and governance. Yet amid all the obvious diversity in the region, convergence around these core principles has held sway.

Official mindsets now appear to be changing. The strong commitment to quality and better practices of the past 20 years is starting to become undermined by a more localist and divisive way of thinking. While a belief in the value of transparency and accountability remains largely intact, at least in official statements, some governments are showing a striking lack of interest in the third principle: fairness. In the face of stiff competition from the USA for listings of Asian companies, mostly so-called new-economy firms from China, certain governments have pushed aggressively for dual-class shares as necessary to 'maintain competitiveness and fund innovation'.

The change has been sudden: in the previous CG Watch in September 2016, the region was standing firm against dual-class shares (DCS) - or second-class shares as they should more accurately be called. Today advocates of DCS are trying to make it the new normal, accompanied by an obsessive focus on IPO numbers as the only yardstick that seems to matter when measuring capital market success.

ACGA market CG scores

Market	Total (%)	Key CG reform themes and questions
1. Australia	71	Bank governance needs overhaul, time for a federal ICAC
2. Hong Kong	60	Going backwards on DCS, about to go forwards on audit regulation
3. Singapore	59	Going backwards on DCS, reform direction reflects contradictory ideas
4. Malaysia	58	Can new government rid the system of corruption and cronyism?
5. Taiwan	56	Moving forward, yet piecemeal reforms hinder progress
6. Thailand	55	Moving forward, yet corruption and decline in press freedom are concerns
=7. India	54	Bank governance needs overhaul, new audit regulator disappoints
=7. Japan	54	Heavy focus on soft law needs to be balanced with hard law reforms
9. Korea	46	Stewardship code gaining traction, but sadly so is DCS
10. China	41	Reinforcement of Party Committees raises numerous questions
11. Philippines	37	CG reform low on the government's priorities, direction unclear
12. Indonesia	34	CG reform low on the government's priorities, direction unclear

Source: ACGA

ACGA category scores: less is not more

While the negative impact of DCS on the fairness principle is a new phenomenon in Asia, this is not the first time that regulators have shown ambivalence towards minority shareholder rights. Indeed, the fairness principle has always been unevenly applied in different markets. This is most directly reflected in our CG rules category (see table below) and in markets scoring less than 50%, namely Indonesia, Japan, Korea and the Philippines. Lukewarm respect for shareholder rights is evident in the weak or limited protections in the event of takeovers; dilutive capital raisings; limited disclosure on share pledging by controlling

shareholders; and annual general meetings organised at inconvenient times - the list could go on. However, it needs to be said that all markets, including the top-ranked ones, would score higher in CG rules if they closed loopholes in shareholder rights. Australia, Hong Kong and Singapore are not perfect.

Seven categories for CG Watch 2018

Market scores by category

(%)	AU	CH	HK	IN	ID	JP	KR	MY	PH	SG	TW	TH	Regional Average
1. Government & public governance	65	31	63	38	26	55	52	42	23	55	60	45	46
2. Regulators	57	56	69	60	21	52	56	61	25	54	60	50	52
- Funding, capacity, reform	54	48	60	60	22	48	56	62	24	48	60	52	50
- Enforcement	60	64	78	60	19	57	55	59	26	59	60	49	54
3. CG rules	78	58	74	68	35	47	45	70	43	68	63	68	60
4. Listed companies	73	36	55	62	43	48	38	57	44	63	56	63	53
5. Investors	63	18	26	36	19	53	33	38	21	32	33	30	34
6. Auditors & audit regulators	84	50	74	39	61	71	69	84	63	79	70	71	68
7. Civil society & media	78	22	60	71	44	62	31	47	38	62	51	51	51

Source: ACGA

Has corporate governance in Asia improved?

The next 20 years

The ACGA is often asked this tough question: Has corporate governance in Asia truly improved? Judging by the contents of this report and our sharp criticisms of certain issues and markets, as well as some of the low scores, you may conclude it has not. However, we look at corporate governance from where it has come as well as where we would like it to go. We would say there has been tremendous change in Asia over the past 20 years, not only in regulation but also the quality of the work being done by the best companies, the most committed investors, the most thoughtful auditors, the sharpest journalists and many other stakeholders. We see this plainly in all the meetings we have and research we do for *CG Watch* and other ACGA activities. The quality of the discussion and thinking is unlike anything we came across when we started.

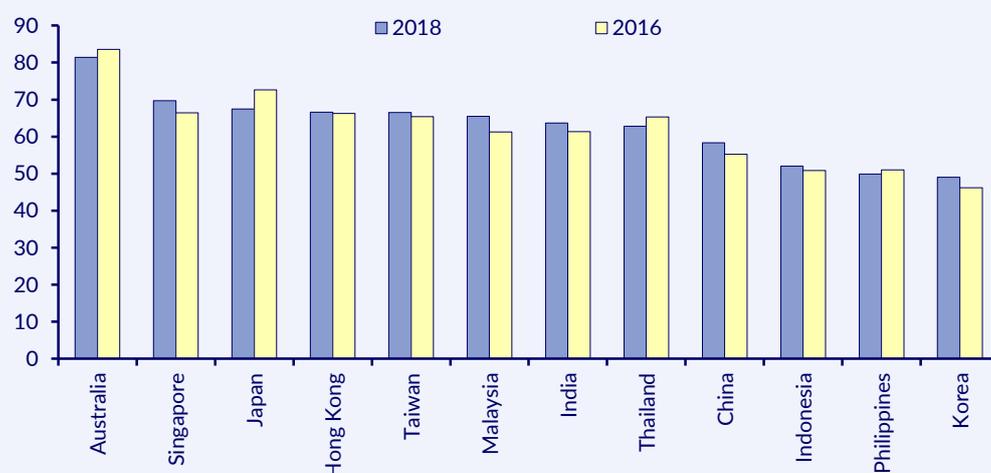
Australia breezed into first place; Malaysia was the biggest mover

Australia and Korea remain the bookends in CLSA's survey

Australia breezed into first place yet again this year in CLSA's bottom-up *company ESG* survey. The biggest mover in 2018 was Malaysia, where aggregate company scores jumped two spaces on optimism over the leadership change, as well as tangible improvements to enforcement and reporting. Frustration about the pace of reform pushed Korea into last place for the third time in a row. The volume of ESG data in Asia is skyrocketing to match surging demand, but the worth of that data is hotly contested. There are no shortcuts to integration, but we still see value in screens, particularly with activist short-sellers on the march.

ESG scores 2018 vs 2016 by market

Average ESG scores by market - 2018 versus 2016



Source: CLSA

Average category scores have not changed dramatically from 2016, although stricter interpretation on diversity has brought down aggregate independence scores slightly.

Independence is again the lowest scoring category in CLSA's CG survey

Aggregate company scores by category

(%)	Discipline	Transparency	Independence	Responsibility	Fairness	CG	E/S	Blended ESG
Australia	74.9	92.2	77.5	84.2	85.2	82.8	68.6	81.4
China	51.4	61.7	46.2	52.7	75.7	57.5	65.3	58.3
Hong Kong	62.4	69.6	50.1	63.8	85.9	66.3	68.9	66.6
India	57.0	77.1	40.3	55.0	86.6	63.2	67.8	63.7
Indonesia	45.8	63.1	31.9	34.9	80.3	51.2	59.2	52.0
Japan	69.0	64.7	27.7	84.2	88.0	66.7	74.2	67.5
Korea	40.5	57.9	29.9	51.1	55.5	47.0	67.1	49.0
Malaysia	61.3	72.8	49.6	58.4	85.9	65.6	64.4	65.5
Philippines	59.6	59.0	27.5	31.0	63.7	48.1	65.3	49.9
Singapore	55.9	83.8	59.2	57.4	94.2	70.1	66.1	69.7
Taiwan	70.0	53.1	48.9	77.4	79.5	65.8	73.0	66.5
Thailand	53.1	81.8	58.1	37.5	81.3	62.3	66.7	62.8
Average	58.4	69.7	45.6	57.3	80.2	62.2	67.2	62.7
Average ex-Aus	56.9	67.7	42.7	54.9	79.7	60.4	67.1	61.0
Max-Min range (ex-Aus)	29.5	30.6	31.7	53.2	38.7	23.1	15.0	20.7

Note: Boxes highlight leader (green) and laggard (yellow) ex-Australia. Source: CLSA

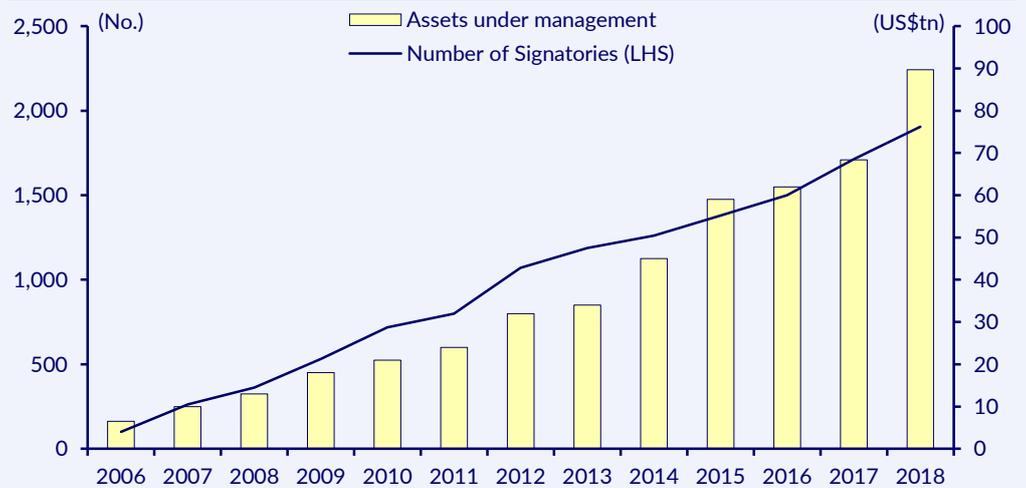


US\$89.7tn invested sustainably

Growth in ESG investing continues apace, with sustainable assets under management expanding another 31% to US\$89.7tn in 2018, according to principles for responsible investment (PRI). Investors and exchanges are pushing companies in Asia, in particular, to ratchet up ESG reporting. As of 2017, 42% of all GRI-standard sustainability reports came from Asia, versus 25% in 2011.

As of 2018, AUM reached US\$89.7tn, up 31% YoY

United Nations PRI: AUM and number of signatories

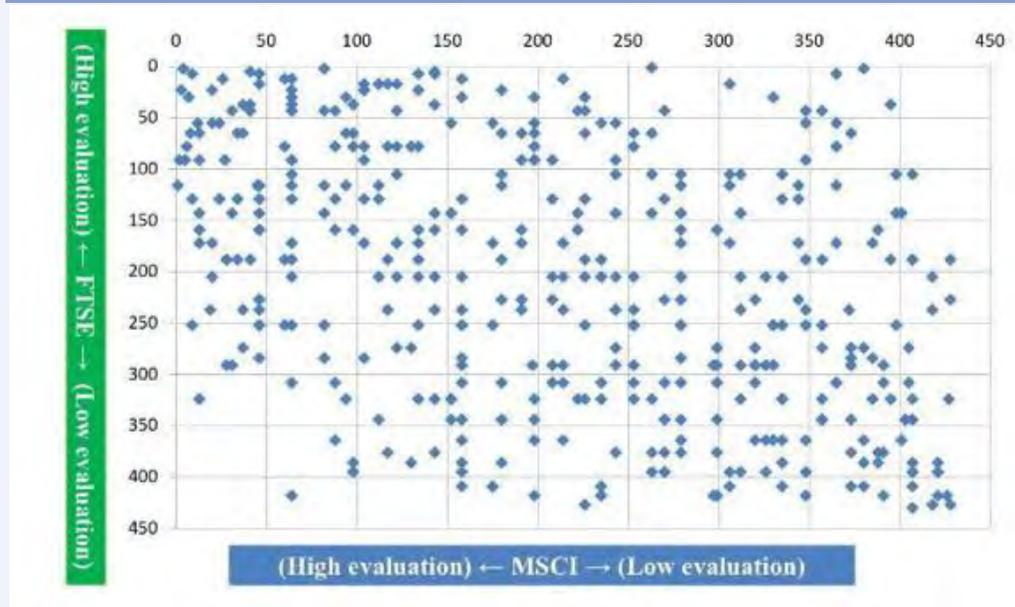


Source: CLSA, PRI

However, making sense of the data has not gotten any easier, despite a proliferation of third-party data providers. Over the past year, there have been a number of studies and media articles pointing out the lack of consistency between scoring methods. We believe that these studies do not discredit ESG data or the practice of scoring. However, it underscores the danger of relying on a simple final score for investment decisions.

Low correlation between service providers

Comparison of ESG scores from FTSE and MSCI

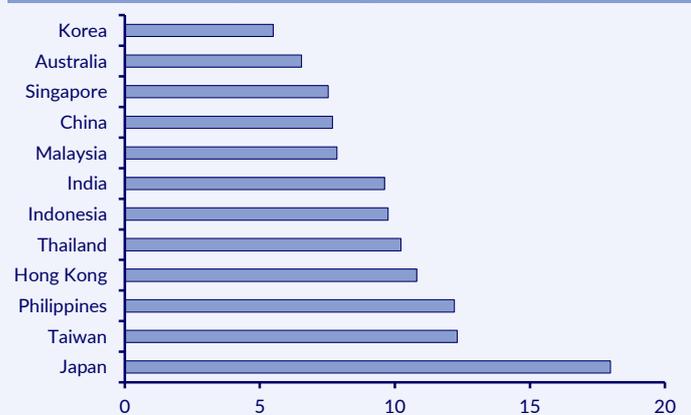


Source: CLSA, GPIF

Analysts retain discretion in scoring

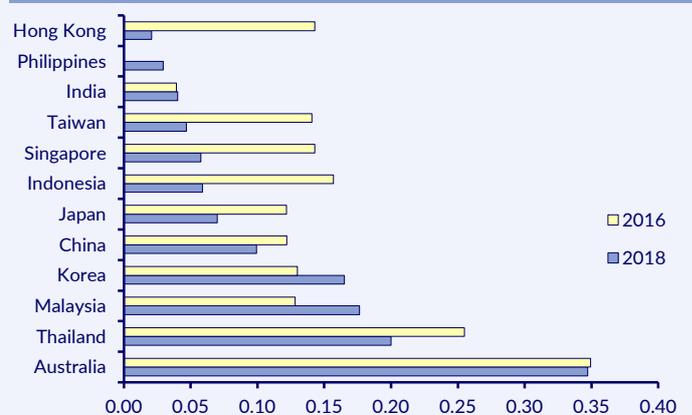
Against this backdrop, we incorporate more data screens into our scoring process, but analysts retain ultimate discretion. For example, if available data suggest that a company's board is not independent (long tenure, too big or too small, low share of independent directors) then we mark the company down on independence. However, the covering analyst can override that call with an explanation of what the data might be missing. This scoring process bolsters our efforts at broader ESG integration.

One of our board independence flags: board tenure (years) ...



Source: CLSA, Factset

... has helped drive down our scores on Q15



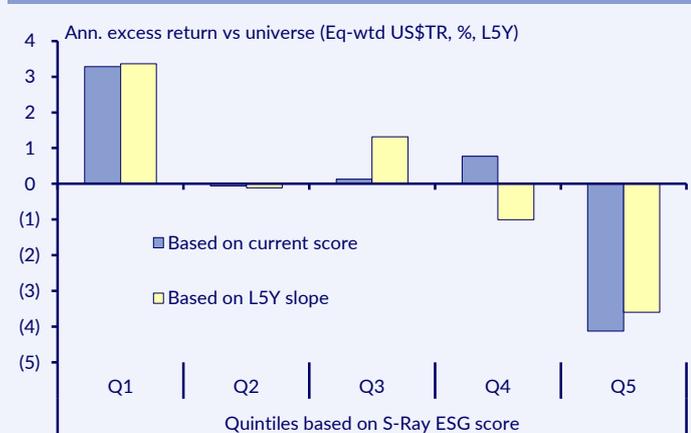
Note: whether INEDs act in a genuinely independent way, in some markets. Source: CLSA

Achieving outperformance with ESG ...

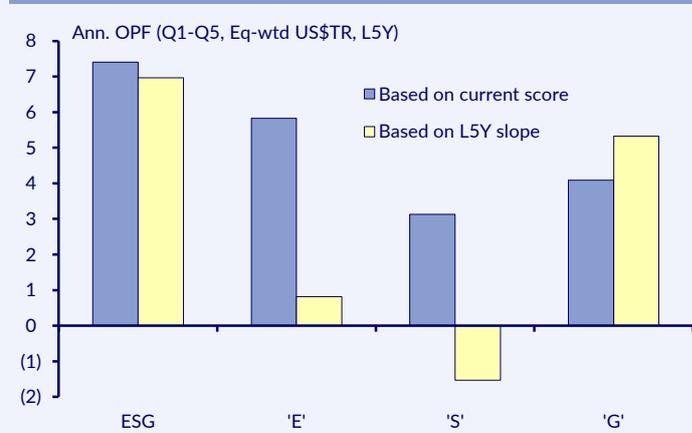
Does it 'work?'

While we are wary of fixating on the final ESG score, we still clearly see value from incorporating ESG scores into screens. Using scores from Arabesque S-Ray, CLSA's Microstrategy team found that companies with top quintile ESG scores, and those with the most improved scores, outperformed the worst quintile by over 7% per annum over the past five years. Outperformance was sustained even after adjusting for market and sector.

Asia Pac: Annualised L5Y excess return based on S-Ray ESG score



Asia Pac: Annualised OPF based on individual S-Ray scores



Note: Universe is broader Asia Pacific companies. Current S-Ray scores and at least last three years quarterly historical S-Ray scores and US-dollar total return have to be available. Q1 = highest; Q5 = lowest. Higher score the better. Source: Factset, Arabesque S-Ray, CLSA

... or mitigating disaster

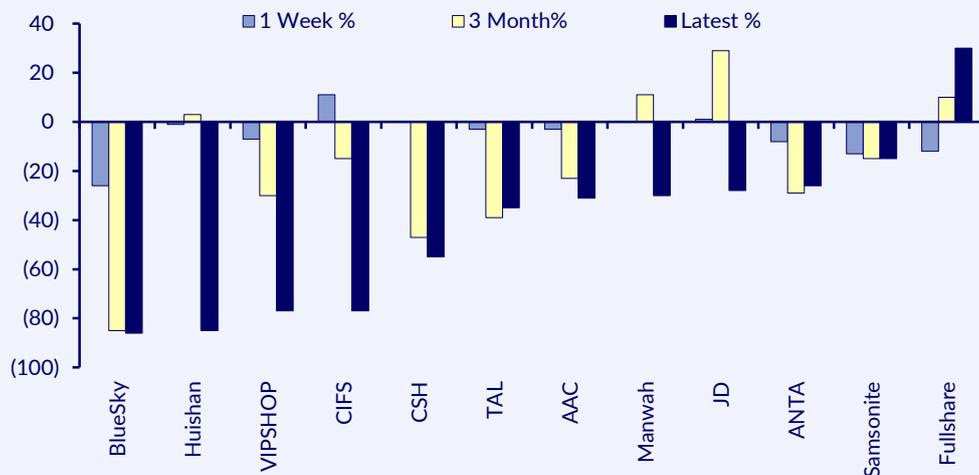
Our Microstrategy team has also incorporated ESG scores and metrics into screens to weed out potential corporate blow-ups. We have seen an uptick in such events over the past couple years, with a frenzy of (mostly successful) activist short-seller attacks. We reviewed 13 Asian short-seller attacks since January 2017 to pull out common red flags (related-party transactions and misreported financials), and spoke to two activist short-sellers about methodology and outlook for different sectors and markets around the region.

More hits than misses

While we do not endorse all of the short-sellers' allegations, we still see great value in breaking down the processes and indicators that they use. At the very least, it can help us to prep for future attacks. Activist short-sellers have seen more hits than misses, with the majority of stocks falling on a one- and three-month basis.

The majority of stocks falling on a one- and three-month basis

Post-attack performance: more hits than misses



Note: Latest share price as of 26 September 2018. Source: Bloomberg, CLSA

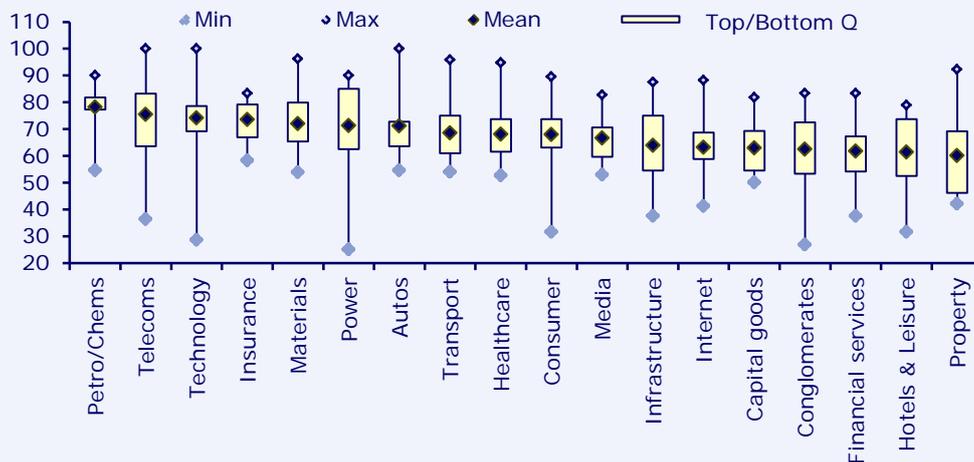
CLSA's E/S scoring is broken into 17 sectors

Climate focus for environmental and social (E/S) issues

CLSA's analysts across the region score their companies on Environmental and Social (E/S) issues, with these scores feeding into blended ESG scores. Unlike Corporate Governance (CG) questions, which are the same across markets and across sectors, our E/S questions vary to reflect material issues for seventeen specific sectors.

CLSA E/S score by sectors

E/S scores at CLSA



Source: CLSA

Climate change and Beautiful China are the overarching environmental themes

In addition to scoring, we have also written on a raft of environmental and social issues. A few recurring themes stand out: Xi Jinping's Beautiful China initiative and, of course, climate change. While it is not a new issue, the focus engendered by Paris has triggered a flurry of initiatives that are starting to bear fruit in Asia. The growing fossil-fuel divestment movement is a stand-out, with Standard Chartered becoming the latest major bank to halt funding to new coal-fired projects in the region.

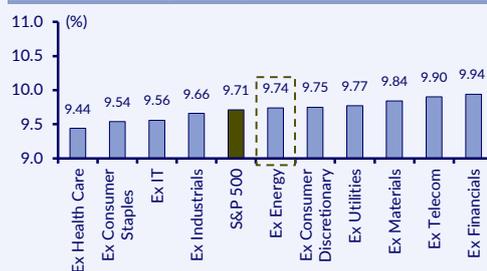
More investors have committed to divest from fossil fuels

According to a September 2018 report by Arabella Advisors, investors managing US\$6.2tn in AUM have committed to divest from fossil fuels, up from just US\$52bn in 2014. Are they sacrificing performance? GMO's Jeremy Grantham takes a long term (multi-decadal) view, suggesting that, historically, fossil fuels have been nearly irrelevant to performance.

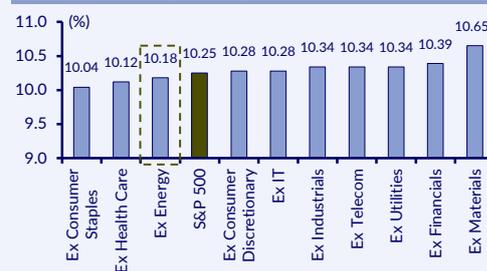
Divestment does not harm performance

Grantham illustrates that removing energy from the S&P 500 for the past 28 years would have delivered an incremental 3bps pa performance (9.74% annualised vs 9.71%) versus the S&P 500. Going back 60 years, the same exercise would have cost you 7bps pa; going back 92 years, 5bps pa.

1989-2017 Range: 50bps



1957-2017 Range: 61bps



Source: CLSA; Jeremy Grantham: *The Race of Our Lives Revisited*

Source: CLSA; Jeremy Grantham: *The Race of Our Lives Revisited*

Growing appetite for protein and palm oil presents dangers

Climate change has also helped focus attention on Asia's unsustainably growing appetite for meat, which links to palm-oil deforestation. Thankfully, Electric Vehicles (EVs) have crowded biofuels out of the suite of solutions for transport emissions. But accelerating EV demand has also given rise to fears about growing mountains of toxic battery waste and unethical supply chains featuring children in the Congo. Supply-chain challenges remain, as well, across South and Southeast Asia five years after the tragedy of Rana Plaza. As workers' rights continue to improve in fits and starts across Asia, the region is also home to two-thirds of the world's estimated slaves. There is still a long way to go.

Exposure of protein companies to top-5 risk factors

Company	Food safety	Public health	Environmental footprint	Animal welfare	Labour standards
Charoen Pokphand Foods	1	3	2	2	2
China Mengniu	3	1	1	1	1
Guangdong Wens	1	1	2	3	3
Henan Shuanghui	2	1	3	3	3
Japfa Comfeed	1	1	3	3	2
Maruha Nichiro	2	2	1	2	2
New Hope Liuhe	2	1	3	3	3
NH Foods	2	2	1	3	1
Thai Union	3	3	1	na	2
WH Group	3	2	2	1	3

1 = low risk, 2 = medium risk, 3 = high risk; na = not applicable. Source: Asia Research & Engagement (ARE), taken from the CLSA-U bluebook Protein dreams





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Official mindsets now appear to be changing

Hong Kong pips Singapore to 2nd; Malaysia up to 4th; Japan down to 7th with India

Markets overview

A long-held regulatory principle - that higher standards of corporate governance make markets more competitive - is under threat in Asia and so is the core principle of fairness.

For most of the past 20 years, a fundamental policy position has guided most capital market reform in Asia: that higher standards of corporate governance will lead to more competitive markets and companies. To varying degrees, regulators across the region have sought to push, persuade or cajole market participants of all kinds towards higher levels of transparency, accountability and fair treatment of consumers and shareholders. Governments have moved at different speeds, held back by local vested interests or entrenched laws and attitudes, and they have not always agreed on what the right mix of best practices should be. All of them, understandably, have sought to build upon existing institutions of law and governance. Yet amidst all the obvious diversity in the region, convergence around these core principles has held sway.

Official mindsets now appear to be changing. The strong commitment to quality and better practices of the past 20 years is starting to be undermined by a more localist and divisive way of thinking. While a belief in the value of transparency and accountability remains largely intact, at least in official statements, some governments are showing a striking lack of interest in the third principle: fairness. In the face of stiff competition from the United States for listings of Asian companies, mostly so-called new economy firms from China, certain governments have pushed aggressively for dual-class shares as necessary to 'maintain competitiveness and fund innovation'. The change has been sudden: when we published our last CG Watch in September 2016, the region was standing firm against dual-class shares (DCS) - or second-class shares as they should more accurately be called. Today advocates of DCS are trying to make it the new normal, accompanied by an obsessive focus on IPO numbers as the only yardstick that seems to matter when measuring capital market success.

ACGA market CG scores

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11. Philippines	37	CG reform low on the government's priorities, direction unclear
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Note: Total market scores are based on actual total scores, converted to a percentage and rounded. They are not an average of the seven category percentage scores. Total scores for each market was as follows: Australia (425); Hong Kong (364); Singapore (356); Malaysia (351); Taiwan (341); Thailand (334); India (328); Japan (325); Korea (280); China (247); Philippines (222); and Indonesia (209). Source: ACGA

Hong Kong and Singapore are barely holding on to their top rankings due to DCS

The score differential among the top five Asian markets is narrowing

We addressed DCS through our existing survey, not with new negative questions

The “race to the bottom” that CG advocates feared is real . . . Korea joins the party

Taking a toll

The opportunistic moves towards DCS by its two leading proponents in Asia, namely Hong Kong and Singapore, have taken a toll on their scores in this year’s CG Watch. While both markets still rank in the top three, as the table above shows, they do so by the barest of margins. Singapore would definitely have ranked above Hong Kong were it not for its DCS policy. And Hong Kong would have been several percentage points closer to Australia, bringing the gap down from 11 points closer to probably a seven or eight point difference—a much more respectable score for Hong Kong.

Markets that did not move towards dual-class shares now have an opportunity to overtake Hong Kong and Singapore in future surveys, as the narrowing of the score differential among the top five Asian markets shows:

Figure 1

Top-5 Asian markets: Market score differentials, 2016 vs 2018 (percentage points)		
	2016	2018
No.1 vs No.2, No.3, No.4, No.5	2, 4, 7, 9	1, 2, 4, 5
No.2 vs No.3, No.4, No.5	2, 5, 7	1, 3, 4

Note: The top Asian market in 2016 was Singapore. It is now Hong Kong. Source: ACGA

Where we took points off for DCS

Our approach to handling the dual-class issue was not to create new negative-scoring questions in our survey, as we felt this would be rather arbitrary: How many points should we deduct from category or total scores? Instead, we took a more organic approach and selected seven existing questions in the survey that were relevant in various ways to the DCS issue. We then reduced the score for each appropriately.

Most of the seven questions were in 1. Government & Public Governance; and 2. Regulators. They were: Q1.1, 1.2, 1.4, 1.5. And Q2.5, 2.6, 2.19.

Contagion

One of ACGA’s main concerns about dual-class shares being introduced in Hong Kong and Singapore was the potential for contagion around the region. Sure enough, in January 2018 a senior Korean government official, Kim Sang-Jo, chairman of the Fair Trade Commission, mused on the possibility of allowing DCS for firms listed on KOSDAQ, the country’s second market for smaller companies. This led to a fierce debate as to whether the *chaebol*, the large family controlled conglomerates, should be allowed the same protection. While that had not been Kim’s intention—his proposal was intended only to help capital-starved small firms raise cash—the incident showed how quickly this particular genie can escape from the bottle. Indeed, suggesting even a limited application of dual-class shares in a market such as Korea is highly short-sighted, since the Korean *chaebol* have been asking for special protection ever since poison pills became popular in Japan in the mid-2000s. The hotly contested merger between Samsung C&T and Cheil Industries in mid-2015, where the transaction was almost defeated by shareholder votes, only added to the *chaebols’* demands. While CG advocates in Korea started breathing more easily during 2018 as no new announcements were made on the issue, the incumbent Democratic Party of Korea then sprang a surprise in mid-October by announcing it would start discussions on DCS for privately held venture firms.

... and so does China

Other Asian markets have stood firm against DCS. But will it last?

The fairness principle has never been evenly applied

Scores for the seven categories in CG Watch 2018

In China, the competitive response to Hong Kong's introduction of DCS was a proposal for China Depository Receipts (CDRs). One of Hong Kong's hopes was that it could attract mainland Chinese tech giants with a dual-share structure, such as Baidu and JD.com, or special partnership arrangements, namely Alibaba, to undertake secondary listings in Hong Kong. China wasted little time in coming up with a counter proposal—the CDR. While this plan has been postponed for the moment due to poor market conditions and weak investor response to the concept (in part because of the way it was originally structured), it has also opened the way to a broader discussion of DCS in China. Many academics and some officials for example are quite taken with the idea. Meanwhile, CDRs will almost certainly make a comeback when the time is right.

Other Asian markets have so far stood firm against DCS and, accordingly, gained ground in our survey against Hong Kong and Singapore. The main winner in this regard is Malaysia. Yet officials there and elsewhere acknowledge that they will likely come under pressure to consider dual-class shares if their young firms choose to list in Hong Kong, Singapore or the US instead of at home.

Less is not more

While the negative impact of DCS on the fairness principle is a new phenomenon in Asia, this is not the first time that regulators have shown ambivalence towards minority shareholder rights. Indeed, the fairness principle has always been unevenly applied in different markets. This is most directly reflected in our CG Rules category (see table below) and in markets scoring less than 50%, namely Indonesia, Japan, Korea, and the Philippines. Lukewarm respect for shareholder rights is evident in many areas: weak or limited protections in the event of takeovers; dilutive capital raisings; limited disclosure on share pledging by controlling shareholders; and annual general meetings organised at inconvenient times. The list could go on. However, it needs to be said that all markets, including the top-ranked ones, would score higher in CG Rules if they closed loopholes in shareholder rights. Australia, Hong Kong and Singapore are not perfect.

Market scores by category

(%)	AU	CH	HK	IN	ID	JP	KR	MY	PH	SG	TW	TH	Regional Average
1. Government & public governance	65	31	63	38	26	55	52	42	23	55	60	45	46
2. Regulators	57	56	69	60	21	52	56	61	25	54	60	50	52
- Funding, capacity, reform	54	48	60	60	22	48	56	62	24	48	60	52	50
- Enforcement	60	64	78	60	19	57	55	59	26	59	60	49	54
3. CG rules	78	58	74	68	35	47	45	70	43	68	63	68	60
4. Listed companies	73	36	55	62	43	48	38	57	44	63	56	63	53
5. Investors	63	18	26	36	19	53	33	38	21	32	33	30	34
6. Auditors & audit regulators	84	50	74	39	61	71	69	84	63	79	70	71	68
7. Civil society & media	78	22	60	71	44	62	31	47	38	62	51	51	51

Source: ACGA

The issue of regulatory ambivalence is also reflected, though more indirectly, in the Government & Public Governance category. One reason why the scores for most markets are disappointing is because few jurisdictions make it easy or cost-effective for shareholders to access the legal system to resolve governance issues. Class-action lawsuits, even in the few places they are allowed, are hard to do and scarce. Whereas governments are comfortable giving stronger powers to regulators—something which has had a positive impact on enforcement outcomes—they are reluctant to strengthen shareholder rights too much.

Structural unfairness is baked into Asia's CG systems

Structural unfairness is therefore baked into corporate governance regulatory regimes around the region. While regulators have mandated many new structures of corporate governance, such as independent directors and board committees, most of these institutions are allowed to function in ways that suit the interests of controlling shareholders and management. For example, definitions of "independent director" usually contain loopholes that allow people with close business relationships to a company to become independent directors after short cooling-off periods of just one or two years. This has a certain practical logic to it, but is hard to justify if the goal is to create boards that can genuinely think independently and offer different points of view. As a result, many minority institutional investors are losing patience and would like to see different ways of voting for independent directors tried out, such as restricting or removing the ability of controlling shareholders to vote for independent directors they have nominated from the start. Needless to say, the political appetite among regulators to take on such a challenge is non-existent. (To give credit where it is due: Malaysia and Singapore have introduced two-tier voting systems for independent directors who have served on boards for extended periods. But this does not address the more difficult question of how to vote from Year 1.)

There have been several changes in market rankings

CG Watch 2018: Market rankings

There have been a number of changes in market rankings this year:

- ❑ The inclusion of Australia in the formal rankings pushes every other market down at least one place.
- ❑ Hong Kong beats Singapore to 2nd place, but only marginally.
- ❑ Malaysia is the biggest gainer, rising from 7th to 4th.
- ❑ Japan is the biggest decliner, falling from 4th to equal 7th.
- ❑ India rises one ranking, from 8th to equal 7th.

The other market rankings remain the same.

Figure 2

Market rankings: CG Watch 2016 and 2018	
Blue = Rising market	Green = Falling market
2016	2018
1. Australia	1. Australia
2. Singapore	2. Hong Kong
3. Hong Kong	3. Singapore
4. Japan	4. Malaysia
5. Taiwan	5. Taiwan
6. Thailand	6. Thailand
7. Malaysia	=7. Japan, India
8. India	
9. Korea	9. Korea
10. China	10. China
11. Philippines	11. Philippines
12. Indonesia	12. Indonesia

Source: ACGA

Hong Kong, Malaysia and India rise in rankings

Singapore and Japan fall

Other markets stay the same

The 12 markets in our survey show wide diversity in the CG challenges they face

Market themes

Key themes in each market are as follows (in order of their ranking this year):

1. **Australia** has been tarnished by bank scandals that have gone from bad to worse and political infighting in the federal government. The lack of a national ICAC is emerging as a important issue, while the reputation of financial regulators continues to take a beating (not entirely justified). Institutional investors have developed two new stewardship codes (for pension funds and asset managers).

Negatives include weak regulation of corruption, DCS, poor bank governance, piecemeal approaches to reform, limited enforcement and so on

Positives include revised CG Codes, new Stewardship Codes, stronger delisting rules, better enforcement in some markets, focus on ESG and so on

2. **Hong Kong** has lost moral leadership through the introduction of DCS and the continued lack of any clear government strategy for corporate governance. In contrast, it continues to lead the region in enforcement. Although doing somewhat better on the supervision of auditors, the creation of an independent audit regulator has been delayed until 2019. Doing poorly on investor stewardship.
3. **Singapore** has also suffered reputational damage due to DCS, while policy contradictions abound in other areas, such as its new CG Code. Underperforming on enforcement despite the creation of a new regulatory entity under SGX. A series of corporate scandals have highlighted the weaknesses of its CG regime and limitations on minority shareholder rights.
4. **Malaysia** gets a new CG Code and a new government and starts to tackle endemic corruption issues fostered by the previous Najib administration. Stronger performance from financial regulators and institutional investors. A new Institutional Investor Committee is formed with the Minority Shareholder Watchdog Group—a regional first. Public governance concerns remain.
5. **Taiwan** launches a new CG Roadmap (2018 – 2020) and continues to make strides on enforcement. Electronic voting becomes mandatory and, by default, voting by poll. Progress continues on independent directors and audit committees. But a piecemeal approach to reform remains and certain weaknesses in minority shareholder rights linger.
6. **Thailand** brings in a substantially revised CG Code and a stewardship code, which most domestic institutional investors sign. Financial regulator finally gets civil powers and makes some (though limited) progress on enforcement. Media suffers from ongoing military rule, although anti-corruption commission gets expanded powers.
7. **Japan** revised its CG and Stewardship Codes and has placed much emphasis on enhancing company-investor dialogue. While important, the focus on soft law rather than hard regulatory change means that regulators have not been addressing shortcomings in minority shareholder rights. Institutional investor involvement in stewardship continues to grow.
7. **India** introduces new CG rules/best practices and strengthens enforcement. The banking system comes in for heavy criticism. An independent auditor is finally established, but weakened almost immediately by politics. One bright spot is the investment management community, which is taking its ownership role increasingly seriously.
9. **Korea** continues to modernise its CG system, introducing both soft and hard law reforms, yet the policy direction of the new Moon administration remains unclear. Regulatory enforcement and supervision is steadily improving. Conglomerates make voluntary reforms. No improvement in fundamental weaknesses in minority shareholder rights.
10. **China** is emphasizing the importance of ESG for investors and moving ahead on some CG reform changes, including a revised CG Code (the first since 2002). The formalization of the role of Party Committees, and their incorporation in SOE articles of association, creates new challenges and questions. SOE reform gains some momentum, but it is not entirely clear whether “mixed ownership” will make a significant difference to corporate governance.
11. **The Philippines** has had a quiet two years, with minimal corporate governance reform, apart from a new CG Code, and governance low on the government’s policy agenda. Recent evidence of politicization of the SEC’s role a concern, with attacks on media. While enforcement remains weak, there is some evidence that CG disclosure is improving.

12. **Indonesia** has also made little progress in CG reform over the past two years, with governance low on the government’s agenda. The securities regulator is isolated and the stock exchange puts little focus on corporate governance. Company disclosure is showing some signs of improvement and accounting/financial reporting standards are generally good. But insider trading and other market misconduct remains rife.

Category themes

The broad themes emerging from each category are as follows:

1. Government & public governance

Most markets underperformed in this category overall. Reasons included the lack of clear and credible strategies for CG reform, wavering political support for the policy and enforcement work of financial regulators, and securities commissions that are too closely tied to governments in political and budgetary terms. Points also lost in many markets due to the absence of a well-established and independent commission against corruption, a judiciary that is either not clean or not independent of government, and weak legal remedies available to minority shareholders.

Markets that score highest include Australia, Hong Kong, Japan, Singapore and Taiwan. All perform better on public governance and cleanliness, and the quality of their legal system and judiciary. All have anomalies, however, such as no federal ICAC in Australia or Japan, fragmented anti-corruption governance in Taiwan, and contradictory government policy on CG in Hong Kong and Singapore.

Public governance has some way to go in Asia

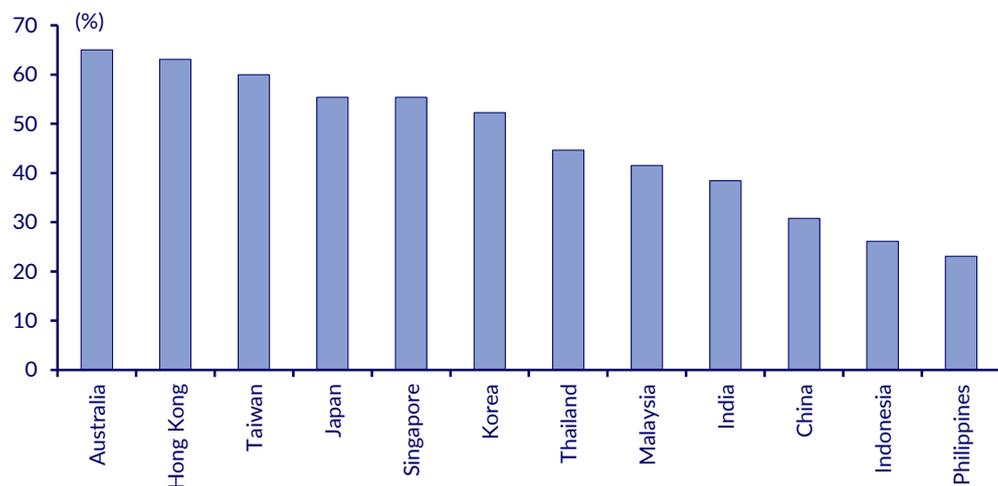
Even some better performing markets face challenges in their anti-corruption work ...

... such as the lack of a federal ICAC in Australia

Only five securities commissions appear well funded in Asia-Pacific

Figure 3

Government & public governance: scores by market



Source: ACGA

2.1 Regulators: Funding, capacity-building and regulatory reform

Some securities commissions in Asia-Pacific are well-funded relative to the job they have to do. They include: Hong Kong, India, Korea, Malaysia, and Thailand. Others are either less well-funded or poorly resourced. The source of funding is one factor that determines the adequacy of budgets: if funding comes from a levy on the market (the “user-pays system”), then it is more likely that funding will be sufficient. If a commission has to fight each year for a government budget allocation, as in Australia or Japan, then by definition it will not receive as much

Scores given in this category for regulatory “effort”

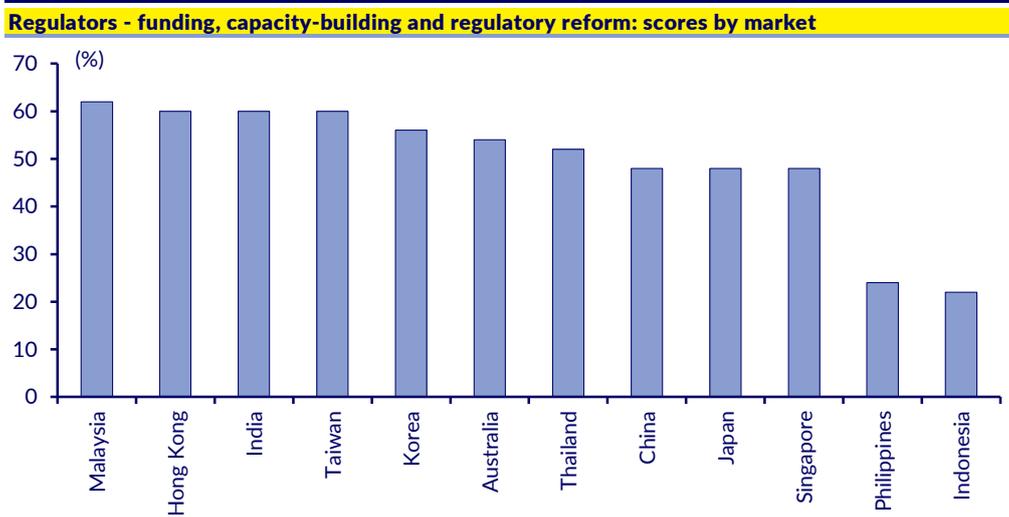
Hong Kong got docked for the introduction of DCS

Regulators tend to do better on enforcement than gaining new funding or in reform

as it would like. Levels of funding clearly affect the ability of commissions to undertake capacity building work, namely investment in staff, training, and new technology.

We included regulatory reform in this category as an indication of the degree of effort being made by securities commissions and stock exchanges to improve rules and regulations. In general, better funded regulators tend to be able to do more on regulatory reform, something we found in Korea, Malaysia and Thailand. Other factors come into play as well, such as whether regulators have the political room and opportunity to make reforms. Hong Kong underperformed on the reform questions because we took points off for DCS, while Taiwan outperformed despite getting an average score for funding. In both cases, politics played a large part in the outcome.

Figure 4



Source: ACGA

2.2 Regulators: Enforcement

A better performing sub-category overall than the previous one. As shown in the category score table above, half of the markets (six out of 12) score higher for enforcement than for funding/capacity building, while another three score the same or almost the same. This is not too much of a surprise, since enforcement is one area in CG Watch that has consistently rated relatively well. There has been increasing pressure on regulators to enhance the effectiveness of enforcement and a good report card here goes a long way toward building credibility, not to mention popular and media support. For these reasons, governments have been happy to give regulators increasing powers - something we have seen in every market in Asia with the exception of Indonesia and the Philippines, and the possible exception of Japan (which occupies a more neutral position in this regard).

Note: We applied a weighting to the Enforcement scores: 60% for the first five questions on securities commissions and 40% to the second five mostly on stock exchanges. This recognises the heavier enforcement burden that commissions have in enforcing securities laws and their application of criminal, civil and administrative penalties. In contrast, stock exchanges enforce the listing rules with more limited powers. They play a critical role as frontline regulators, yet giving their work the same weight as that of securities commissions does not seem appropriate.

The Philippines and Indonesia stand out

Asia has been developing its CG rulebook since the late 1990s

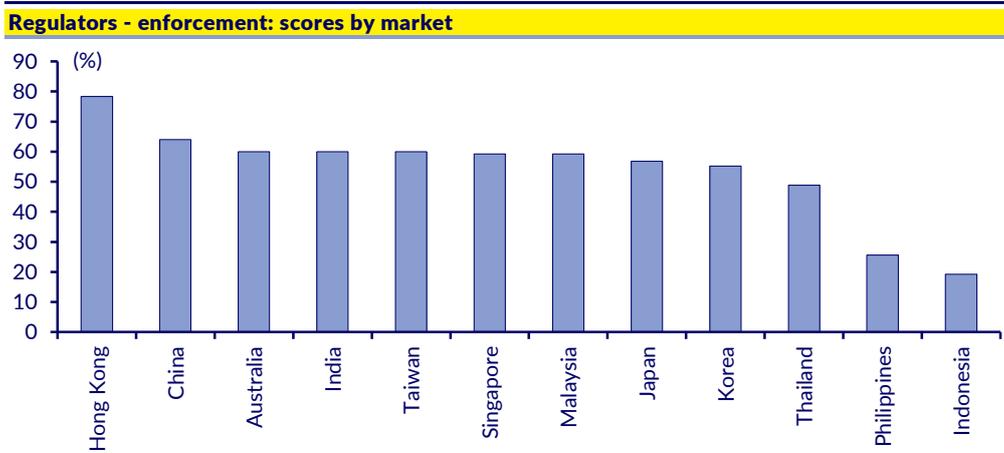
Markets do well on regulatory basics . . .

. . . but less well on rules that impinge upon controlling shareholders

All do poorly on definitions of “independent director”

Overall, this is one of the higher scoring categories

Figure 5



Source: ACGA

3. CG rules

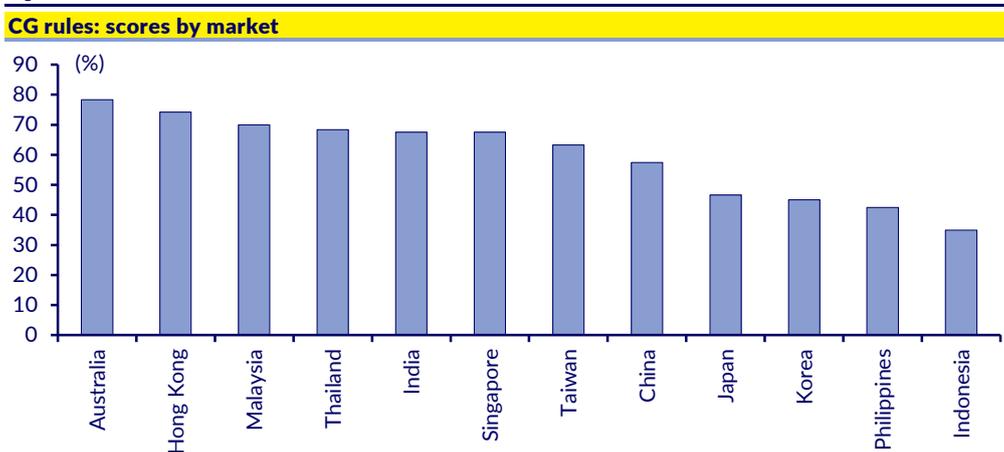
In terms of absolute scores, this is one of the higher scoring categories in our survey. Then again it should be: Asia has been developing its CG rulebook since the late 1990s and after the Asian Financial Crisis. Markets generally rate well on paper for their standards of financial and CG reporting, while ESG and sustainability reporting standards are emerging. Places that perform best on the latter include Malaysia, Singapore, Taiwan and Thailand.

Most markets do well or reasonably well on the regulatory basics: disclosure of price-sensitive information, substantial ownership, and director trading; voting by poll; and rules on insider trading and market manipulation.

Performance is much more mixed on: the need for controlling shareholders to disclose share pledges; “blackout” periods for director trading prior to results announcements; the disclosure and management of related-party transactions; and disclosure of executive and director remuneration. Perhaps it is because these issues all impinge more directly on the freedoms of company owners?

Meanwhile, there are some areas, as noted above in our comments on “structural unfairness”, where almost all markets score lower: definitions of independent director; pre-emption rights to stop non-dilutive capital raisings; and director nominations.

Figure 6



Source: ACGA

Variation in company CG both within and across markets

Are large-caps always better than mid-caps?

Scores in this category generally underwhelmed

Companies do not appear to fear shareholder criticism

Committed investors remain few in number

4. Listed companies

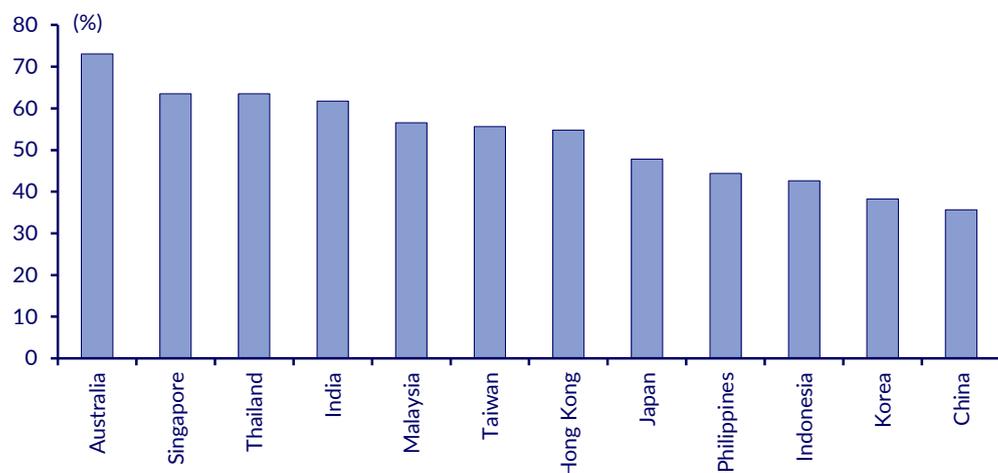
Apart from facile statements to the effect that large listed companies disclose more and better information than smaller issuers, or CG reporting is still full of boilerplate, or the investor relations sections of large-cap websites are pretty good, this is one section where it is extremely difficult to generalise across the region. The story here varies greatly by market and usually within markets. Indeed, one finding was that the quality of reporting on sustainability issues among the 15 large-cap firms reviewed was wider than we expected—from excellent to almost non-existent. And while it can be said that CG reporting in Australia is generally very good among the big companies, the paucity of some audit and nomination committee reports can be jarring.

It may also be time to stop parroting the old slogan about large-caps being better than mid-caps. We have found various instances in different markets where mid-caps not only have more complete financial reporting (including fewer gaps in the notes to their accounts), but more interesting CG and sustainability reporting too.

One generalisation we will make: with the exception of Australia, scores in this category were more mediocre than we expected. We fear this reflects a recurring problem in Asian corporate governance: the compliance mentality with which so many listed companies approach CG regulation.

Figure 7

Listed companies: scores by market



Source: ACGA

5. Investors

If listed companies think they can get away with boilerplate governance reporting and financial statements with obvious holes, one of the reasons must surely be because they do not fear any blowback from their shareholders? Indeed, the stand-out underperformer among all stakeholder groups in this survey is Investors. Visually, this is clearly apparent in the next section on “heat maps”.

The Investor category underperforms not because there are no asset owners or managers taking their ownership responsibilities seriously, or because those involved in voting and company engagement are doing a poor job. It is because such investors are still so few in number in Asia. The situation is somewhat different in Australia, which is why it comes first by a mile—though its score of 63% should be higher.

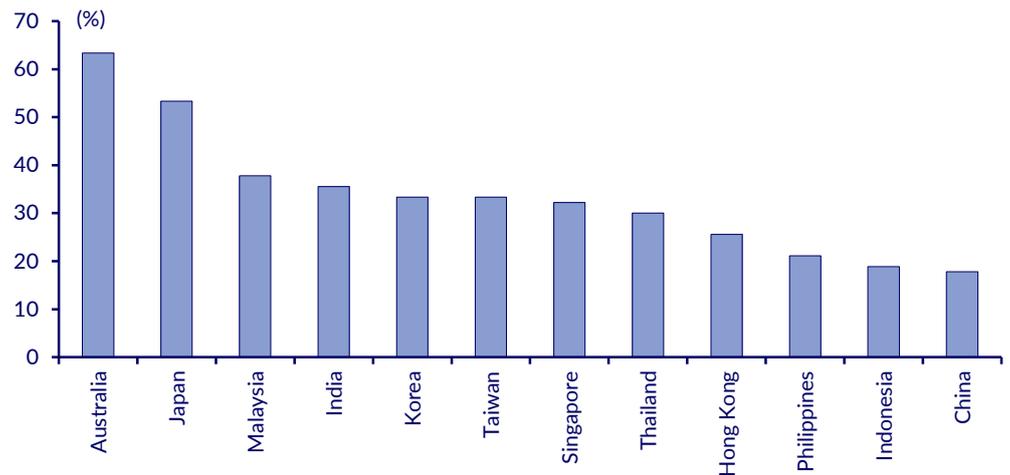
The gamechanger is likely to be stewardship codes

The gamechanger for investors should be the introduction of stewardship codes, which 8.5 out of 12 markets now have. The markets without them are China, Indonesia and the Philippines. The 0.5 is India, which has only a limited code for the insurance sector. Within the other eight, regulators or other national bodies are actively promoting their adoption by institutional investors in all places except two: Hong Kong and Singapore.

Investors were the standout underperformer among stakeholders

Figure 8

Investors: scores by market



Source: ACGA

High scores here more to do with audit regulation than audit quality

6. Auditors & audit regulators

This is the highest scoring category in our survey, although more for reasons relating to regulation (accounting and auditing standards, independence rules for auditors, and the effectiveness of audit regulators) than to audit quality itself. Only two questions address audit quality, while another two examine the extent to which large and mid-caps prepare for their annual audit.

Strong convergence with IFRS in most markets

Broad themes in accounting include the ongoing convergence with, or outright adoption of, international standards of financial reporting. Most markets are fully or almost fully converged with IFRS, with the exception of India and, to a lesser extent, Japan. Thailand was marked down slightly for unconvincing delays in the adoption of IFRS 9.

Introduction of KAMs is expanding

As for international auditing standards, the big story has been the adoption of the new long-form auditor reports with a focus on “key audit matters” (KAMs). Most markets have gotten there, even China, but not yet India, Indonesia and Japan. Korea is introducing KAMs in stages.

All markets now have an independent audit regulator, or soon will. But India is a question mark

Audit regulation is another big theme, with news that the region’s three traditional laggards - Hong Kong, India and the Philippines - are finally making progress. The Philippines is out front and has already joined IFIAR, the International Forum of Independent Audit Regulators. Hong Kong should finally see an independent audit regulator in 2019. While India moved to set one up in 2018, its status is unclear as the government permitted the local industry association to have influence on the new regulator’s governing body.

Perennial laggards - HK, India and the Philippines, are making moves

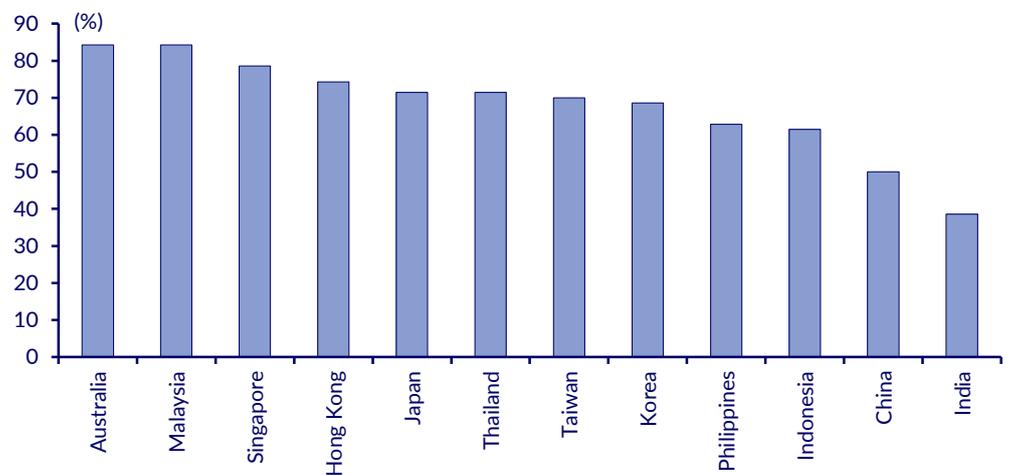
Australia and India have the most vibrant civil societies in Asia. Hong Kong and Japan also diverse

NGOs in Asia often rely on governments for funding and their existence . . .

. . . and are thus constrained in what they can say publicly

Figure 9

Auditors & audit regulators: scores by market



Source: ACGA

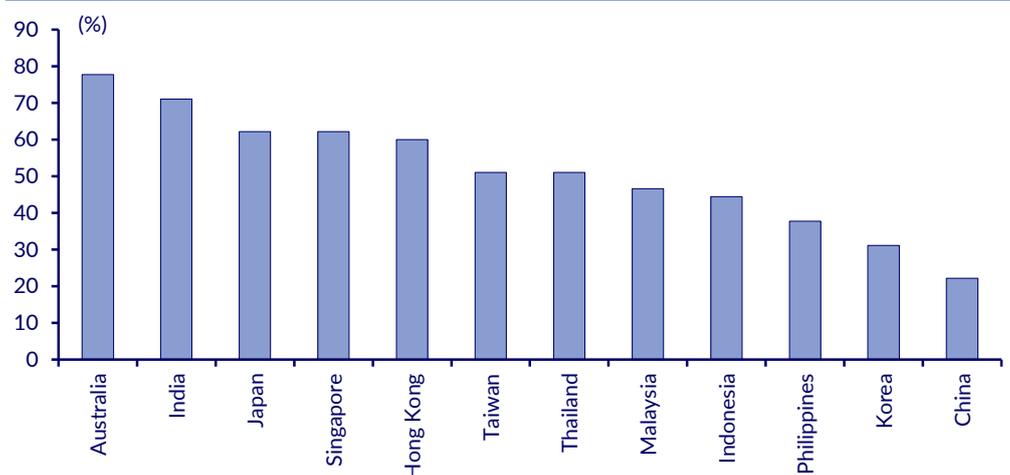
7. Civil society & media

As with Listed Companies, this is a difficult category about which to generalise. It is best seen through the lens of each market, rather than themes drawn from specific questions and issues. Certain places stand out for having vibrant and boisterous civil societies and media industries, in particular Australia and India, while Hong Kong and Japan both have a broad range of non-profit organisations and professional associations operating within more conservative business cultures. Civil society is diversifying in Malaysia, Singapore, Taiwan and Thailand, and would likely flourish much further if permitted. Some places seem to constrain themselves, such as Korea.

One feature of civil society in parts of Asia that may not be apparent to outsiders is the need for non-profit organisations to garner government support, and often funding, in order to form and survive. Almost all the key shareholder/CG organisations in Southeast Asia, as well as Taiwan, are in this position. The positive is that without such support these organisations would not exist - and they all do good work. The flipside is that they are constrained in what they can say publicly about government policy.

Figure 10

Civil society & media: scores by market



Source: ACGA

Can Asia create truly world-class and balanced CG systems?

The next 20 years - Tough questions

As our survey shows, government and regulators have some tough decisions to make about the strategic direction of CG reform in the next 20 years. Will they continue to favour controlling shareholder interests or create more balanced, fairer systems? Can they foster truly world-class financial and CG reporting? Can they balance the introduction of dual-class shares with stronger legal tools for shareholders, so that investors can better protect themselves? Indeed, a striking feature of both the Hong Kong and Singapore approaches to DCS was the lack of any plan to address systemic regulatory weaknesses and give shareholders more options for dealing with downside risk. Safeguards were included in the listing rules changes, but relying on them would be like trying to stop a charging elephant with a broomstick.

Can investors create a more consistent approach to investment and CG policy?

Institutional investors also have soul searching to do. While opposed to dual-class shares in principle, they find it difficult in practice not to buy them. There are compelling and highly rational reasons for this - no fund is rewarded for underperforming their peers on matters of principle - yet such a dualistic approach undermines their standing in the eyes of policymakers, politicians and regulators. 'Why expend political capital protecting an industry that is not protecting itself?' has been the essence of the question we have received from regulators. Investing dedicated resources in stewardship and engagement - and doing so consistently and with tangible results over the next two decades - would appear to be the most sensible response from investors. There is a need to show regulators and companies that, DCS aside, the current focus on ESG and responsible investment is a strategic shift, not just a clever and short-term marketing ploy.

Can companies find ways to escape the compliance trap?

As for companies, one of their tough decisions is to work out whether the investment in good governance is worth it. Judging by the compliance mentality that most exhibit, their current answer would appear to be no. To an extent, this is a natural outcome of market structure: that is, the concentration of investment interest in a small number of large-caps. If you are not among such companies then market pressure will be limited, so why do more than the minimum? But this attitude is also an unfortunate byproduct of the way in which CG reform has been managed in Asia over the past 20 years. Despite promoting the "comply or explain" concept, regulators have given the impression in no uncertain terms that the key word is "comply". Companies duly comply and stock exchanges carry out surveys showing high levels of compliance - as if this is a good thing. If the system were truly working, we would be celebrating diversity of company governance systems and excellent explanations - and giving out awards for that! Instead, we have a governance monoculture where all listed companies look pretty much the same on the surface. No wonder the informational value of CG reporting is so limited for most investors.

Has corporate governance in Asia improved?

Finally, a tough question we are often asked: Has corporate governance in Asia truly improved? Judging by the contents of this report and our sharp criticisms of certain issues and markets, not to mention the low scores liberally scattered around, you may conclude it has not. However, we look at corporate governance from where it has come as well as where we would like it to go. We would say there has been tremendous change in Asia over the past 20 years, not only in regulation but also the quality of the work being done by the best companies, the most committed investors, the most thoughtful auditors, the sharpest journalists and many other stakeholders. We see this plainly in all the meetings we have and

The ACGA market survey has undergone significant changes this year

We have moved from five thematic categories . . .

. . . to seven new categories built mainly around stakeholder groups

research we do for CG Watch and other ACGA activities. The quality of the discussion and thinking is unlike anything we came across when we started. We hope this report provides some useful ideas for creating a stronger CG ecosystem in Asia over the next 20 years.

Methodology

The ACGA market survey in *CG Watch 2018* is significantly different from the eight previous versions of the report. We have reorganised the structure from five thematic categories to seven categories based mainly around key stakeholder groups. We have increased the number of questions from 95 to 121, removing some questions, adding others, or making revisions. And we have developed a new and more rigorous six-point scoring system to replace our earlier five-point system. For these reasons, we have not sought to compare the total or category scores for each market with previous surveys.

Structure

Since our first edition with CLSA in 2003, the structure of our market survey followed a thematic approach:

1. **CG rules & practices:** Examining key rules on corporate disclosure, governance, and shareholder rights, with an assessment of how certain rules were being implemented by companies.
2. **Enforcement:** Assessing the rigour and depth of both “public” (ie, regulatory) and “private” (ie, investor) enforcement.
3. **Political & regulatory environment:** An overview of the key regulatory and governmental institutions overseeing the capital markets, including central banks, securities commissions, stock exchanges, the judiciary, anti-corruption commissions, and the media.
4. **Accounting & auditing:** Rating the quality of accounting and auditing standards and practices, and the effectiveness of audit regulation.
5. **CG culture:** A broader category that took into account company practices on governance, the involvement of shareholder groups, professional bodies, business associations and others.

Our new survey is structured around seven categories, several of which overlap with those above:

1. **Government & public governance:** An overview of government CG policy, political support for regulators, bank governance, regulatory independence, progress on civil service ethics, and the independence/expertise of the judiciary and anti-corruption commissions. Specific questions on the powers and functions of financial regulators have been moved to the Regulators category. Media questions moved to Civil Society & Media.
2. **Regulators:** This category collates all the questions on financial regulators and is organised into two sub-categories: “2.1 Funding, Capacity Building, Regulatory Reform”; and “2.2 Enforcement”. The first looks at regulatory resources, institutional development, and efforts made to improve CG regulation and standards. The second is now a pure regulatory enforcement score, with questions on “private enforcement” moved to the Investor category.

The new survey helps to delineate more clearly the role of different stakeholders

Most of the questions from our previous surveys have been retained

Our new six-point scoring system has no neutral bias

3. **CG rules:** Examining key rules on corporate disclosure, governance, and shareholder rights, but without an assessment of how certain rules are being implemented by companies. The latter questions have been moved to the Listed Companies category. CG Rules is now a clearer comparison of the current status of law, securities regulation, listing rules, and CG/ESG codes of best practice.
4. **Listed companies:** An in-depth examination of corporate disclosure and governance practices among 15 large-caps, selected to represent a diverse range of sectors, ownership types, and market cap size; and a more general examination of 10 mid-caps, selected along similar lines.
5. **Investors:** An assessment of the governance, engagement and advocacy initiatives of both domestic and foreign institutional investors in each market, as well as retail investors and related associations.
6. **Auditors & audit regulators:** Rating the quality of accounting and auditing standards and practices, and the effectiveness of audit regulation;
7. **Civil society & media:** A review of the participation of non-profit groups, professional and business associations, and the media in CG activities, training and awareness-raising.

The purpose of this reorganisation is to delineate more clearly the role that different stakeholder groups play in the Asian corporate governance ecosystem, to draw more informative and timely comparisons, and to produce more targeted recommendations for regulators, companies, investors and others.

Questions

While there is not space to explain each and every change in the questions in detail, some broad points are worth emphasising. Firstly, most of the 95 questions in *CG Watch 2016* have been retained and allocated to their relevant category. Secondly, while we no longer have a category called “CG Culture”, these questions primarily appear under Listed Companies, Investors, and Civil Society/Media. We continue to assess culture, but in a more contextualised way. Thirdly, some existing questions have been divided into two, in particular where we are assessing two distinct groups such as domestic and foreign investors. Fourthly, in response to feedback received, certain existing questions have been reworded to make their meaning clearer to readers.

Scoring system

Our new six-point system is based on the following numeric range: 0, 1, 2, 3, 4, 5. It replaces our older five-point system: 0, 0.25, 0.5, 0.75, 1. The key advantage of the new system is that it does not allow for a middle score and the potential for a neutral-bias.

ACGA undertakes the scoring internally based on our original and independent research. Individual-question scores are derived against a benchmark for each question, based either on the standard set by the leading market in a specific area or the regional/global best practice for a question, where the latter can be objectively ascertained. Scoring is done first for each market, then all market scores are compared to ensure, as far as possible, consistency in our analysis. While some questions are binary and objective, many require the application of judgement on the part of ACGA. We do not rely on outside respondents to complete any part of our survey and take full responsibility for any errors in the scoring.

A new survey was developed to assess listed companies

Research on CG Watch draws from both primary and secondary sources

The research team on CG Watch 2018 has more than doubled from 2016

Listed companies survey

Another new feature of our report this year is a detailed survey underlying our listed company research. It comprises 19 main questions and 74 sub-questions on the 15 large-caps; and four main questions with 27 sub-questions on the mid-caps. In total, this produced more than 13,000 data points for the 180 large-caps reviewed and more than 3,000 data points for the 120 mid-caps. This information was aggregated to produce scores for each of the 23 high-level company questions for each market based on their listed company practices.

*This part of our survey was developed in collaboration with Asia Research & Engagement (ARE), Singapore.

Acknowledgements

Dedicated research on *CG Watch 2018* was carried out throughout 2018 and draws upon ACGA's regular newsletter for members, the *Asia Regional Briefing*, published every two months, as well as new material. The research on each market was led by an individual team member with support from one or more others. Research sources included a wide range of printed and online materials from governments, regulators, companies, investors, accounting firms, law firms, civil society groups and the media. Numerous face-to-face and telephone interviews were also undertaken in each market, with follow up as necessary through written exchanges.

In total, 20 people worked on *CG Watch 2018* compared to nine on *CG Watch 2016*. In addition to the author names already recognised in the market chapters, we would like to acknowledge the support of the following individuals:

- At ACGA: Bilal Khan, Edwin Chiu, Melissa Brown and our operations team, Padma Venkat, Mikky Li, Ida Chan and Helen Wong for their forbearance!
- At Asia Research & Engagement (ARE), Singapore: Timothy Tan, Jeehee Moon, Xinying Tok, Serena Tan, Ed Yau and Andrea Giunti.

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Companies mentioned

CP Foods (CPF TB - BT25.0 - BUY)
 Japfa Comfeed (N-R)
 Maruha Nichiro (N-R)
 Mengniu Dairy (2319 HK - HK\$24.20 - BUY)
 New Hope Liuhe (N-R)
 NH Foods (N-R)
 Shuanghui (N-R)
 Thai Union (TU TB - BT17.6 - BUY)
 Wens Foodstuffs (N-R)
 WH (N-R)

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