ABRIDGED REPORT

BALANCING RULES AND FLEXIBILITY

A study of corporate governance requirements across 25 markets

KPMG

ACCA

CONTENTS

How to read this report

ACCA Singapore and KPMG in Singapore have jointly conducted a research project examining similarities and differences of CG requirements across a selection of global markets. This report is an abridged version of the results. For additional details and analysis, please refer to the Main Report.

FOREWORD

Adequate and effective corporate governance is considered by many to be a critical component in supporting Boards and management to navigate uncertainty and deliver long term sustainable value to shareholders and stakeholders.

When implemented well, it builds confidence in capital markets. This is particularly important given the anticipated growth rates in many emerging/developing economies, such as the Association of South East Asian Nations (ASEAN) in the future.

However, poor corporate governance is often cited as a key contributing factor in corporate collapses and large scale financial crises (such as the Asian Financial Crisis of 1997 and the Global Financial Crisis of 2008). In particular, concerns regarding the role of the Board, ethical values, boardroom diversity and skills sets, independence, remuneration structures, risk governance and the integrity of financial statements are often highlighted as significant deficiencies.

Regulators and policy makers are continually exploring ways to improve not only the requirements but also the levels of engagement amongst companies to adopt the 'spirit' of the requirement (i.e. following a 'substance over form') approach. Directors are increasingly seeking greater clarity of corporate governance requirements, as more are required to sit on boards of companies operating in multiple jurisdictions.

The aim of this study is to raise awareness of corporate governance requirements and help markets continue to raise corporate governance standards.

Irving Low
Partner
Head of Risk Consulting
KPMG in Singapore

Sue Almond
Director
External Affairs
ACCA

ACCA's interest and involvement in corporate governance is long standing. For many years we have supported a wide view of governance and how it could and should work.

There is an undeniable interconnectedness between business operations and society, increasing regulatory complexity and growing shareholder activity. Shareholders are not the only group interested in corporate performance. Other parties including politicians, managers, employees, financial market regulators and members of society have a keen interest in ensuring that major organisations work to create value over the long term for all stakeholders.

Corporate governance codes have a central role to play in defining acceptable practices and in directing behaviour. The OECD Principles of Corporate Governance enable countries to adopt and reflect a widely accepted benchmark when designing their own codes and instruments.

Codes and enforcements are not enough though. The desire of organisations to channel and nurture corporate behaviours that drive and support good governance practices are paramount. Tone from the top is key, and ultimately, it is employees that make the words of a code resonate and actually mean something.

We hope regulators and policy makers, investors as well as development and aid agencies will find the research valuable in assessing and comparing corporate governance requirements. We believe this study will help interested governments and regulators to identify gaps, and see the instruments and principles used by countries that lead in specific areas of corporate governance and emulate them.

ABOUT THE STUDY

Objectives

The objectives of the study were to:

- Examine corporate governance (CG) requirements in terms of clarity and completeness of content, degree of enforceability and prevalence;
- Identify common/basic CG requirements and emerging trends;
- Raise awareness of the similarities and differences in CG requirements across markets, geographic regions, economic zones and pillars/themes of CG; and
- Inform other industry research (e.g. Organisation for Economic Cooperation and Development (OECD) Principles Review).

This study focuses on the CG requirements **only**. It **has not** reviewed levels of compliance (and/or outcomes) by companies with respect to the various CG requirements. For further definitions, abbreviations and acknowledgements refer to Main Report Glossary Section.

Scope and approach

The study focused on identifying what type of instruments were adopted (degree of enforceability) across global markets. It also considered how clearly and holistically the requirements / principles and recommendations[1] found within the instrument specified the instruction or expected behaviour in relation to the ACCA-KPMG research framework – refer to Main Report Appendix A: Research approach. The requirements were analysed according to the dimensions given in Figure 1.

Type of instruments

The study focused on the requirements contained in CG Codes found in respective markets. Due to the variability in approaches across markets, the study also incorporated elements of the broader CG landscape, outlined in Table 1.

CG Code definition

An instrument drafted to capture a majority of the key CG requirements for a market. It is typically endorsed by the government or stock exchange administrator of the market and is generally applicable to publicly listed companies. It may vary in strength from voluntary, 'comply or explain' to mandatory[2].

Table 1: Type and scope of instruments considered in ACCA-KPMG study

Voluntary Companies are encouraged to follow the recommendations but are not required to explain if they choose not to. For example, better practice guidelines or 'ethics-based' principles.

- ✔ Country-level better practice guidelines
- ✖ International better practice guidelines (e.g. International Standard Organisation 31000: 2009 Risk Management Principles and Guidelines on Implementation)

'Comply or explain' Companies are required to state whether they adopt the recommended approach and if they do not comply, why they choose not to. For example, CG Codes. Variations also include 'apply and/or explain' or 'if not, why not' instruments[3].

- ✔ CG codes for listed companies
- ✖ Industry-specific CG Codes (e.g. banking and finance sector and/or state owned enterprises)

Mandatory Companies must comply with the requirement, or face fines/ penalties. For example, legislation, Listing Rules, Companies Act.

- ✔ Key legislation and regulations containing key CG requirements
- ✖ Other legislation and regulations (such as the Income Tax Act)

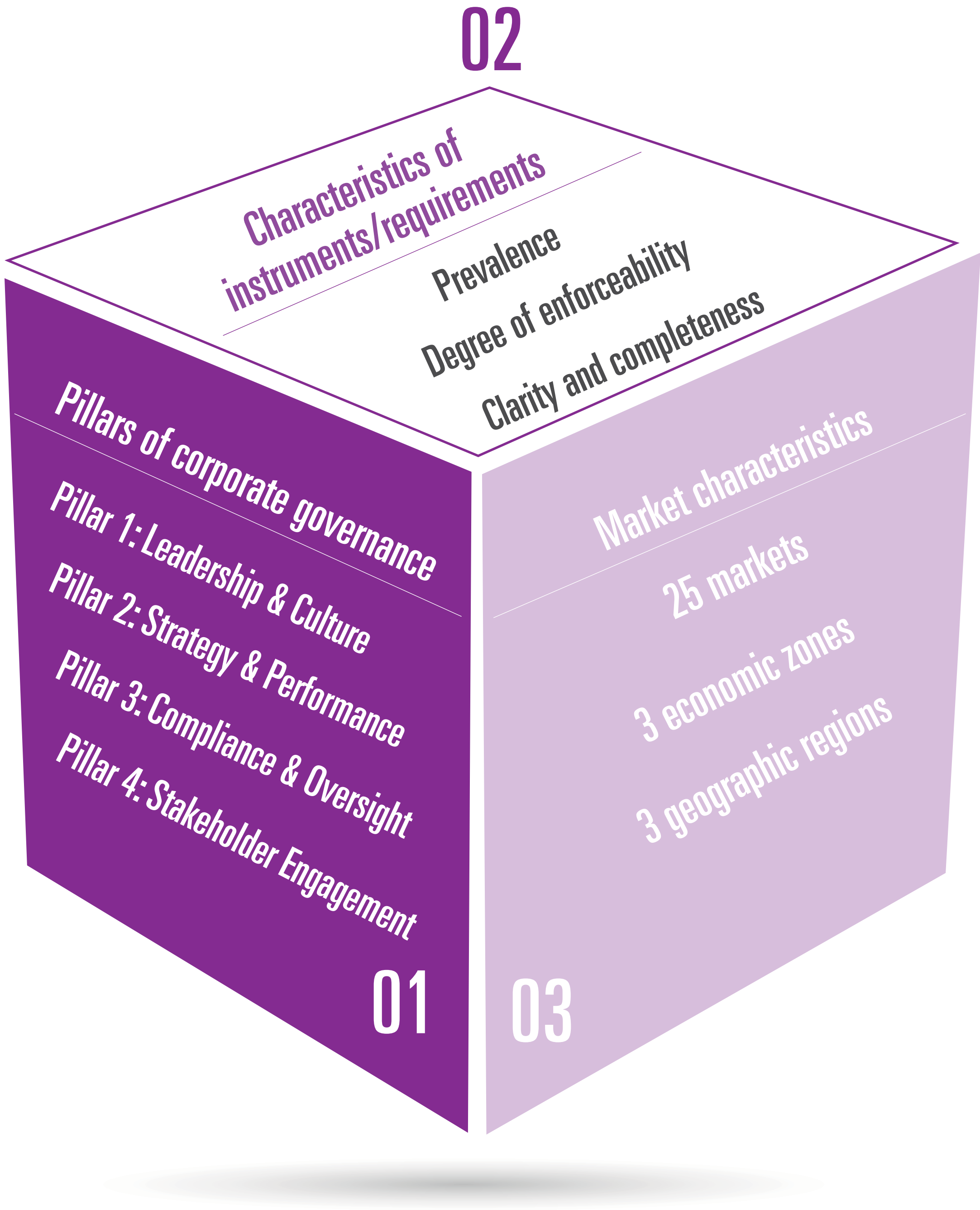
ACCA-KPMG RESEARCH SCOPE ✔ IN-SCOPE ✖ OUT OF SCOPE

[1] For the purposes of this study the term 'requirement' will be used to reflect requirements, principles and recommendations.

[2] This definition was jointly prepared by ACCA-KPMG for the purpose of this study. A market may not have an instrument referred to as a CG Code as such, but has another instrument that is similar in nature and for the purposes of this study has been taken to be a CG Code.

[3] For the purposes of this study and throughout the remainder of this report the common term 'comply or explain' will be used.

Figure 1: ACCA-KPMG CG study analysis approach 2014



> "Frequent and timely CG code revisions are an indication of active and engaged regulators and policy makers, a factor in driving enhanced CG requirements"

Sue Almond
External Affairs Director,
ACCA

“When implemented well, corporate governance builds confidence in capital markets. This is especially important in the context of high anticipated growth rates in many emerging economies such as those in the ASEAN region.”

Irving Low
Partner, Head of Risk Consulting
KPMG in Singapore

Assessment of requirements

The requirements were assessed for clarity and completeness in relation to the research framework – refer to Main Report Appendix A: Research approach. The research framework was developed based on principles contained within the OECD Principles 2004 and KPMG's Board and Governance Principles. Scores were assigned to aid the analysis. Table 2 below outlines the common scores used in the study:

Table 2: Common scores used in the study include:
Total aggregated score
The aggregation of scores assigned to requirements across all categories of degree of enforceability (voluntary, 'comply or explain', mandatory) for each research framework element. (Aggregated either by CG pillar, theme, market, economic development, region, economic zone or overall).
Highest attributed score
The highest attributed scores assigned to requirements (regardless of degree of enforceability) for each research framework element. Reduces potential impact where some markets use multiple instruments.
Average score
The total aggregated score divided by the number of questions (within CG pillars/themes) or number of markets.

Limitations

1. Completeness of information

   Given the significant volume of CG requirements that exist globally, the study may not have completely captured all the data sets. For example, the United States (US) and Canada CG landscape contain many CG requirements within State/Provincial levels which have not been considered. The study verified, where possible, at the local market levels, all the known key CG requirements found within each market - refer to Main Report Appendix B: CG instruments reviewed.

2. Accuracy of information

   The study relied on publicly available documents, some of which had been translated into English. This could impact the accuracy of information.

3. Subjectivity and interpretation

   The study is predominantly a qualitative approach that involves an assessment of the clarity and completeness of the requirement against the research framework. While efforts were made to standardise the assessments and calibrations across markets, there was an element of subjectivity and interpretation, which may impact the results.

Exclusions

1. Levels of compliance

   The study focused on only understanding the CG requirements. It did not test the level of compliance or adoption of the requirements by listed companies within each market.

2. Revisions of requirements

   There are a number of markets currently undergoing revision of their instruments. The study identified the markets in which current reviews/ consultation papers are underway; these are listed in Main Report Appendix B: CG instruments reviewed. All these additional requirements were excluded from this study.

Assumptions

1. Validity of information

   The research relied on information available as at **30 September 2014**. Any changes to CG requirements made after this point were not considered as part of this study.

2. Research framework

   The key questions contained in the research framework were based on the pillars contained in the OECD Principles 2004, KPMG's Board and Governance Principles and consideration of CG emerging better practices. It may not represent a complete set of CG requirements.

3. Multiple instruments

   Where multiple instruments were identified within a category of enforceability (such as mandatory, 'comply or explain' or voluntary), the higher standard was selected and assessed for the purposes of this study.

GEOGRAPHIC COVERAGE
ASIA PACIFIC

CHINA
Style of CG: Two-tiered
CG Code: Yes
Strength: Comply or explain
Introduced: 2001
Revisions: 0
Latest revision: 2001

HONG KONG
Style of CG: Unitary
CG Code: Yes
Strength: Comply or explain
Introduced: 1999
Revisions: 3
Latest revision: 2013

MYANMAR
Style of CG: Unitary
CG Code: NA
Strength: NA
Introduced: NA
Revisions: NA
Latest revision: NA

KOREA
Style of CG: Unitary
CG Code: Yes
Strength: Comply or explain
Introduced: 1999
Revisions: 1
Latest revision: 2003

LAOS
Style of CG: Unitary
CG Code: NA
Strength: NA
Introduced: NA
Revisions: NA
Latest revision: NA

TAIWAN
Style of CG: Other
CG Code: Yes
Strength: Comply or explain
Introduced: 2002
Revisions: 7
Latest revision: 2013

INDIA
Style of CG: Unitary
CG Code: Yes[a]
Strength: Mandatory
Introduced: 1998[b]
Revisions: 2
Latest revision: 2013

CAMBODIA
Style of CG: Unitary
CG Code: Yes
Strength: Mandatory
Introduced: 2009
Revisions: 0
Latest revision: 2009

THAILAND
Style of CG: Other
CG Code: Yes
Strength: Comply or explain
Introduced: 1998
Revisions: 3
Latest revision: 2012

MALAYSIA
Style of CG: Unitary
CG Code: Yes
Strength: Apply and explain
Introduced: 2000
Revisions: 2
Latest revision: 2012

VIETNAM
Style of CG: Other
CG Code: Yes[c]
Strength: Mandatory
Introduced: 2007
Revisions: 1
Latest revision: 2012

BRUNEI
Style of CG: Unitary
CG Code: No
Strength: NA
Introduced: NA
Revisions: NA
Latest revision: NA

SINGAPORE
Style of CG: Unitary
CG Code: Yes
Strength: Comply or explain
Introduced: 2001
Revisions: 2
Latest revision: 2012

PHILIPPINES
Style of CG: Unitary
CG Code: Yes
Strength: Mandatory
Introduced: 1998
Revisions: 1
Latest revision: 2009

INDONESIA
Style of CG: Two-tiered
CG Code: Yes
Strength: Voluntary
Introduced: 2000
Revisions: 2
Latest revision: 2006

Figure 2: Geographic coverage of ACCA-KPMG CG study 2014

[a] India - the Securities Exchange Board of India (SEBI)'s Clause 49 of the Listing Agreement was used as the CG Code equivalent
[b] India first introduced a voluntary CG code in 1998
[c] Vietnam - the Circular No. 121/2012/TT-BTC was used as the CG Code equivalent

JAPAN

Style of CG: Other
CG Code: Yes
Strength: Mandatory
Introduced: 1997
Revisions: 3
Latest revision: 2009

With a focus on ASEAN and the Asia Pacific (AsPac) markets, the study also identified other markets (based on perceived leading requirements and/or recent CG developments) to draw comparisons. Markets were analysed according to the clarity of requirements and types of CG instruments used in markets along the following dimensions:

- **Degree of economic development**
  Markets were classified as 'developed' or 'developing' using the International Monetary Fund (IMF) definitions.[4]

- **Geographic zones**
  Markets were classified into three broad geographic regions – AsPac, EMA (Europe, Middle East and Africa), and the Americas (US, Canada and Brazil).

- **Economic zones**
  In addition, markets were classified into three broad economic zones using – ASEAN, BRICS (Brazil, Russia, India, China and South Africa) and the Rest of World.

Refer to Main Report Appendix A: Research approach for details of market classifications.

Study limitation: The market coverage does not represent a complete set of markets when grouped into geographic regions and economic zones. For example, whilst the study has a full set of data for the ASEAN and BRICS economic zones, the Rest of World category is not complete. Also, whilst the AsPac region is mostly accounted for, EMA and Americas are not.

[4] The country classification in the World Economic Outlook issued by the IMF in October 2013 divides the world into two major groups: advanced economies (which the study has referred to as 'developed' countries) and emerging market and developing economies (which the study has referred to as 'developing' countries). This classification is not based on strict criteria, economic or otherwise, and it has evolved over time. The objective is to facilitate analysis by providing a reasonably meaningful method of organising data. Some key indicators taken into account include Gross Domestic Product (GDP) valued by Purchasing Power Parity (PPP), total exports of goods and services, and population.

AUSTRALIA

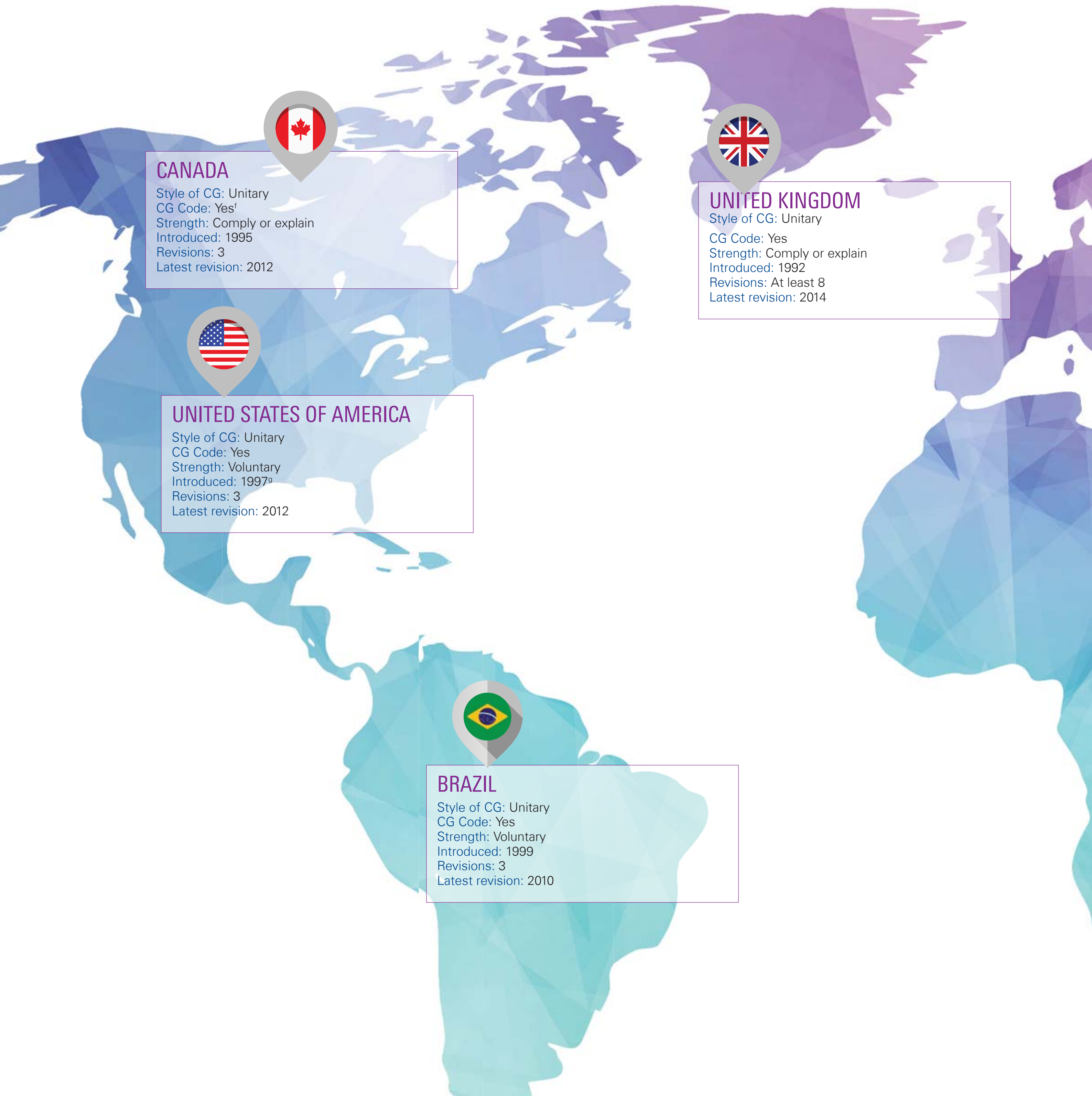
Style of CG: Unitary
CG Code: Yes
Strength: If not, why not
Introduced: 2003
Revisions: 3
Latest revision: 2014

NEW ZEALAND

Style of CG: Unitary
CG Code: Yes[d]
Strength: Comply or explain
Introduced: 2004[e]
Revisions: 1
Latest revision: 2013

[d] New Zealand - the New Zealand Stock Exchange (NXZ) Limited Main Board/Debt Market Listing Rules (October 2013) Appendix 16 Corporate Governance Best Practice Code was used as the CG Code equivalent
[e] New Zealand first introduced a voluntary CG Code in 2004

GEOGRAPHIC COVERAGE
AMERICAS & EMA



CANADA
- Style of CG: Unitary
- CG Code: Yes[f]
- Strength: Comply or explain
- Introduced: 1995
- Revisions: 3
- Latest revision: 2012

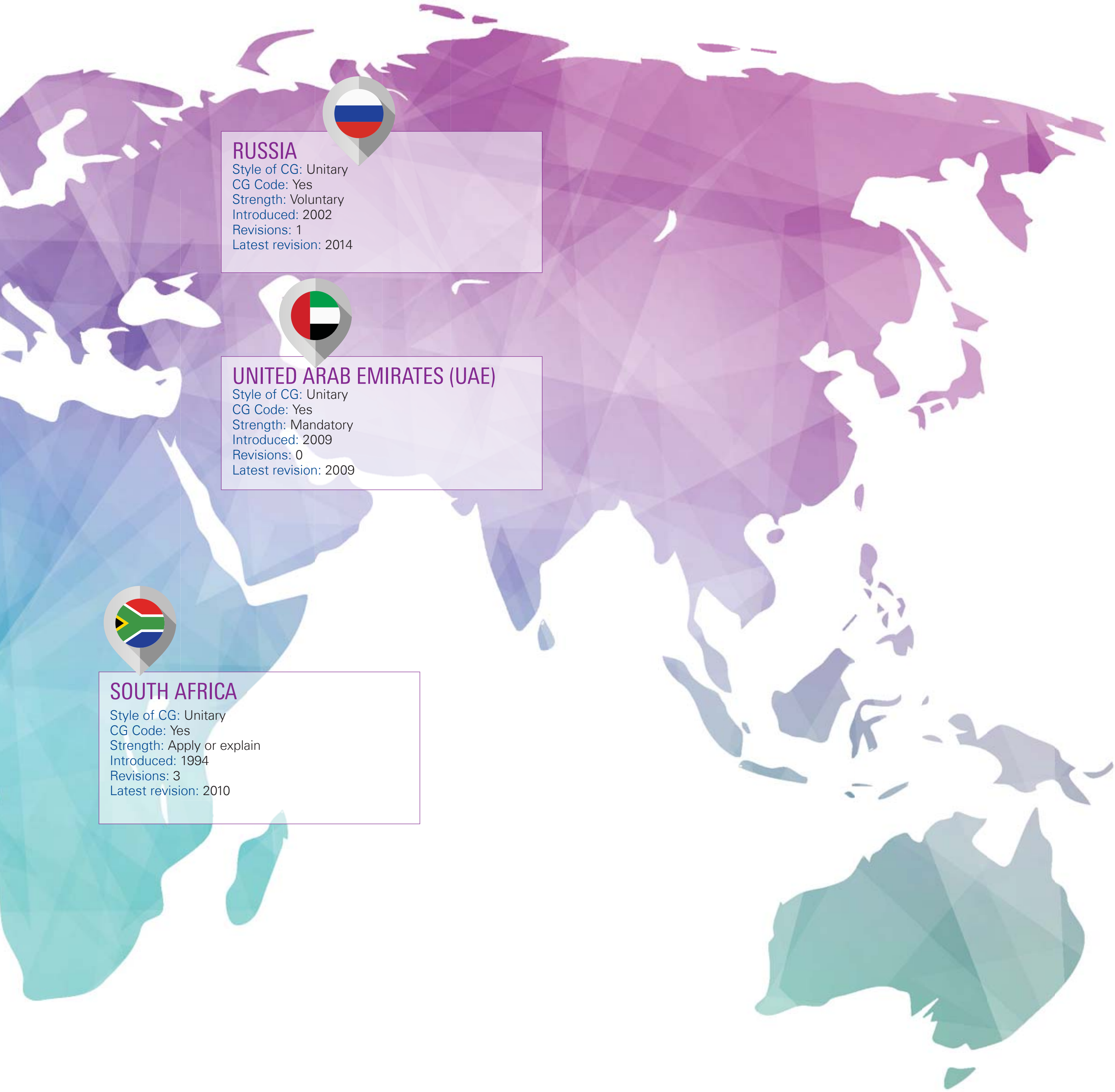
UNITED STATES OF AMERICA
- Style of CG: Unitary
- CG Code: Yes
- Strength: Voluntary
- Introduced: 1997[g]
- Revisions: 3
- Latest revision: 2012

UNITED KINGDOM
- Style of CG: Unitary
- CG Code: Yes
- Strength: Comply or explain
- Introduced: 1992
- Revisions: At least 8
- Latest revision: 2014

BRAZIL
- Style of CG: Unitary
- CG Code: Yes
- Strength: Voluntary
- Introduced: 1999
- Revisions: 3
- Latest revision: 2010

[f] Canada - the National Instrument 58-101 - Disclosure of Corporate Governance Practices was used as the CG Code equivalent.
[g] US - the Business Roundtable Principles of Corporate Governance 2012 was used as the CG Code equivalent. It should, however, be noted that the US is a predominantly mandatory CG landscape with significant legislative instruments in place.

Figure 2: Geographic coverage of ACCA-KPMG CG study 2014



KEY FINDINGS

Profile of corporate governance instruments

CG Codes provide clarity but are not a 'one-stop-shop' for corporate governance requirements

A majority of markets (22 out of 25 markets in this study) have a CG Code (or equivalent) in place. CG Codes provide an efficient and effective manner to clarify the CG requirements within a market. However, reviewing the CG Code in isolation from the CG landscape (such as Companies Act, Listing Rules or better practice guidelines) may not be adequate.

The study reviewed 109 CG instruments containing approximately 1800 requirements (pertaining to the research framework elements outlined in Main Report Appendix A: Research approach). This equates to approximately four instruments and 72 requirements on average per market that directors and other key stakeholders must be familiar with (at a minimum). While some CG Codes provide references to the relevant legislation/better practice guidelines (as exemplified by the UK), this is not consistently applied across all markets.

Multiple instruments can lead to inconsistencies and misalignment between requirements

Whilst utilising multiple CG instruments to specify CG requirements enables markets to capture more details to clarify requirements, there is also a risk that requirements may be inconsistent and could lead to sub-optimal implementation of requirements.

The study found examples of inconsistencies between CG instruments within a selection of markets.
For example, the Singapore Exchange (SGX) Listing Rules specify the Board must provide an opinion on the adequacy of internal controls, whereas the CG Code specifies the Board must comment on the adequacy and effectiveness of risk management and internal control systems.

Evolution of Corporate Governance Codes

Some markets have not kept pace with significant developments in CG requirements

While regulators and policy makers aim to proactively identify areas for improvement in their respective CG landscapes, a large portion of developments arise from learnings and outcomes from significant external events (such as significant corporate collapses, financial crises and introduction of significant legislation with global reach and relevance).

The study found that most markets introduced their CG Codes between 1992 and 2004. On average, markets revised their CG Codes 2.4 times.
The highest scoring markets revised their CG Codes (on average) 3.4 times compared to the lowest scoring markets revising them (on average) 1.8 times. Frequency and timeliness of revisions to CG instruments are an indication of active and engaged regulators and policy makers, a factor in driving enhanced CG requirements.

While 76% of markets had revised their CG Codes since the Global Financial Crisis in 2008 (Russia, India, Australia and UK revised theirs in 2014), the study found some markets had not revised their CG Codes for a significant period of time, such as Indonesia (2006), Korea (2003) and China (2001).

State of adoption of OECD Principles

Well-defined CG requirements are a critical factor in building confidence in capital markets

The study found that on the whole, developed markets received higher scores (on average) than developing markets (regarding the clarity and completeness of CG requirements in relation to the research framework elements).

Six out of the top ten highest scoring markets were developed, indicating that the maturity of the economy and capital markets influences, to some extent, the need for well-defined CG requirements. Equally, as developing markets seek to build confidence in capital markets, establishing well-defined CG requirements, is a lever for doing so as evidenced by India, Malaysia, Russia and Brazil receiving scores above the average of developed markets. Japan and Canada, both developed markets, performed below the average of developing markets, indicating their CG landscape were not as clear or as complete as other markets.

Highest scoring markets (above the average score for developed markets)

1. UK
2. US
3. Singapore
4. Australia (equal 4th)
5. India (equal 4th)
6. Malaysia (equal 4th)
7. Hong Kong (equal 7th)
8. Russia (equal 7th)
9. Brazil
10. Taiwan

Mid-range scoring markets

11. South Africa (equal 11th)
12. Thailand (equal 11th)
13. Korea
14. UAE
15. New Zealand

Lowest scoring markets (below the average score for developing markets)

16. Philippines
17. Indonesia
18. Canada
19. China
20. Cambodia
21. Japan
22. Vietnam
23. Myanmar
24. Brunei (equal 24th)
25. Laos (equal 24th)

■ Developed markets
■ Developing markets

Strong alignment with OECD Principles; exceptions noted

The study found that a majority of markets (16 out of 25) have aligned requirements with more than 80% of OECD related principles, indicating that the OECD Principles have played a part in shaping CG requirements across global markets.

However, some markets (e.g. Laos, Myanmar, Brunei, Vietnam, Japan and Canada) failed to incorporate more than 50% of the OECD principles. An additional 32 areas of better practice requirements were included in the study, representing emerging areas that the OECD could consider in future revisions of the Principles. These include, but are not limited to, risk governance, board diversity, disclosures (across a number of governance aspects) and accountabilities (at Board, Board committee and senior management level).

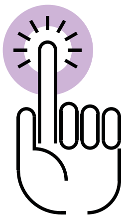
Well-defined CG requirements (on paper) may lack enforceability in practice

While all markets mandate elements of CG, the degree to which they are supplemented by principles and/or better practices varies. Overall the study found that 56% of the 1,800 requirements reviewed were principles-based (i.e. 34% 'comply or explain' and 22% voluntary) with the remaining 44% of requirements mandatory in nature.

The study also found that the markets with the highest attributed scores for clarity and completeness of requirements, varied in their degree of enforceability. Of the markets scoring above the developed markets average, the UK, Singapore, Australia, Hong Kong and Malaysia adopted a balanced approach (consisting of a blend of legislation, CG Codes and/or guidelines).

However, the US and India (although only recently introduced) adopt a predominantly mandatory CG landscape, whilst Russia and Brazil adopt a predominantly voluntary CG landscape. Too many prescriptive/mandatory requirements may lead to a 'compliance only' culture (only doing the bare minimum) and could disengage smaller sized firms. Too little enforcement may lead to apathy and disregard.

Clarity and completeness of corporate governance requirements



'Structural' CG requirements are better defined than 'behavioural' (emerging) aspects

Overall the most well-defined CG requirements were found (ranked in order) in Pillar 1: Leadership & Culture, Pillar 2: Strategy & Performance, Pillar 3: Compliance & Oversight and Pillar 4: Stakeholder Engagement. The underlying themes (ranked in order) were as follows:

Strongest themes (most well-defined)

1. Remuneration Committee
2. Audit Committee and financial integrity
3. Director independence
4. Role of the Board
5. Nominating Committee

Mid-range themes

6. Remuneration structures
7. Board composition
8. Disclosures
9. Shareholder rights
10. Assurance

Weakest themes (least well-defined)

11. Director's time and resources
12. Performance evaluation
13. Risk governance
14. Stakeholder engagement and communication
15. Board diversity

This highlights that better defined areas of CG are more tangible or structural in nature (and/or have received focus for a longer period of time).

The less defined areas of CG appear less tangible and more behavioural in nature and are 'emerging' as critical areas to enhance CG adequacy and effectiveness.

Despite certain CG themes receiving higher rankings, there are still opportunities to strengthen underlying requirements. For example, the following were found to be the least prevalent aspects mentioned (within Audit Committee and financial integrity and Director independence themes) in certain markets:

- 64% of markets did not specify the need for the CEO/CFO to provide a declaration regarding the integrity of financial statements; and
- 28% of markets did not specify the need to separate the Chairman and CEO.

Other factors influencing corporate governance

More support is required for developing markets and emerging economic zones

In light of the growth predictions and commitment of ASEAN to emerge as a single economic community by December 2015, ASEAN still displays a wide divergence in corporate governance maturity levels and requires commitment and support from regulators and policy makers to improve and/or better support current instruments/requirements.

ASEAN comprises markets with both very well-defined requirements such as Singapore and Malaysia and also markets with poorly defined or non-existent requirements such as Brunei, Myanmar and Laos. These three countries do not currently have stock exchanges in place. ASEAN is also characterised by a divergence in political and legal systems and cultures. While efforts are underway in each market to explore CG improvements, increased focus is required to establish a common understanding of requirements to instil confidence to invest in ASEAN markets.

> "We believe that the wide divergence of CG requirements introduces unnecessary complexity and generates a friction that hinders and impedes cross-borders capital flows"
>
> **Sue Almond**
> External Affairs Director, ACCA

HIGHLIGHTS

Overall market rankings

The following table highlights the market rankings (1-25) according to the highest scores assigned for clarity and completeness of requirements (in relation to the research framework).

Highest scoring markets (above the average score for developed markets)
1. UK
2. US
3. Singapore
4. Australia (equal 4th)
5. India (equal 4th)
6. Malaysia (equal 4th)
7. Hong Kong (equal 7th)
8. Russia (equal 7th)
9. Brazil
10. Taiwan
Mid-range scoring markets
11. South Africa (equal 11th)
12. Thailand (equal 11th)
13. Korea
14. UAE
15. New Zealand
Lowest scoring markets (below the average score for developing markets)
16. Philippines
17. Indonesia
18. Canada
19. China
20. Cambodia
21. Japan
22. Vietnam
23. Myanmar
24. Brunei (equal 24th)
25. Laos (equal 24th)

Table 3: Overall market rankings

■ Developed markets
■ Developing markets

Developed and developing markets rankings

Developed markets were found to contain better defined requirements than developing markets. The following table highlights the market rankings within developed and developing categories according to the highest scores assigned for clarity and completeness of requirements (in relation to the research framework).

Developed
1. UK (1 out of 25)
2. US (2)
3. Singapore (3)
4. Australia (equal 4)
5. Hong Kong (equal 7)
6. Taiwan (10)
7. Korea (13)
8. New Zealand (15)
9. Canada (18)
10. Japan (21)
Developing
1. India (equal 4)
2. Malaysia (equal 4)
3. Russia (equal 7)
4. Brazil (9)
5. South Africa (equal 11)
6. Thailand (equal 11)
7. UAE (14)
8. Philippines (16)
9. Indonesia (17)
10. China (19)
11. Cambodia (20)
12. Vietnam (22)
13. Myanmar (23)
14. Brunei (equal 24)
15. Laos (equal 24)

Table 4: Economic development rankings

Geographic region rankings

Overall the EMA region was assessed by the research framework to have better defined CG requirements, followed by the Americas and then AsPac.

The following table highlights the market rankings within regions according to the highest scores assigned for clarity and completeness of requirements (in relation to the research framework).

EMA
1. UK (1 out of 25)
2. India (equal 4)
3. Russia (equal 7)
4. South Africa (equal 11)
5. UAE (14)
Americas
1. US (2)
2. Brazil (9)
3. Canada (18)
AsPac
1. Singapore (3)
2. Australia (equal 4)
3. Malaysia (equal 4)
4. Hong Kong (equal 7)
5. Taiwan (10)
6. Thailand (equal 11)
7. Korea (13)
8. New Zealand (15)
9. Philippines (16)
10. Indonesia (17)
11. China (19)
12. Cambodia (20)
13. Japan (21)
14. Vietnam (22)
15. Myanmar (23)
16. Brunei (equal 24)
17. Laos (equal 24)

Table 5: Geographic region rankings

Economic zone rankings

Overall the Rest of World grouping was assessed in accordance with the research framework to have better defined CG requirements on average, closely followed by the BRICS region with ASEAN lagging behind.

The following table highlights the market rankings within economic zones according to the highest scores assigned for clarity and completeness of requirements (in relation to the research framework).

Rest of the World

1. UK (1 out of 25)
2. US (2)
3. Australia (equal 4)
4. Hong Kong (equal 7)
5. Taiwan (10)
6. Korea (13)
7. UAE (14)
8. New Zealand (15)
9. Canada (18)
10. Japan (21)

BRICS

1. India (equal 4)
2. Russia (equal 7)
3. Brazil (9)
4. South Africa (equal 11)
5. China (19)

ASEAN

1. Singapore (3)
2. Malaysia (equal 4)
3. Thailand (equal 11)
4. Philippines (16)
5. Indonesia (17)
6. Cambodia (20)
7. Vietnam (22)
8. Myanmar (23
9. Brunei (equal 24)
10. Laos (equal 24)

Table 6: Economic zone rankings

Ranking of CG pillars and themes

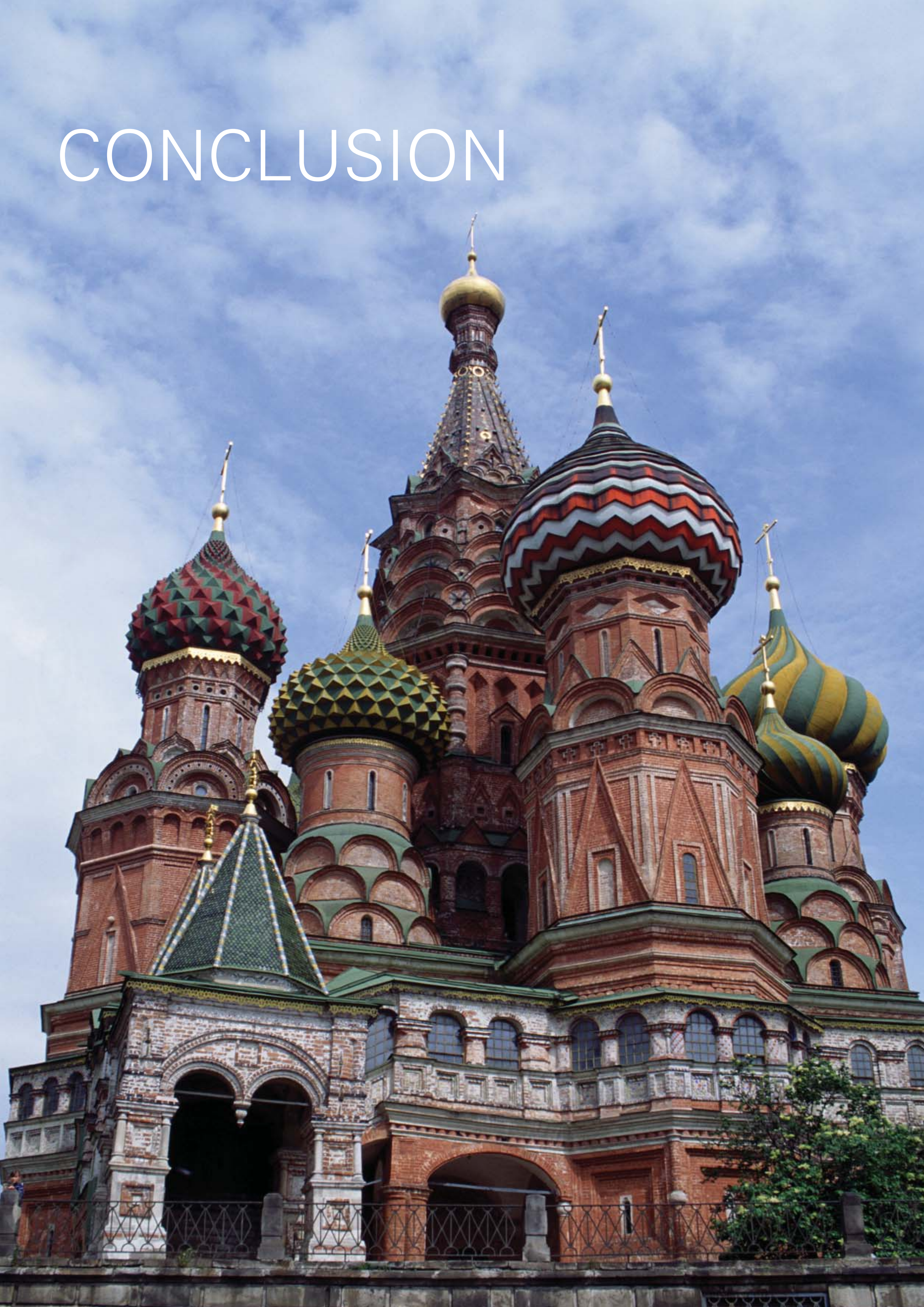
The CG themes that received the highest aggregated scores (ranked in order) assigned for clarity and completeness of requirements (in relation to the research framework) are given in the table below.

CG themes rankings

1. Remuneration Committee
2. Audit Committee and financial integrity
3. Director independence
4. Role of the Board
5. Nominating Committee
6. Remuneration Structures
7. Board Composition
8. Shareholder rights
9. Disclosures
10. Assurance
11. Director's time and resources
12. Performance evaluation
13. Risk governance
14. Stakeholder engagement and communication
15. Board diversity

Table 7: CG theme rankings

CONCLUSION



Overall, the study found a wide divergence in CG requirements across the 25 markets analysed in terms of the clarity, degree of enforceability and prevalence of instruments.

As regulators, policy makers, directors and practitioners seek to understand, clarify and take decisions to implement and enhance CG practices, greater clarity is required to understand where markets have taken decisions to strengthen requirements. This may be done by explaining principles-based requirements more carefully, or by increasing the enforceability of compliance mechanisms.

It is clear that most markets mandate the basic requirements and supplement these with principles-based approaches. However, the economic development and level of government support ('tone from the top') play a significant part in the extent to which companies adopt and implement the requirements in practice. Certain markets have supplemented 'comply or explain' regimes with specific additional legislative requirements to drive awareness and consistency.

Critical components of the OECD Principles (such as the role of the Board, Board committees and Director independence) have received continued focus and attention since the first release of the OECD Principles in 1999 (and revised in 2004). However, it is clear that many markets have moved ahead of OECD principles as evidenced by the emerging requirements appearing in many of the developed markets. The OECD could consider setting out the minimum principles expected to be in place across all markets (regardless of whether a stock exchange exists) and provide an easier reference to supporting guidelines with clearer guidance on expected practices.

While decisions to develop, define and enforce CG requirements within particular markets are unique to the political, legal, economic, social and cultural aspects within each market and there is no 'one-size-fits-all', there is value in continuing to capture internationally recognised standards of corporate governance.

The revision to the OECD Principles is timely and much needed. The establishment of the ASEAN CG scorecard will also continue to raise awareness and provide support to participating ASEAN nations in continuing to raise standards. The critical areas requiring more attention and reflection relate to risk governance, board diversity, assurance, stakeholder engagement (particularly institutional investor stewardship) and aligning remuneration with risk, performance and going concern.

To enable CG standards to evolve and adapt to changing business environments, more awareness of CG requirements must be raised. Along with this, markets can learn from and adopt best international practices.

“Regulators and policy makers must continue to review and revise CG requirements to ensure they remain relevant, adequate and effective. Having greater awareness and transparency of mandatory, principle-based and supporting guidelines and their interaction is a critical step in improving corporate governance standards.”

Irving Low
Partner, Head of Risk Consulting
KPMG in Singapore

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