

## MEDIA RELEASE

### Corporate Governance Watch 2010

#### *CG momentum in Asia slows in recent crisis years*

**Hong Kong – Wednesday, 22 September 2010** - CLSA Asia-Pacific Markets ('CLSA'), Asia's leading, independent brokerage and investment group, has released its *Corporate Governance (CG) Watch 2010*, the 8<sup>th</sup> survey of corporate governance in Asia since 2000. Produced in collaboration with the Asian Corporate Governance Association (ACGA), the report examines 580 Asia-listed companies and 11 countries, including Japan, to produce the most comprehensive assessment of corporate governance performance, issues and trends in Asia.

The report title '*Stray not into perdition*', suggests that while corporate governance ('CG') standards have improved in Asia over the past decade, even the top performing markets remain far from international best practice. Regulators make it too easy for companies to box-tick and markets still lack effective rules on fundamentals such as independent directors and audit committees. Meanwhile, most institutional investors are yet to invest sufficiently in voting, engagement or stewardship.

Commenting on the overall findings, CLSA Head of Thematic Research, Amar Gill said: "The 2008 global financial crisis was a wasted opportunity. Rather than using it to push reform forward, most governments have taken a complacent view, happy that the crisis this time did not start in Asia. Not enough has been invested to make best practices work and the negative trends we see may lead to a build-up of governance risk for the coming years."

"The structures and processes of good CG may not obviously boost the performance of a business, but without them investors face the risk that the economic value created may be hijacked. In the worst case scenario, lack of CG demolishes a stock. Now with a CG score in place, investors have the opportunity to reduce risk and achieve higher returns by avoiding the worst CG companies," said Gill.

The overall analysis of companies shows that large-caps tend to have better CG scores. Corporations were reviewed in relation to discipline, transparency, independence, accountability, responsibility and fairness. In addition, environmental practice was surveyed to provide the CLSA Clean & Green ('C&G') score and for the first time, Corporate Social Responsibility ('CSR') activities were also assessed.

Asia now accounts for more than 20% of global CSR reports versus just 12% five years ago. Even Chinese companies are encouraged to publish CSR reports to improve the country's branding and competitiveness. CLSA Head of Sustainable Research, Simon Powell said: "We find that overall, more stringent environmental laws have been implemented in the region. However, many companies mix up contributing to charities as CSR, which is no substitute to proactively engaging with society for better outcomes."

Among the country rankings, Singapore replaces Hong Kong at the top in 2010 while Thailand, Japan and Indonesia stand out this year as they were often seen as underperforming in the past. Malaysia and China also deserve merits whose scores rose by three and four percentage points. The Philippines, Indonesia and Korea are at the bottom of the market rankings, with The Philippines coming last.

Author of the *CG Watch 2010* country analysis, Secretary General of the ACGA Jamie Allen said: "The reality is that most Asian markets are starting to lag behind global standards. The private sector has to undertake governance reforms proactively and see this as in their own self-interest. Markets that do this well will likely sustain their regulatory reforms more effectively and efficiently."

The ACGA assessed 11 markets across Asia, asking 90 questions in four categories: CG rules and practices; enforcement; political and regulatory environment; accounting and auditing.



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**The co-authors of the report, CLSA head of thematic research, Amar Gill is based in Singapore, CLSA head of sustainable research, Simon Powell is based in Hong Kong as is ACGA Secretary General Jamie Allen. All are available for interview.**

### **About CLSA Asia-Pacific Markets**

CLSA Asia-Pacific Markets is Asia's leading, independent brokerage and investment group. The company provides equity broking, capital markets, merger and acquisition, and asset management services to global corporate and institutional clients.

Renowned for service excellence, product innovation and award-winning market intelligence, CLSA has built its reputation on unrivalled equity research and economic analysis which is consistently ranked the best in Asia.

CLSA was ranked the No.1 broker in Asia for the past 19 years in the *Asiamoney* No.1 Brokers Poll 1990-2008 published in July 2009. The company was voted Best Overall Brokerage in Asia (ex. Australia and Japan) for Combined Research and Sales in 2007-2009 and Most Independent Research Brokerage the past eight years in the annual *Asiamoney Broker's Poll* (except 2005). CLSA has ranked No.1 for equity strategy in *Institutional Investor's All-Asia Research Poll* between 2003 and 2009 (except 2006).

CLSA is one of Asia's largest independent equity brokers and one of the world's largest agency brokers. The group's investment banking services include M&A advisory, equity transactions and public offerings. Alternative asset management is offered through a range of Asia-based funds under CLSA Capital Partners.

Founded in 1986 and headquartered in Hong Kong, CLSA has 1,350 dedicated professionals located in 15 cities across Asia, as well as UK and the US. CLSA's major shareholder is France's Credit Agricole, which merged in 2003 with Credit Lyonnais. CLSA enjoys substantial staff ownership which contributes to its independent stance and operations. Additional information is available at [www.clsa.com](http://www.clsa.com).

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### **About ACGA**

The Asian Corporate Governance Association (ACGA) is an independent, nonprofit membership organisation working on behalf of all investors and other interested parties for the improvement of corporate governance in Asia. ACGA is funded by a network of sponsors and corporate members, including many of the region's leading investment funds, financial institutions and intermediaries. ACGA advocates the competitive benefits of better corporate governance and works closely with institutional investors, regulators and companies to achieve concrete improvements. For further information about ACGA and comprehensive coverage of corporate governance developments in Asia, go to [www.acga-asia.org](http://www.acga-asia.org)

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