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CG Watch 2016

Ecosystems matter: Asia's path to better home-grown governance

HONG KONG - Thursday, 29th September 2016: CLSA Limited (CLSA), Asia's leading and longest-running brokerage and investment group in collaboration with the Asian Corporate Governance Association (ACGA) today releases **Corporate Governance (CG) Watch 2016**. The most comprehensive assessment of corporate governance performance, issues and trends in Asia and the eighth joint report since 2003, CG Watch analyses and rates **12 key Asia-Pacific markets and 1,047 Asian companies**.

CG Watch 2016 brings into focus the importance of the corporate governance ecosystem as the differentiating factor between the long-term system success and failure of markets and companies. **Secretary General of the ACGA Jamie Allen** believes no single stakeholder can drive the governance process. Allen says: "It is the collective interaction of all parties that delivers better outcomes. Reforms also matter but how markets and companies respond and deliver them is crucial. A more robust ecosystem demands accountability and compliance, which in itself makes for better governance."

Singapore and Hong Kong consistently top the **CG Watch 2016** market rankings due to the institutions – legal, regulatory and economic – that support those markets. The inclusion this year of Australia, the most robust governance ecosystem in Asia, provides a benchmark of the deficiencies in the region's governance. Allen comments further: "In contrast to Australia, the controlled and hierarchical management-shareholder communication system in Asia may become, if it does not evolve, a significant impediment to corporate governance and capital market development in Asia."

Singapore tops the **CG Watch 2016** market rankings followed by Hong Kong, Japan, Taiwan, Thailand, Malaysia, India, Korea, China, Philippines and Indonesia. Australia was excluded so as not to skew past results as its CG score was significantly higher than top-ranked Singapore. ACGA assess markets based on a country's cumulative score across five categories; CG rules and practices, enforcement, political and regulatory environment, accounting and auditing and CG culture.

CLSA's survey of 1,047 companies shows that reliable correlation between corporate governance and share price remains elusive. CLSA Global Head of Thematic Research, Shaun Cochran says: "Share price performance is a function of an extraordinarily wide range of factors, most of which are outside governance's direct sphere of influence. However, fundamentals and balance sheet are under management's direct control and our analysis shows that better governance is associated with better fundamentals."

CG Watch 2016 highlights that Environmental, Social and Governance (ESG) factors are becoming integral to investment strategies worldwide. Charles Yonts, CLSA's Head of Sustainable Research publishes a complementary report to CG Watch which assesses companies on issues material to their sector in order to provide a CLSA Environmental / Social score.



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Yonts says: “CLSA analysis shows that companies which achieve higher ESG scores perform better on earnings revision and payout while exhibiting better free cash flow quality and lower balance sheet risk. One could conclude that over time, these companies would perform better.”

This year, **CG Watch 2016** incorporates the perspectives of various corporate-governance professionals in Asia from Aberdeen Asset Management, Blackrock, Glass Lewis and ISS Corporate Solutions. They express optimism for Asia’s governance future but are realistic in the context of clear structural differences across markets.

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About CG Watch

CLSA is one of the founding corporate sponsors of ACGA. Together, CLSA and ACGA have co-published eight CG Watch reports in 2003, 2004, 2005, 2007, 2010, 2012, 2014 and 2016. CLSA published two earlier reports in 2001 and 2002.

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

About ACGA

The Asian Corporate Governance Association (AGGA) is a non-profit membership association dedicated to promoting substantive improvements in corporate governance in Asia through independent research, advocacy and education. ACGA engages in a constructive dialogue with regulators, institutional investors and listed companies on key corporate governance issues and works towards making improvements.

ACGA is funded by a membership base of 110 highly-regarded organisations based in Asia and other parts of the world. For a full list of ACGA members, please see the “Members” page on www.acga-asia.org. Please also visit the website for more details on ACGA’s activities and a database of information on corporate governance in Asia.

About CLSA Limited

CLSA is Asia’s leading and longest running brokerage and investment group. The company provides equity broking, corporate finance & capital markets and asset management services to global corporate and institutional clients.

Renowned for service excellence, product innovation and award-winning market intelligence CLSA has provided independent equity research, sales and trading since 1986. CLSA is the largest agency-only brokerage in Asia and with exchange membership in every developed market in the region, plus Australia and the Americas, CLSA provides best execution across a range of products and services.

Through CITIC CLSA Securities, the group’s corporate finance and capital markets team leads equity public offerings (primary and secondary), debt issuances and M&A advisory. Direct investment is offered through diversified, alternative investment vehicles by CLSA Capital Partners.

Headquartered in Hong Kong, CLSA’s 1,500 dedicated professionals operate from 25 cities across Asia, Australia, the Americas and Europe. CLSA’s parent company CITIC Securities is China’s leading brokerage and investment bank.

For further information, please visit www.clsa.com.



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Note to media:

CG Watch 2016 and *ESG (Beyond the choir: ESG enters the Asian mainstream)* are distributed only at the discretion of CLSA Ltd. and the Asian Corporate Governance Association. To speak to the authors please contact CLSA Communications team.

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