



BALANCING RULES AND FLEXIBILITY

A study of corporate governance
requirements across 25 markets



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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
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Sue Almond
Director
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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 recommendations¹ 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 mandatory².

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' instruments³.

- ✓ 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

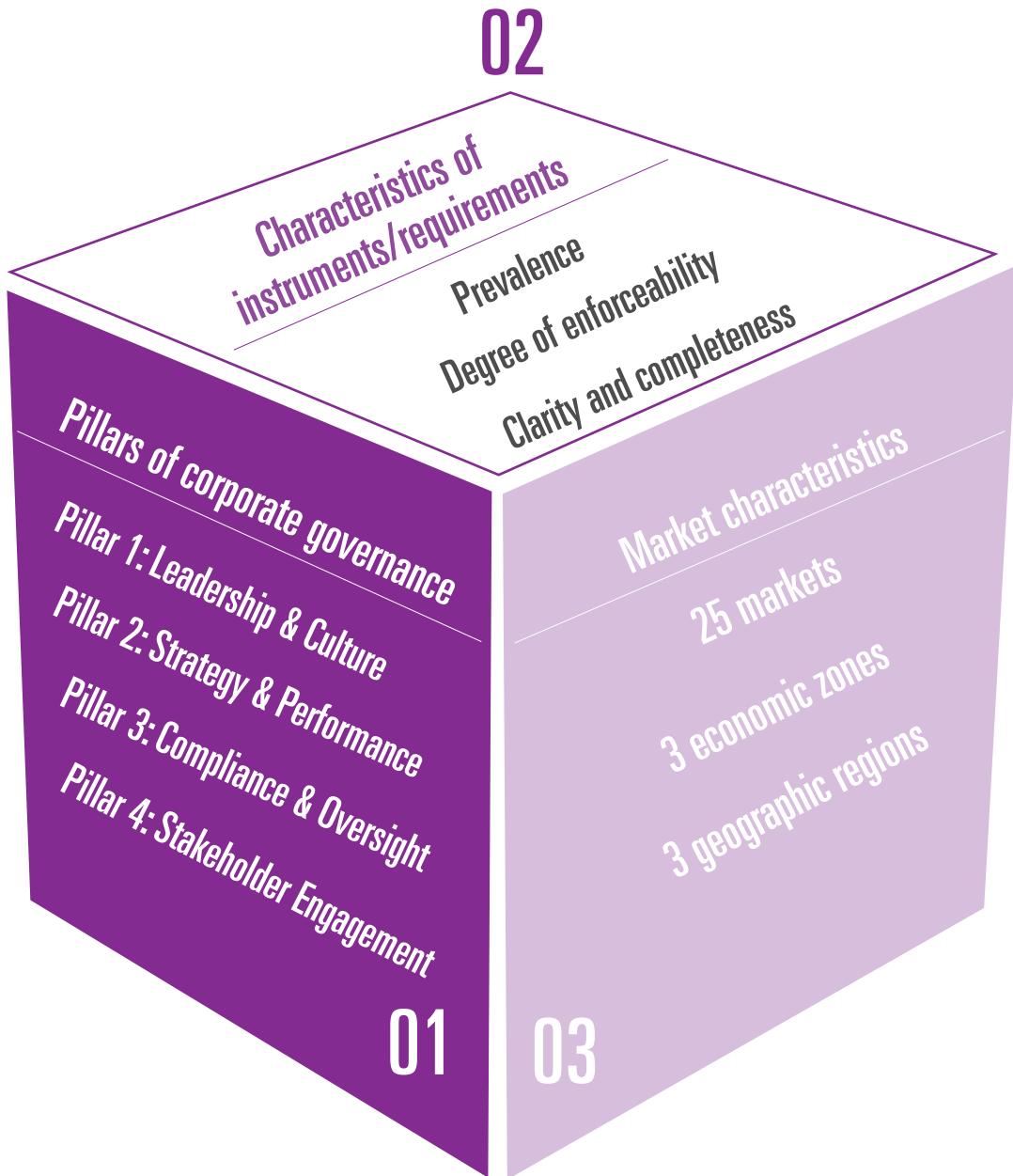


¹ For the purposes of this study the term 'requirement' will be used to reflect requirements, principles and recommendations.

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



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 (NZX) 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

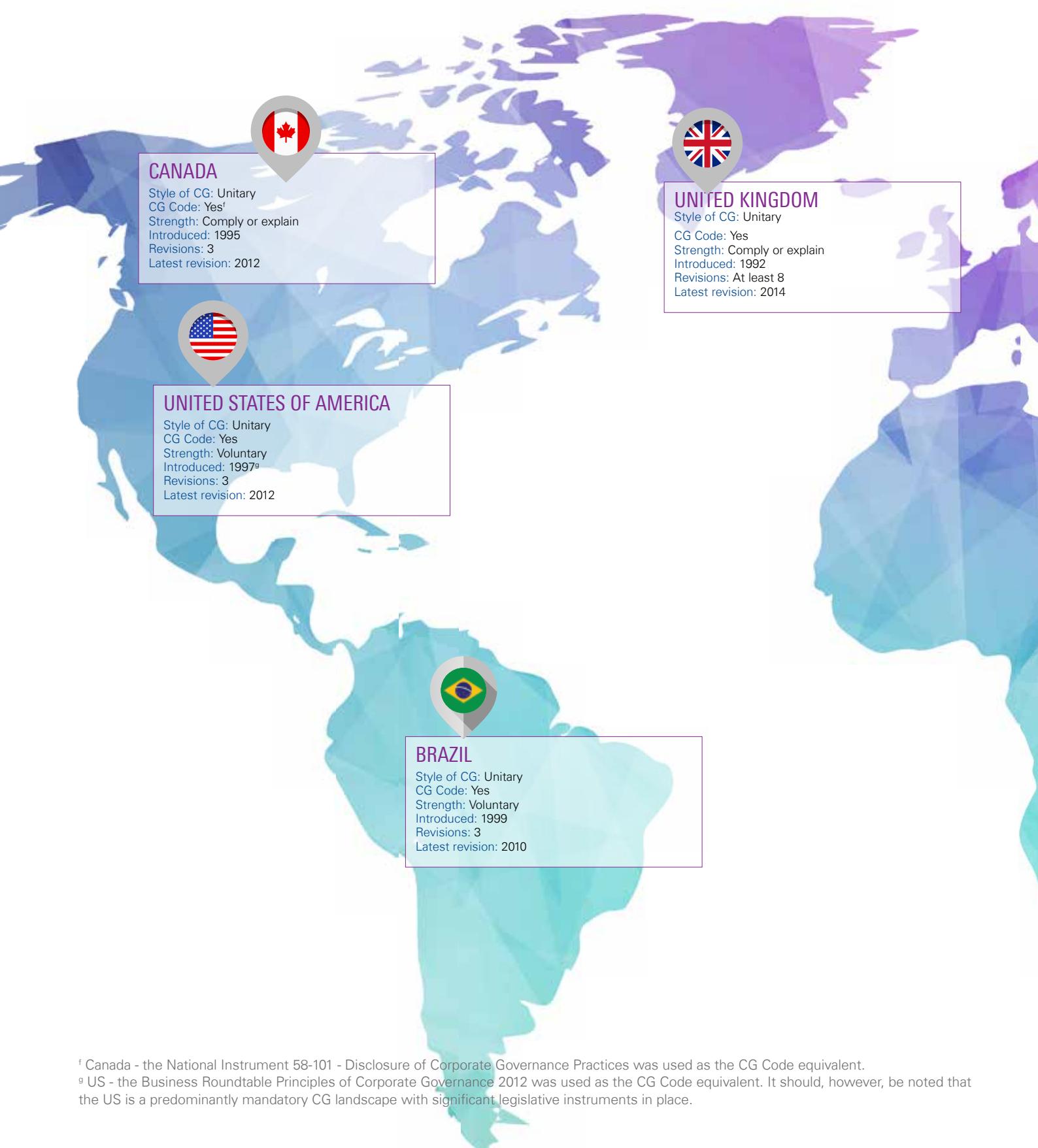


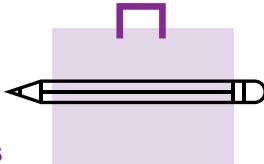
Figure 2: Geographic coverage of ACCA-KPMG CG study 2014



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.

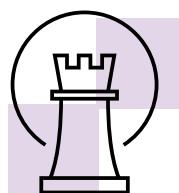
The study reviewed 109 CG instruments containing approximately 1800 requirements (pertaining to the research framework elements outlined in Main Report Appendix A: Research approach). This equates to approximately four instruments and 72 requirements on average per market that directors and other key 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



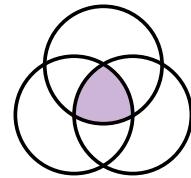
Some markets have not kept pace with significant developments in CG requirements

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 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).

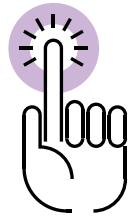
Well-defined CG requirements (on paper) may lack enforceability in practice

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



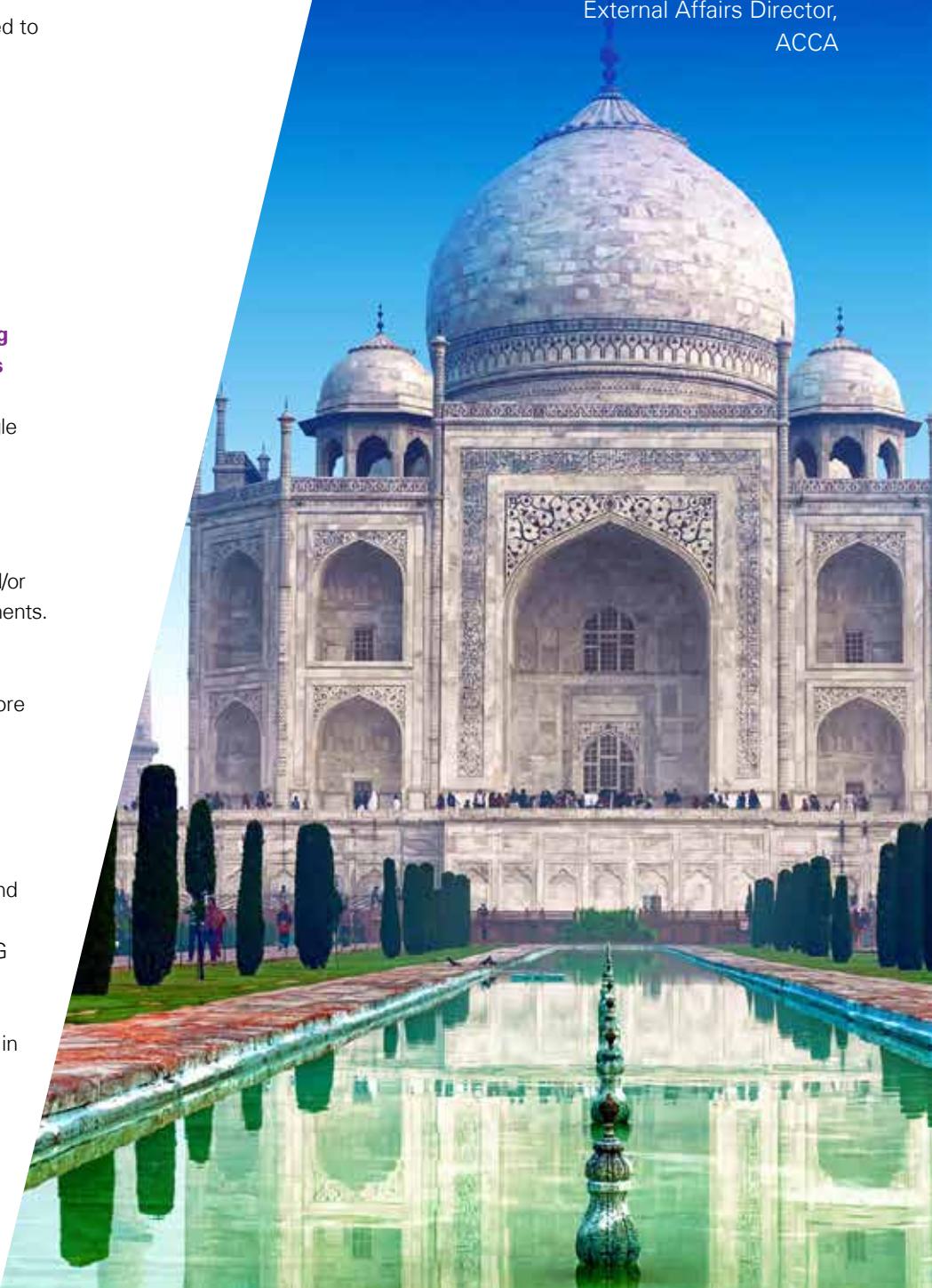
More support is required for developing markets and emerging economic zones

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)

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)

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 3: Overall market rankings

■ Developed markets
■ Developing markets

Table 4: Economic development rankings

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)

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

Table 6: Economic zone 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

PROFILE OF CG INSTRUMENTS

“ Just as boards set the ‘tone at the top’ for the companies they govern, market regulators and policy makers do the same with the CG instruments and requirements they set. ”

Irving Low
Partner, Head of Risk Consulting
KPMG in Singapore



CG Codes are deployed in a majority of markets

The study found that 88% (22 out of 25) of markets have implemented a CG Code (or equivalent). Further analysis shown in Chart 1 highlights that all developed and 80% of developing markets have a CG Code (or equivalent) in place. The only exceptions are Myanmar, Brunei and Laos – all of which do not have a stock exchange in place. While the Myanmar, Brunei and Laos governments have expressed sentiments about enhancing CG requirements, the creation of capital markets through the establishment of stock exchanges along with the formal launch of the ASEAN economic community in 2015 may assist in driving the pace of change required.

The study found that the degree of enforceability of CG Codes varies across markets, as shown in Chart 2. While developed markets tend to adopt more principles-based CG Codes, developing markets tend to gravitate towards more mandatory ones.

A wide variety of CG instruments are used across and within markets

The study found that there is a wide variety of CG instruments used to capture CG requirements globally including Companies Acts, listing rules, CG Codes, better practice guidelines and other legislation. Chart 3 outlines the range of CG instruments used across selected markets in the study.

In all, 109 CG instruments were considered in this study. On average this represents just over four instruments per market. Chart 4 highlights that Taiwan has the largest number of instruments in place (12 in total), while Cambodia, Brunei, Myanmar and Laos have only one instrument each in place. The most holistic CG landscape exists in the UK (with 11 instruments in place) spanning mandatory, voluntary and 'comply or

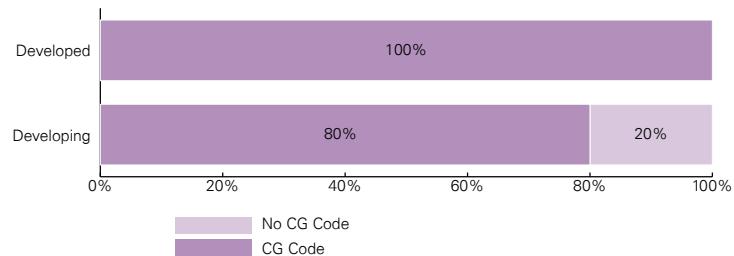


Chart 1: Analysis of markets with and without CG Codes in place

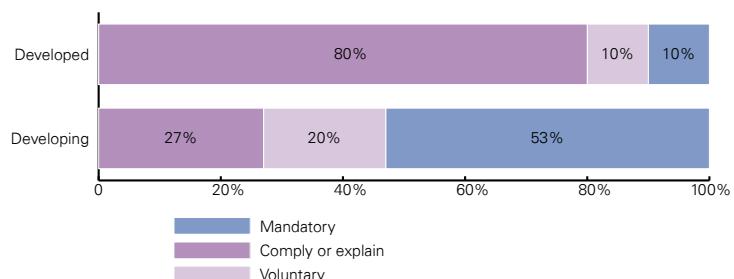


Chart 2: Analysis of CG Codes (by degree of enforceability)

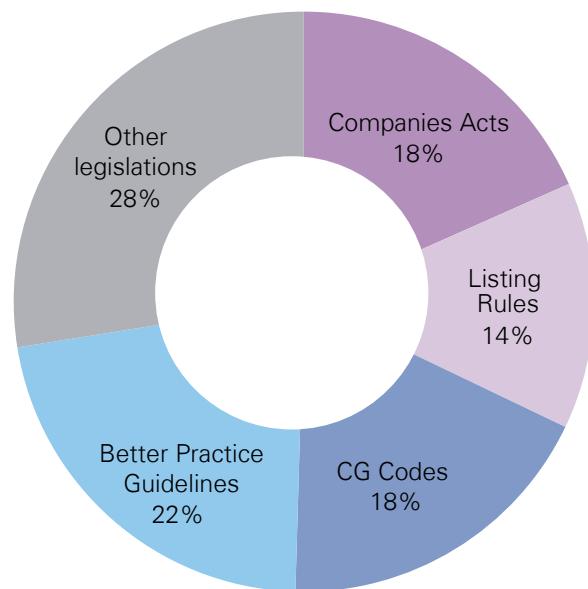


Chart 3: Breakdown of total CG instruments by type

explain' instruments. Clear references and linkages between multiple UK instruments are provided. In most other markets with multiple CG instruments, clear references and linkages across all instruments are not always apparent. Refer to Appendix B: CG instruments reviewed for further details.

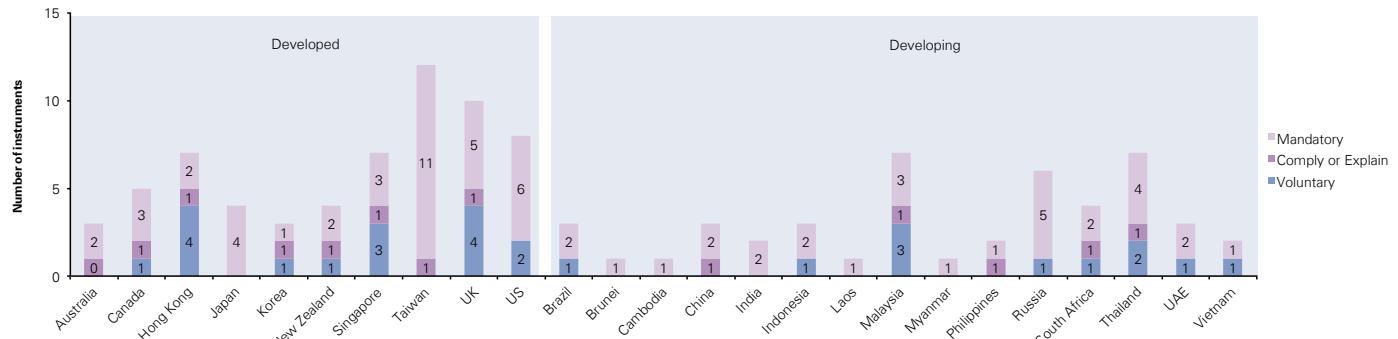


Chart 4: Total number of CG instruments reviewed by market, showing degree of enforceability

Principles-based mechanisms contain more CG requirements

Among the CG instruments analysed, 63% were found to be mandatory in nature, 25% voluntary and 12% 'comply or explain'. But among the CG requirements examined in this study, principles-based (i.e. 'comply or explain') instruments were found to have more requirements.

This suggests that principles-based mechanisms (such as CG Codes) are a useful tool in capturing more descriptive and holistic CG requirements. This is encouraging as CG Codes provide flexibility for companies to consider and adopt relevant practices to meet requirements and strive to exceed minimum standards.

Multiple instruments may lead to inconsistent requirements

The study found that where multiple instruments are used, there is a greater risk that inconsistencies in requirements can arise.

The study noted instances where the principles-based requirements set a higher standard than the mandatory requirements. For example, the SGX Listing Rules specify the Board must provide an opinion on the adequacy of internal controls, whereas the Singapore CG Code specifies the Board must comment on the adequacy and effectiveness of risk management and internal control systems. In addition, the mandatory requirements issued by the Philippines Securities and Exchange Commission specify at least 2 or one-fifth of directors to be independent

(whichever is lesser), whereas the 'comply or explain' CG Code specifies at least 3 or 30% (whichever is the highest). While this is not unusual, as principles are generally designed to promote higher standards of CG, it can lead to confusion in the application of requirements. In particular, companies operating in less mature markets may still only opt for the minimum mandatory requirements (which may attract penalties/fines if not complied with).

Refer to Appendix C: Summary of CG requirements (extract) for additional examples of inconsistencies. Whilst this list of examples is not exhaustive, it provides an indication of the type and nature of inconsistencies that can arise where multiple instruments are used. These could lead to confusion and sub-optimal implementation levels.

	Percentage of CG instruments	Percentage of CG requirements	Percentage difference
Mandatory	63%	44%	19%
'Comply or explain'	12%	34%	22%
Voluntary	25%	22%	3%

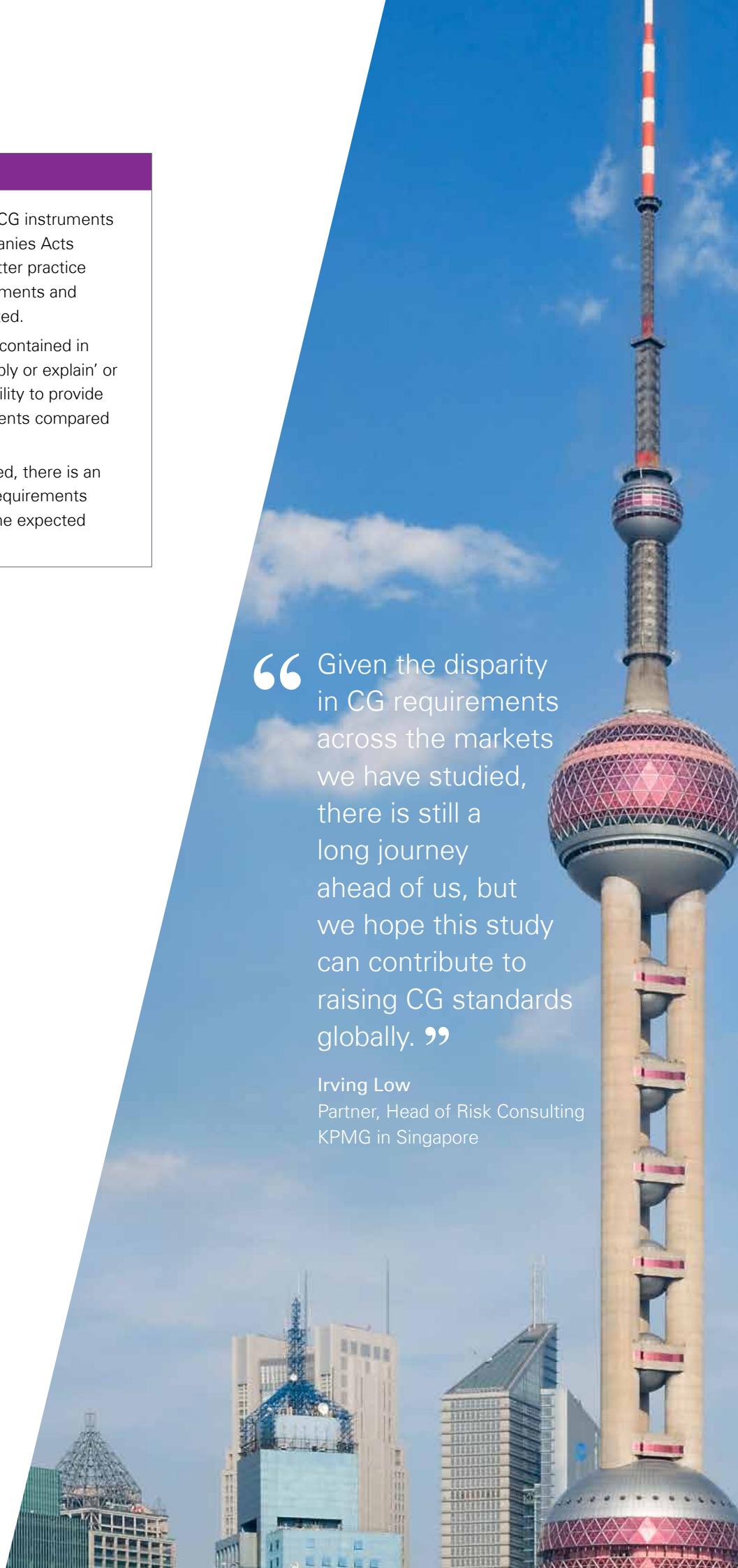
Table 8: Comparison of degree of enforceability across CG instruments and CG requirements

Key take-aways and observations

- A majority of markets use a mix of CG instruments including legislation (such as Companies Acts and listing rules), CG Codes and better practice guidelines. The interaction of instruments and references is not always clearly stated.
- Slightly more CG requirements are contained in principles-based instruments ('comply or explain' or voluntary) – an indication of their ability to provide clearer/more well-defined requirements compared to legislative instruments.
- Where multiple instruments are used, there is an increased risk of misalignment of requirements which may cause confusion as to the expected practice to be adopted.

“ Given the disparity in CG requirements across the markets we have studied, there is still a long journey ahead of us, but we hope this study can contribute to raising CG standards globally. ”

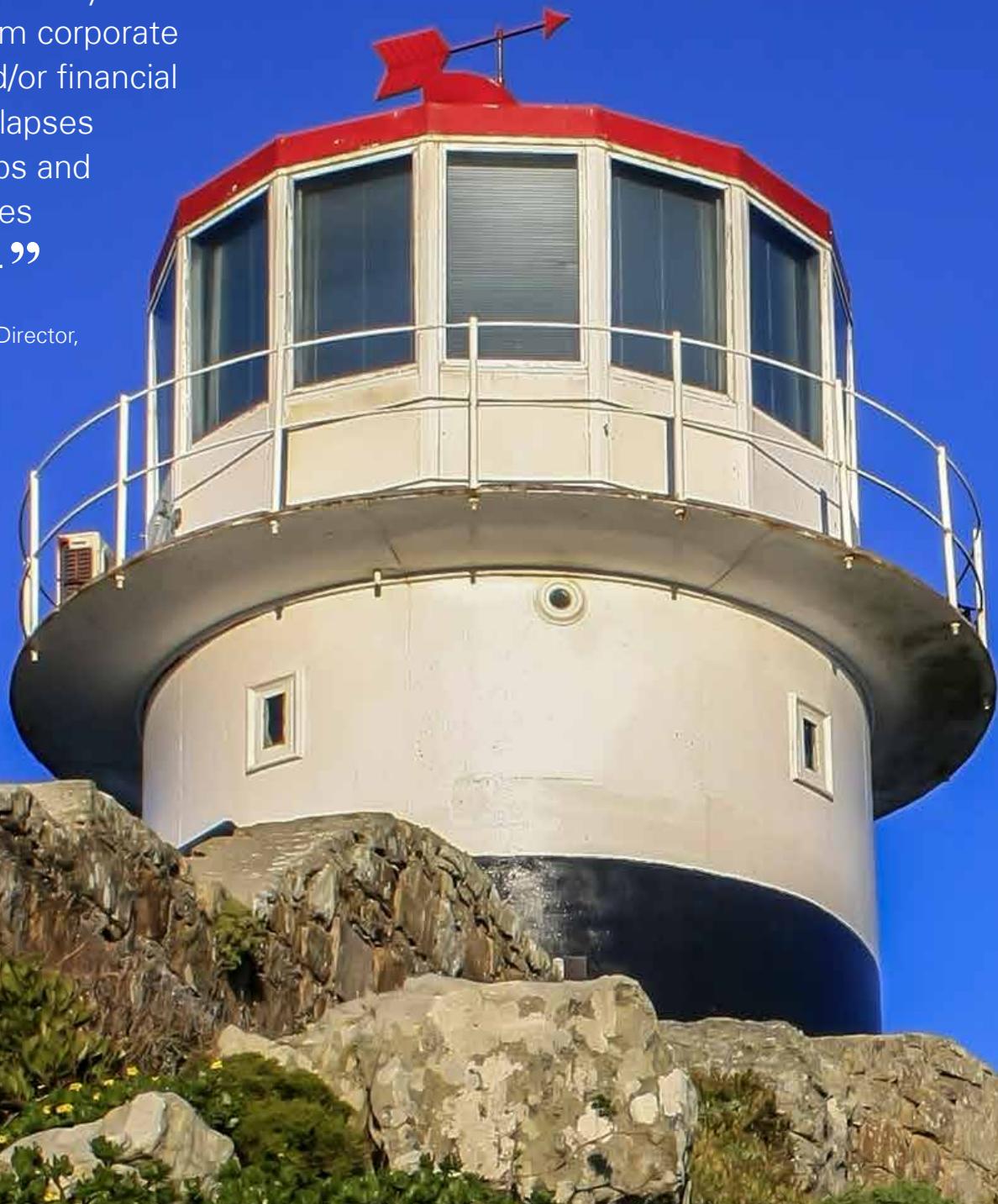
Irving Low
Partner, Head of Risk Consulting
KPMG in Singapore



EVOLUTION OF CG CODES

“ Corporate governance is an evolving discipline and should not remain static over time. This is particularly so as lessons learned from corporate failures and/or financial system collapses identify gaps and opportunities to improve. ”

Sue Almond
External Affairs Director,
ACCA



The CG landscape is unique to every market. Decisions about the type of instruments to use and when to deploy potential changes are key challenges faced by regulators and policy makers in creating a CG landscape that drives optimal outcomes.

Figure 3 provides an illustrative example (based on the UK experience) of the process for establishing and improving the CG landscape. For example, the UK initially incorporated minimum CG requirements within the UK Companies Act and the London Stock Exchange (LSE) Listing Rules. However, as deficiencies were identified in the wake

of significant corporate collapses both in the UK and globally, UK regulators used these opportunities to enhance the CG landscape. The findings of the UK Cadbury Report 1992 were influential in shaping enhancements to the UK CG landscape which led to the introduction of the UK Combined Code and the concept of 'comply or explain' was born.

The UK CG Code forms the backbone of the UK CG landscape. The UK Financial Reporting Council (FRC) plays a significant role in continually reviewing and revising the CG Code to ensure it remains relevant and practical. Where additional clarity is required for critical areas, the CG Code

is supplemented by better practice guidelines. For example, additional guidelines have been developed in relation to Audit Committees, Board Effectiveness and Risk Management, Internal Control and Related Financial and Business Reporting.

Where principles-based requirements have not generated the desired outcome, the UK has strengthened mandatory requirements to bring focus and awareness and generate consistency in minimum practices/disclosures. For example, new regulations regarding Director and Executive Remuneration Structures and Disclosures were introduced in 2013.

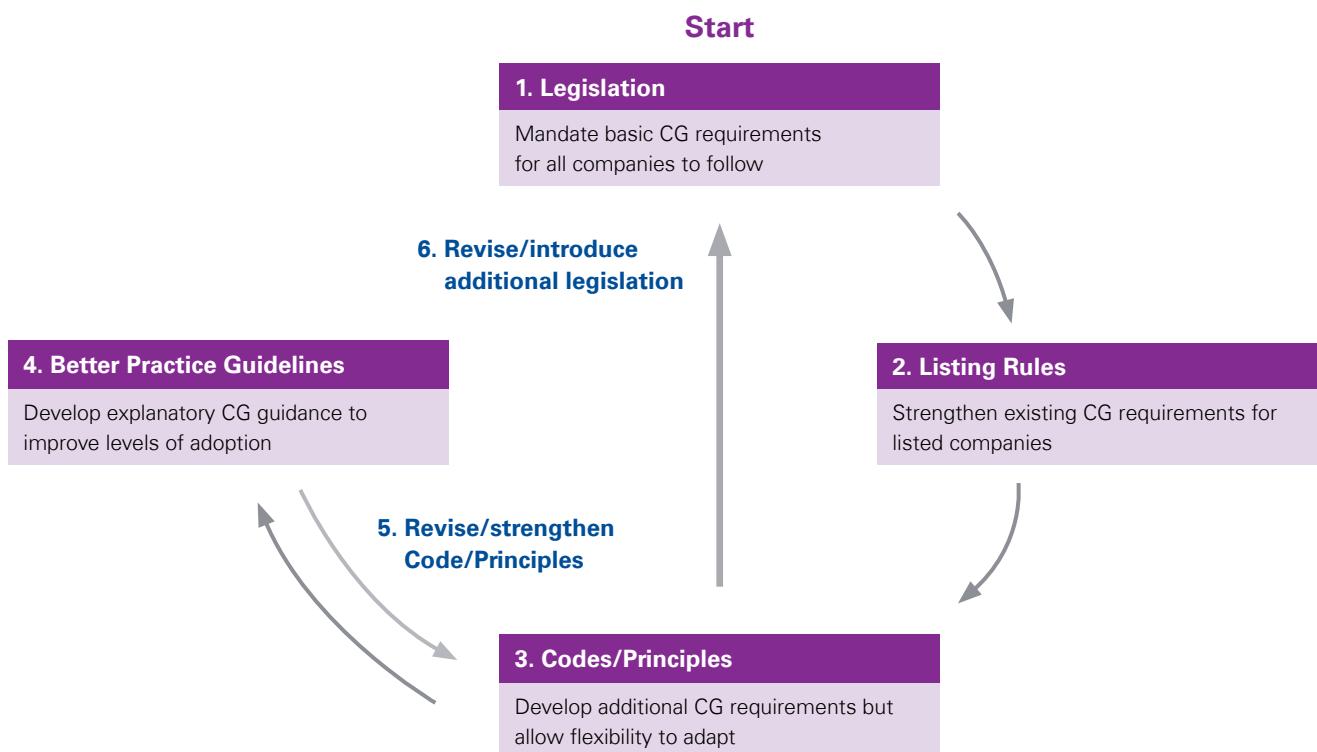
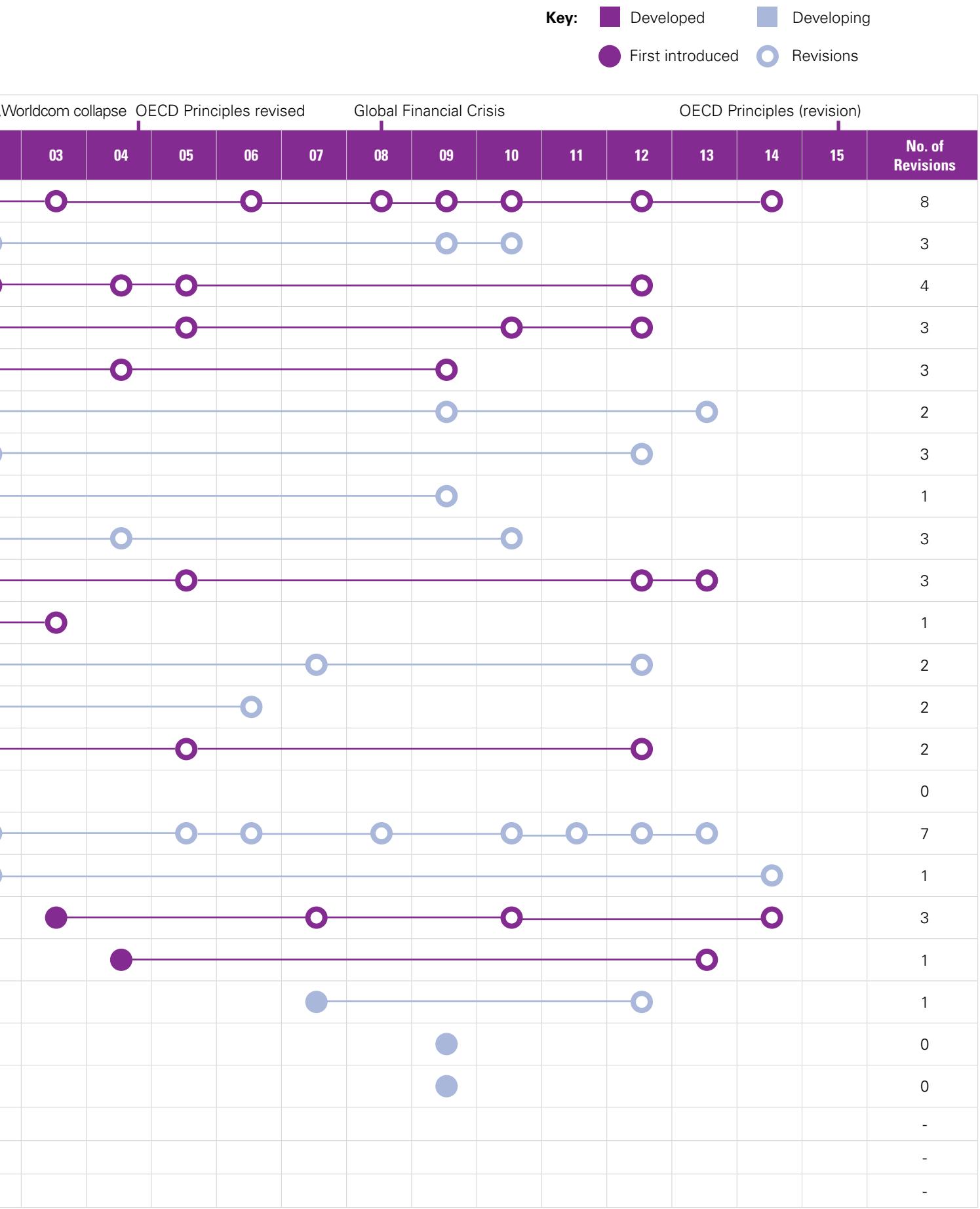


Figure 3: Example lifecycle for developing/enhancing CG instruments/requirements

Among the markets reviewed, the study found a moderate correlation between external events (such as significant corporate collapses, financial system crises and significant regulatory developments with global reach) and the introduction or review of the adequacy and effectiveness of CG requirements as shown in Figure 4.

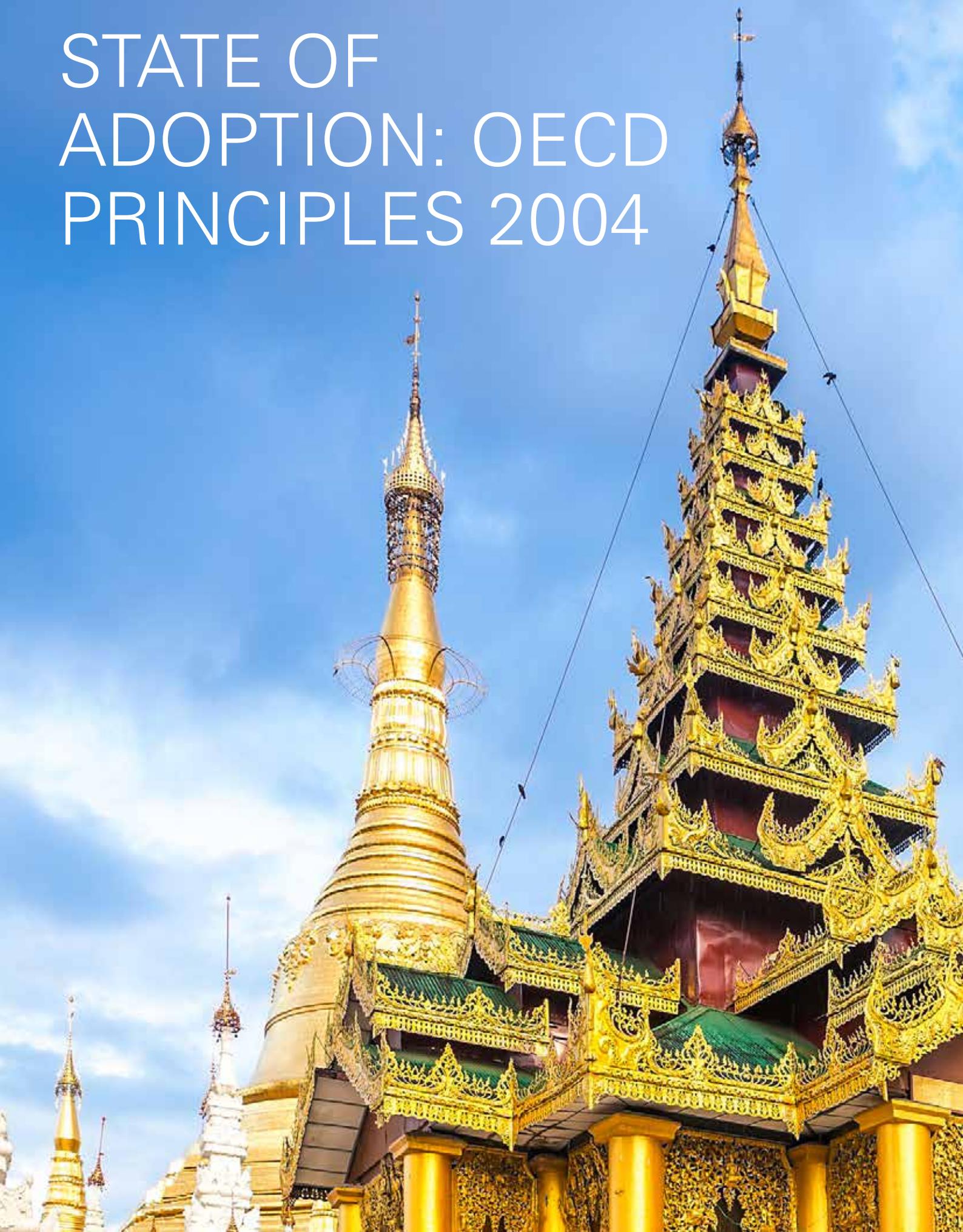
Figure 4: Timeline of CG Codes development

Figure 4 depicts a number of key developments in the global CG landscape over the past 30 years including significant external events, introduction of influential legislation, emergence of CG Codes (or equivalents) and the frequency of their revision. It shows that the UK pioneered the way, particularly through the launch of the UK Cadbury Report in 1992, which introduced the 'comply or



explain' concept in CG. Shortly after this, South Africa, Canada and the US introduced their first CG Codes (or equivalents). Figure 4 also shows how a large number of Asian markets developed CG Codes following the 1997 Asian Financial Crisis. Not surprisingly, nearly all markets reviewed and revised their CG Codes following the Global Financial Crisis in 2008/09.

STATE OF ADOPTION: OECD PRINCIPLES 2004



Strong state of alignment with OECD Principles

Overall, the study found that all markets, to some extent, had CG requirements that aligned with, or were adopted from, the OECD. However, there was a large divergence in the number of the OECD

Principles adopted between the highest (UK scoring 105 out of a maximum score of 147) and lowest ranked markets (Laos scoring only 8 out of 147). There was a correlation between those markets that adopted a larger number of the OECD Principles and the proportion of better

practice requirements adopted. Chart 5 shows the market rankings according to the degree to which they meet OECD CG Principles and CG better practices.

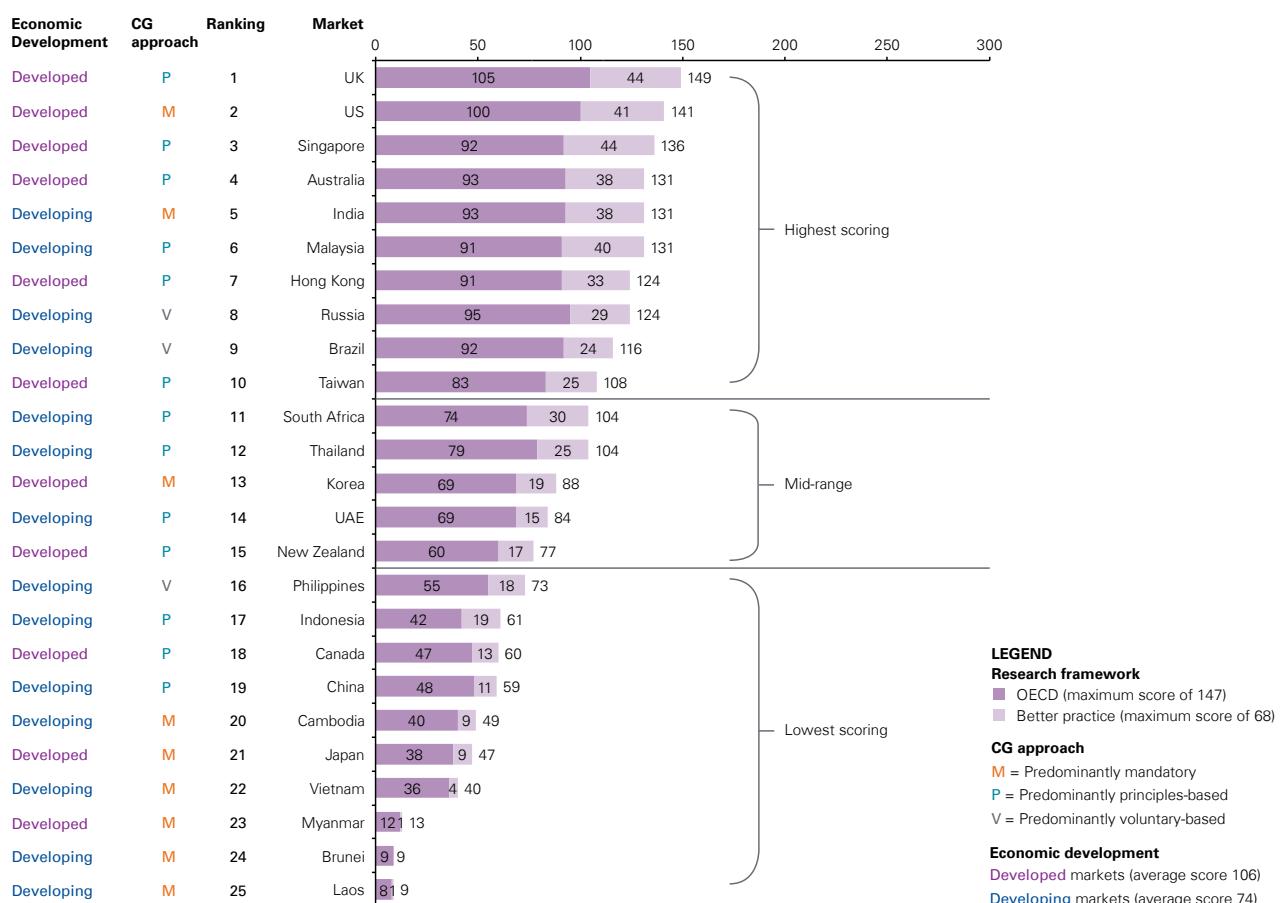


Chart 5: Overall market rankings (based on highest attributed scores for requirements relating to the OECD Principles and better practices)

As shown in Chart 5, on average, developed markets demonstrate clearer, better defined requirements than developing markets (average scores of 106 and 74, respectively).

Chart 5 highlights that six out of the top ten highest scoring markets were classified as developed. This indicates 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. The recent revisions to the CG instruments in India and Russia have contributed to the improved clarity in requirements.

There were two developed markets that performed below the average for developing markets - Japan and

Canada. This result indicates that the CG requirements were more challenging to identify in these markets. For Japan, this could be due to cultural differences in the way CG requirements are outlined, or to translation challenges. For Canada, this could be due to additional requirements being located in provincial instruments which were not considered as part of this study.

Well-defined requirements may not be supported by enforceability

The best written CG requirement may look good on paper but may not be supported in practice through a CG instrument with an appropriate degree of enforceability. Decisions about the enforceability of an instrument/requirement are unique to every market. They vary due to many factors such as political and legal systems, sophistication of capital markets, social and cultural norms. However, getting the balance and timing right for introducing and/or revising requirements is a critical factor considered by regulators and policy makers.

The degree of enforceability of CG requirements (considered in this study) varied across markets as shown in Chart 6. Approximately half of the markets reviewed (13 out of 25) adopted a predominantly principles-based approach that generally involves a CG Code that builds on or enhances existing legislative requirements. The most common combination is a range of mandatory, 'comply or explain' and voluntary mechanisms with a majority of markets having a Companies Act (or equivalent), Stock Exchange Listing Rules and CG Code (or equivalent) in place.

However, 36% (9 out of 25 markets) adopt a predominantly mandatory

approach (Japan, the US⁵, Cambodia, India, Vietnam, Brunei, Myanmar, Laos and the UAE) and 12% (3 out of 25 markets) adopt a predominantly voluntary approach (Indonesia, Russia and Brazil).

While mandatory instruments/requirements may be used initially by markets establishing CG expectations, there is a risk that markets with a predominantly mandatory style of CG landscape (such as the US and Japan), may face challenges with a 'compliance only' culture.

In addition, those markets that utilise predominantly voluntary CG requirements, such as Indonesia, Russia and Brazil, may not realise the full potential of intended CG objectives as there may not be an

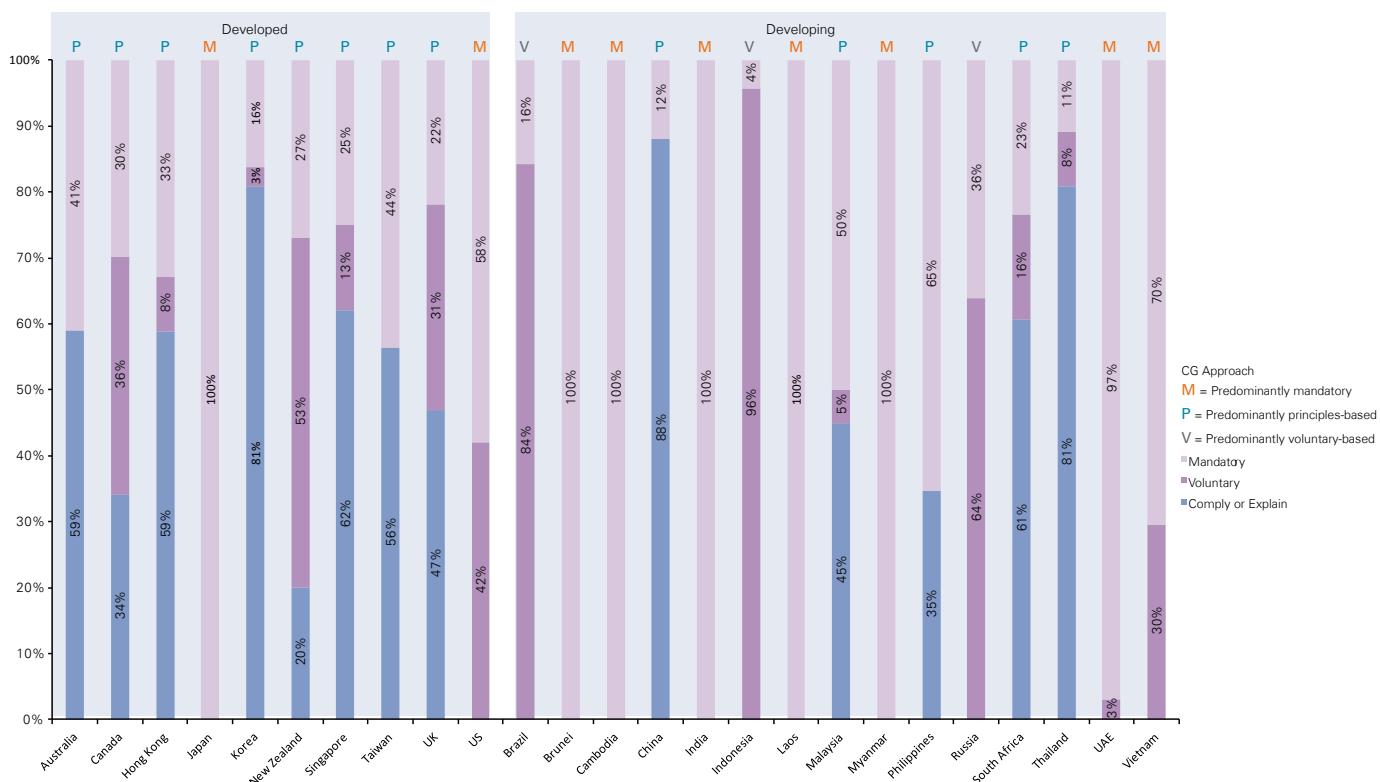


Chart 6: Degree of enforceability of CG requirements by market (based on number of CG requirements)

⁵ The US profile in Chart 6 highlights part voluntary and part mandatory. This reflects the inclusion of two voluntary style CG Principles and Guidelines publications that outline well-defined CG recommendations. However, these instruments lack enforceability and are voluntary in nature. The legalistic/litigious culture in the US is strong (at the federal and state level). As such, for the purposes of this study the US has been classified as predominantly mandatory in nature.

impetus for companies to adopt the full set of CG recommendations. The recent move by India to incorporate all aspects of the previous voluntary CG Code into the Companies Act and SEBI Listing Rules indicates their desire to strengthen enforceability.

Opportunity to enhance the OECD Principles and increase awareness amongst emerging markets

The study found (as shown in Chart 7) that whilst a majority of markets (16 out of 25) adopted 80% or more of OECD

related principles, there were a number of markets that did not have a response for a large portion of OECD Principles and better practice requirements. For example, Laos did not meet 90% of OECD Principles (i.e. 44 out of 49 of OECD related questions had no requirements found).

In addition, there were some common areas of the OECD related principles that were not featured by a large number of markets. These related to:

- Shareholders' ability to consult with each other on issues regarding basic shareholder rights;
- Establishing performance enhancing mechanisms for employee participation;
- Ability of stakeholders to seek effective redress for violation of rights; and
- Requirement for the Board to determine the risk tolerance levels for the company.

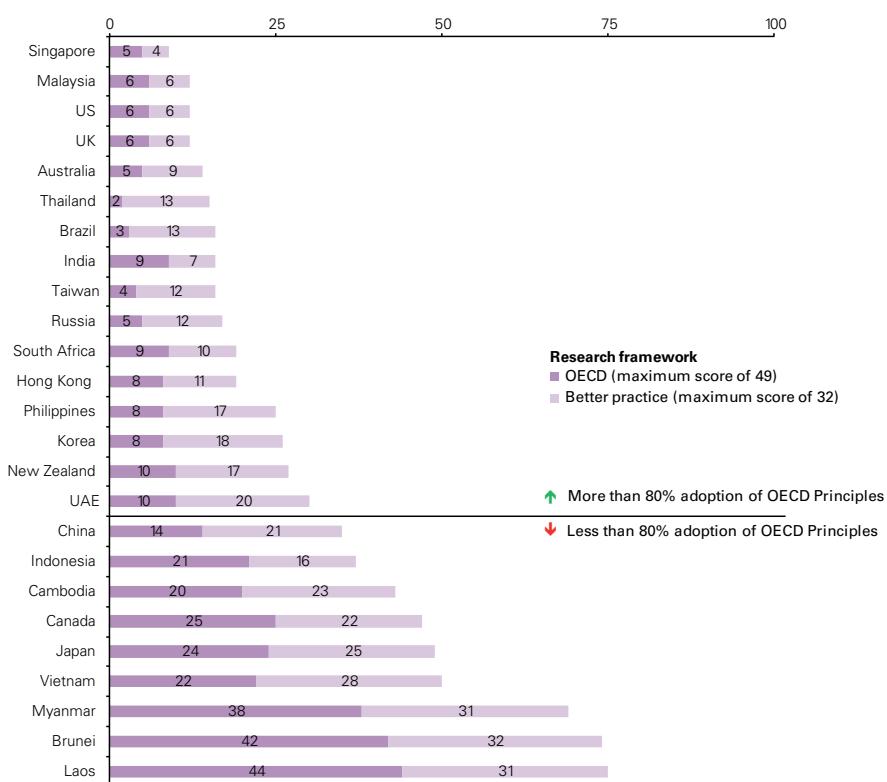


Chart 7: Number of OECD Principles and better practices where markets did not have a requirement in place

Key take-aways and observations

- Developed markets received a higher score on average than developing markets based on the clarity and completeness of requirements in relation to the research framework.
- Despite some markets receiving relatively higher scores, the degree of enforceability may impact the extent to which it is adopted in practice.
- A majority of markets mandate the minimum requirements and supplement them with principles and/or guidelines to enhance explanations and flexibility.
- The OECD Principles have been influential in shaping CG requirements. A majority of markets adopt more than 80% of OECD related principles. However, the current review of OECD Principles is timely as there are potential areas for improvement regarding relevance of existing OECD Principles and/or inclusion of additional CG better practices.
- Markets that received a score lower than the average for either developed or developing markets could consider the areas of deficiency and determine whether their existing CG requirements need to be enhanced.
- In addition, those markets that did not record a score against a majority of the OECD Principles, should take the time to review them and determine levels of applicability.



CLARITY AND COMPLETENESS OF CG REQUIREMENTS

Well-defined requirements exist in most pillars of CG; although 'stakeholder engagement' is lagging

The study found that on average the CG requirements found within the CG pillars of Leadership & Culture, Strategy & Performance and Compliance & Oversight were defined to a similar level. Stakeholder engagement related CG requirements on average were less well-defined.

Chart 8 depicts the pillars of CG relative to each other. The average score is indicative of the clarity and completeness of the respective requirements in relation to the research framework components. An overall average score of 1 indicates a base level requirement is present. For example, the CG requirements either meet the OECD related principles or have a basic reference to better practice

related principles of the research framework. Chart 8 also highlights the proportion of instruments used in terms of degree of enforceability. This indicates there is a similar profile across the pillars, with the Stakeholder engagement related requirements being found in slightly more mandatory instruments.

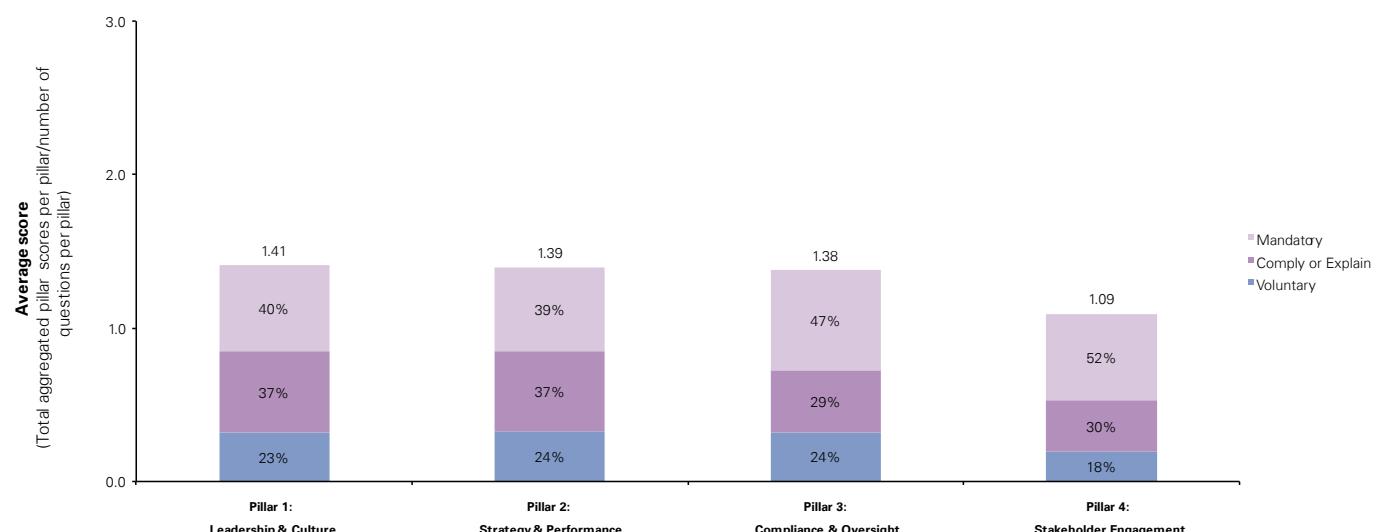


Chart 8: Comparison of average scores by CG pillar (showing percentage of degree of enforceability)

- **Pillar 1: Leadership & Culture**, on average, contained the most well-defined CG requirements. Chart 9 highlights the highest scoring underlying themes related to Director independence, Role of the Board and Nominating Committee. In contrast, the lowest scoring themes related to Board diversity and Director's time and resources.
- **Pillar 2: Strategy & Performance**, on average, contained the second-highest most well-defined CG requirements. Chart 9 highlights the highest scoring underlying theme related to Remuneration Committee. Remuneration structures was assessed as mid-range, while Performance evaluation was one of the lowest scoring themes.
- **Pillar 3: Compliance & Oversight**, on average, contained the third-highest most well-defined CG requirements. Chart 9 highlights the highest scoring underlying theme related to Audit Committee and financial integrity. Disclosures and Assurance themes were assessed as mid-range. Risk governance was assessed as the lowest scoring underlying theme in this pillar.
- **Pillar 4: Stakeholder Engagement**, on average, contained the least defined CG requirements. Chart 9 shows that Shareholder rights were assessed as mid-range and Stakeholder engagement and communication was assessed as the lowest scoring underlying theme in this pillar.

'Structural' requirements are better defined than behavioural/cultural aspects

The study found that better defined areas of CG were more quantifiable or tangible in nature ('structural') or had received more widespread focus over a longer period of time. For example, the better defined requirements related to Remuneration Committees, Audit Committees & financial integrity, director

independence, role of the board and Nominating Committee. Refer to Chart 9 and Table 9.

The less defined areas of CG related to behavioural aspects and/or those considered 'emerging' CG areas. For example, the less defined areas related to board diversity, stakeholder engagement and communication, risk governance, performance evaluation and

director's time and resources. While it is not surprising to see board diversity and stakeholder engagement scoring lower than other themes, the position of risk governance (and to some extent assurance as well) was unexpected⁶. The latter two areas, along with remuneration structures were identified as contributing to the Global Financial Crisis of 2008/09 and have received significant global attention in recent years.

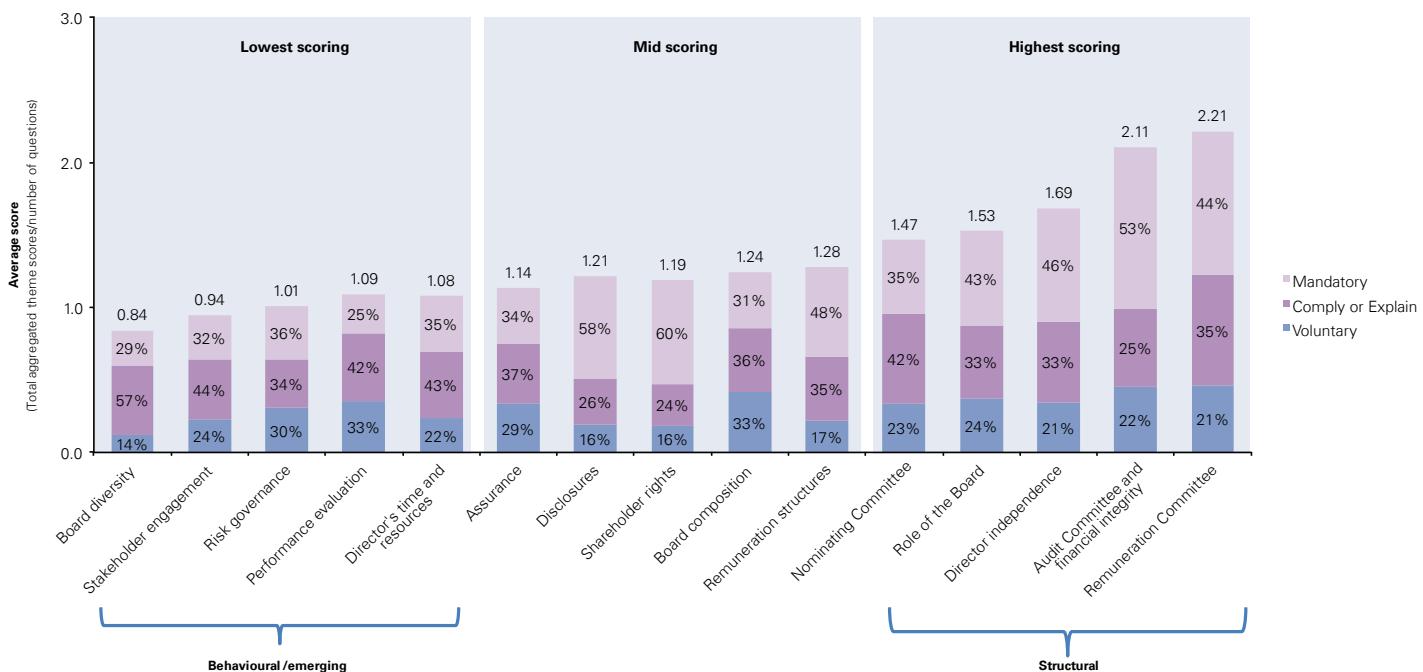


Chart 9: Average scores by CG themes (showing percentage of degree of enforceability)

Rank	Strongest themes (most well-defined)	Rank	Mid-range themes	Rank	Weakest themes (least well-defined)
1	Remuneration Committee	6	Remuneration structures	11	Director's time and resources
2	Audit Committee and financial integrity	7	Board composition	12	Performance evaluation
3	Director independence	8	Disclosures	13	Risk governance
4	Role of the Board	9	Shareholder rights	14	Stakeholder engagement and communication
5	Nominating Committee	10	Assurance	15	Board diversity

Table 9: Summary of strongest and weakest CG themes (ranked)

⁶The study did not specifically incorporate review of financial services corporate governance practices which are considered more specific and advanced regarding risk management and oversight.

Highest scoring CG themes

According to the study the following core elements of CG were found to contain the most prevalent requirements.

Remuneration Committee

Remuneration of directors and executives is a complex, sensitive and controversial matter, in terms of aligning remuneration structures and incentives with long-term company objectives and stakeholder expectations. Remuneration structures were heavily criticised in the wake of

the Global Financial Crisis in failing to align risks and rewards. As such, the Remuneration Committee is a critical function in setting the remuneration policies and approving remuneration packages for directors and executives. Independence of the Remuneration Committee is paramount to avoid any conflicts or bias in decision making on remuneration.

The prevalence of requirements found across markets is outlined below:

Most prevalent aspects

- Establishing a Remuneration Committee (*)⁷
- Defining roles and responsibilities of the Remuneration Committee
- Independence of the Remuneration Committee (*)

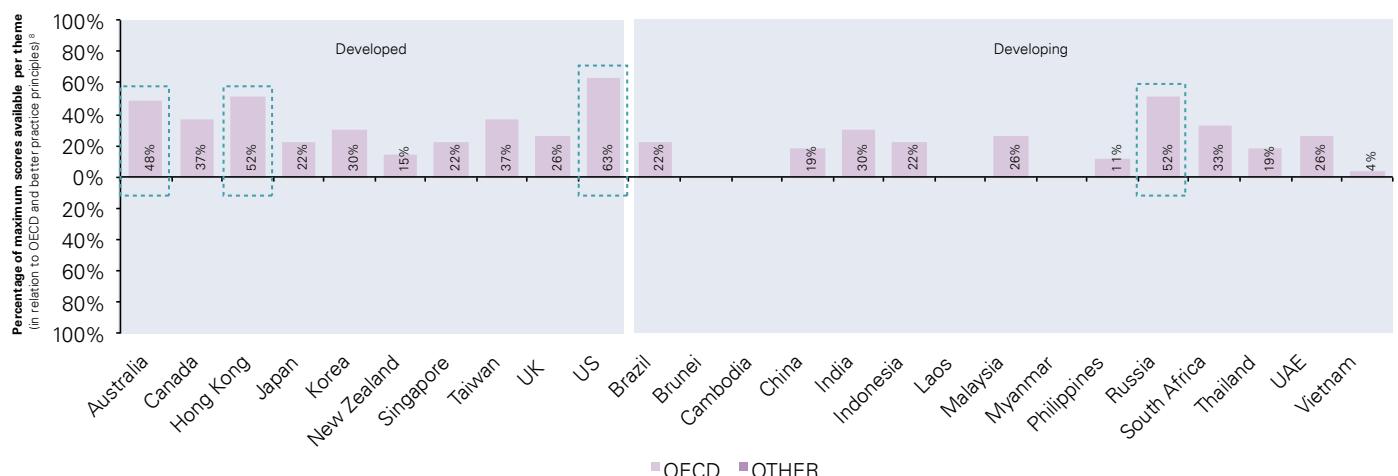


Chart 10: Clarity of requirements for Remuneration Committee theme (by market)

As seen in Chart 10, a majority of markets (with the exception of Brunei, Cambodia, Laos and Myanmar) have some elements of establishing a Remuneration Committee. The study found 64% of markets must/should have a Remuneration Committee. However, 16% of markets specified a Remuneration

Committee 'may' be established, with 20% not specifying the need. A majority of markets define the roles and responsibilities of the Remuneration Committee; however, there is variation in the clarity and completeness of requirements. Independence requirements

for Remuneration Committees were reasonably well-defined. Some 32% of markets require all members to be independent, 36% require a majority (with some specifying the Remuneration Committee Chairman needing to be independent as well), 8% specified at least one and 24% did not specify.

⁷ For those aspects marked with (*), further details (i.e. extracts of CG requirements) can be found at Appendix C: Summary of CG requirements (extract)

⁸ Scores are calculated as the total scores assigned over total scores available. For example, Australia scored 13 out of a total of 27 points available for Remuneration Committee related questions = 48%

The developed markets, led by the US, Hong Kong and Australia, performed strongly. The US was found to contain the most well-defined requirements, particularly in relation to independence requirements of the Remuneration Committee (requiring all Remuneration Committee members to be independent). Hong Kong specified that the Remuneration Committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Stock Exchange and issuer's website.

Russia contained the most well-defined requirements of the developing markets. It contained a detailed description of the role and independence of the Remuneration Committee which reflects improvements incorporated into their revised CG Code launched in April 2014. India has also recently incorporated well-defined requirements for the Remuneration Committee in their Companies Act and the SEBI Listing Rules.

Given this is a critical component of the CG framework, all markets should aim to establish a Remuneration Committee (or equivalent) and identify ways to enhance transparency in disclosing terms of references and activities of the Remuneration Committee.

Audit Committee and financial integrity

With the increasing changes and complexity in accounting and financial reporting rules and practices, coupled with a constant risk of fraud and manipulation of results, the need for independent oversight of financial statement integrity is increasing.

The prevalence of requirements found across markets is outlined below:

Most prevalent aspects

- Establishing an Audit Committee (*)
- Conducting an external audit (*)
- Independence of the Audit Committee (*)
- Defining roles and responsibilities of the Audit Committee
- Financial skills sets of Audit Committee members

Mid-range aspect

- Audit partner/firm rotation (*)

Least prevalent aspect

- Declaration by CEO/CFO about integrity of the financial statements (*)

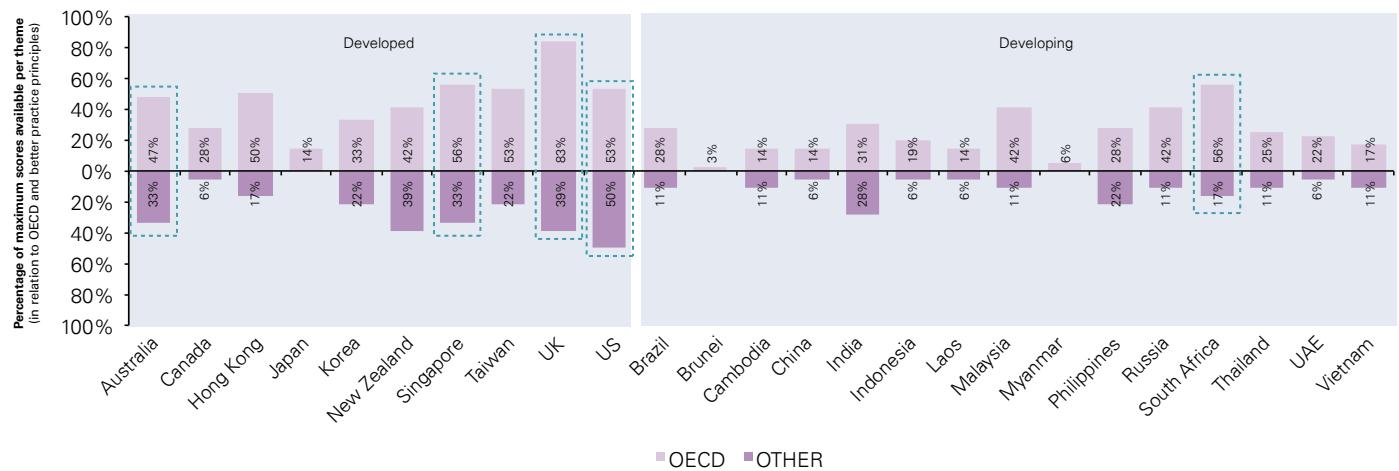


Chart 11: Clarity of requirements for Audit Committee and financial integrity theme (by market)

Chart 11 highlights that all markets have CG requirements, relating to financial statement oversight, albeit to varying degrees. The study found that all markets (with the exception of Myanmar and Brunei) incorporated requirements based on the core OECD Principles to establish an independent Audit Committee. In 44% of markets, majority of the Audit Committee membership was required to be independent (with some specifying that the Audit Committee Chair should also be independent). About 36% of markets require all members of the Audit Committee to be independent. 96% of markets specified the need to conduct an independent external audit of financial statements. This core requirement was not easily identified in Laos' CG environment.

Most markets had well-defined requirements outlining roles and responsibilities for the Audit Committee. While requirements in different markets varied, they typically emphasised key Audit Committee responsibilities such as oversight of financial statements/

reporting, internal controls, internal audit function and external audit.

The most well-defined requirements were found among the developed markets. The UK led in this area, particularly in their well-defined requirements for the Audit Committee and external audit embodied in legislative mechanisms (such as the Companies Act and Listing Rules), principle-based mechanisms (such as the UK Code of Corporate Governance) and supplemented by strong voluntary better practice guidelines (such as FRC Guidance on Audit Committees). Markets such as the UK, Singapore, Hong Kong and Malaysia provide complete terms of reference for an Audit Committee. South Africa led the way in the developing markets through a well-defined role of the Audit Committee and independence.

While one of the most prevalent requirements related to the skills and experience of Audit Committee members, there was a divergence in requirements. As a leading practice (as

found in the UK and Singapore), Audit Committees are required to have at least one member with recent and relevant financial and accounting experience.

Audit partner/firm rotation was assessed as mid-range. While a larger proportion of developed markets mentioned the requirement compared to developing markets, there was not a consistent standard for the number of years to mandate audit partner/firm rotation. This ranged from not specified to every 4, 5, 7 or 10 years.

The lowest scoring underlying requirement related to the board receiving a declaration (or assurance) from the CEO or CFO about the integrity of financial statements. While this is considered a better practice requirement (as not found in OECD Principles), it was present in only 36% of markets and represents an opportunity to improve accountability in this area.



Director independence

The ability of the board to exercise independent judgment on corporate affairs is a cornerstone requirement of effective CG. The ability to challenge decision making and to seek understanding and assurance that the actions align to the company objectives and ethical values is considered to be the pivotal role of the board, and in particular independent directors.

The prevalence of requirements found across markets is outlined below.

Most prevalent aspects

- Independence of board (*)
- Disclosure of material interests
- Definition of independence
- Requirement to separate the Chairman and CEO (*)

Mid-range aspects

- Definition of substantial shareholder
- Roles and responsibilities of non-executive directors

Least prevalent aspect

- Director tenure limits (*)

Chart 12 highlights well-defined CG requirements for director independence exist across a majority of developed and developing markets. Japan, Brunei, Laos and Myanmar were the exceptions, displaying less defined requirements (or no requirements at all in the case of Laos).

The US, UK and Australia have well-defined requirements relating to OECD principles and better practices. Thailand and Russia are leaders in the developing markets and had outperformed a number of developed markets in this area.

Approximately 88% of markets (22 out of 25) require boards to have independent directors. However, there is divergence in how strong the independent element is on the board. Markets have recommended the proportion of independent directors ranging from 'one-fifth' to a 'majority of the board' to 'all'.

Markets are now defining 'independence' more clearly, after recent corporate collapses and financial crises point to an apparent lack of challenge and ineffective oversight processes.

However, definitions of what constitutes independence vary, particularly in relation to the acknowledgement and definition of substantial shareholders across all markets. While 76% of markets make reference to substantial shareholders in relation to independence, only 40% (overall) define substantial shareholder in terms of their percentage shareholding. Even then the percentage ranged from 2% to 10%. This is particularly relevant in markets with many family-owned businesses (with controlling shareholders in place) - particularly across Asia.

A key element of independence to consider is the role of the Chairman and CEO. It is recognised that these positions should be separated to improve independence of decision making and prevent unfettered powers in one person. About 16% of markets do not allow the positions of the Chairman and CEO to be held by the same person. Another 44% of markets do allow for this scenario (with additional safeguards to be put in place such as introducing a lead independent director). However, 16% allow for this scenario (but do not

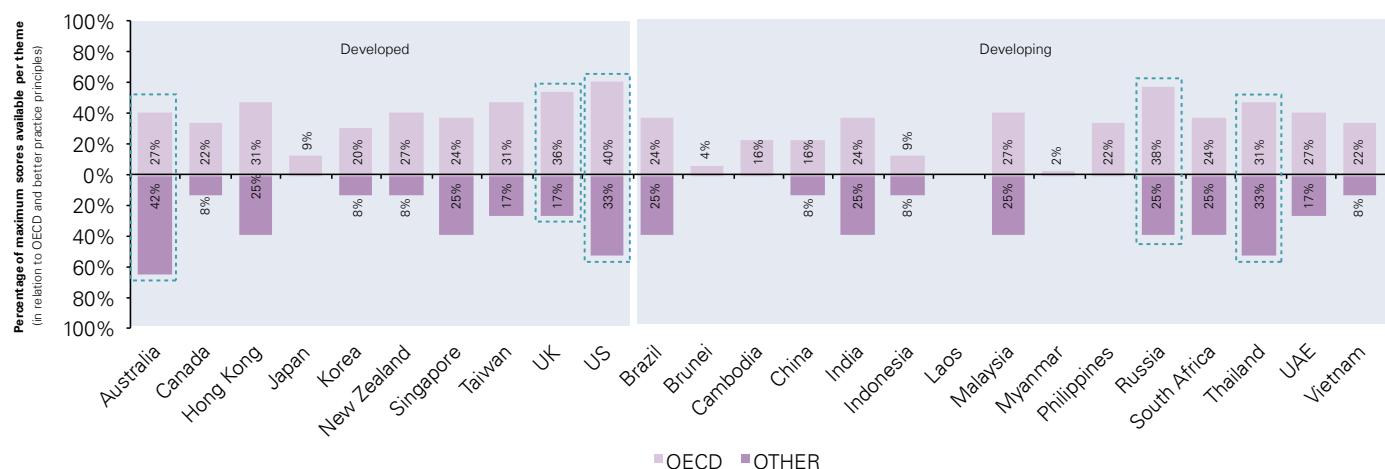


Chart 12: Clarity of requirements for Director independence theme (by market) – showing percentage of maximum achievable scores

mention additional safeguards). Further, 24% of markets do not mention this requirement. This highlights a large divergence in practices regarding a critical component of an effective board.

Other areas of improvement in both developed and developing markets include defining the roles and responsibilities of independent directors. The UK leads the way in this area by outlining the role of the Non-Executive-Directors (NEDs) in detail in the FRC Guidance on Board Effectiveness. Other developed markets such as Hong Kong, Korea, Singapore and the US have also defined the role of the NEDs to some extent whereas, for other markets such as Australia, Canada and Japan, guidance in this area was not as easy

to find. Russia, Thailand and Malaysia are leading the way in the developing markets in this area. More can be done to build awareness of the importance of this role.

Role of the Board

Clearly defining the roles and accountabilities of the Board is a pivotal component of the corporate governance framework. It sets out the fiduciary duties of the board, along with powers and delegations for directing and making decisions regarding the company's strategic, financial and operational objectives. It also emphasises how critical it is to set the appropriate ethical values and tone at the Board level, and the cascading effect it should have throughout the organisation.

The prevalence of requirements found across markets is outlined below:

Most prevalent aspects

- Fiduciary duties of the Board
- Defining roles and responsibilities of the Board

Mid-range aspects

- Code of conduct/ethical values (*)
- Documenting the role of the board (*)

Least prevalent aspect

- Directors resignation/cessation statements

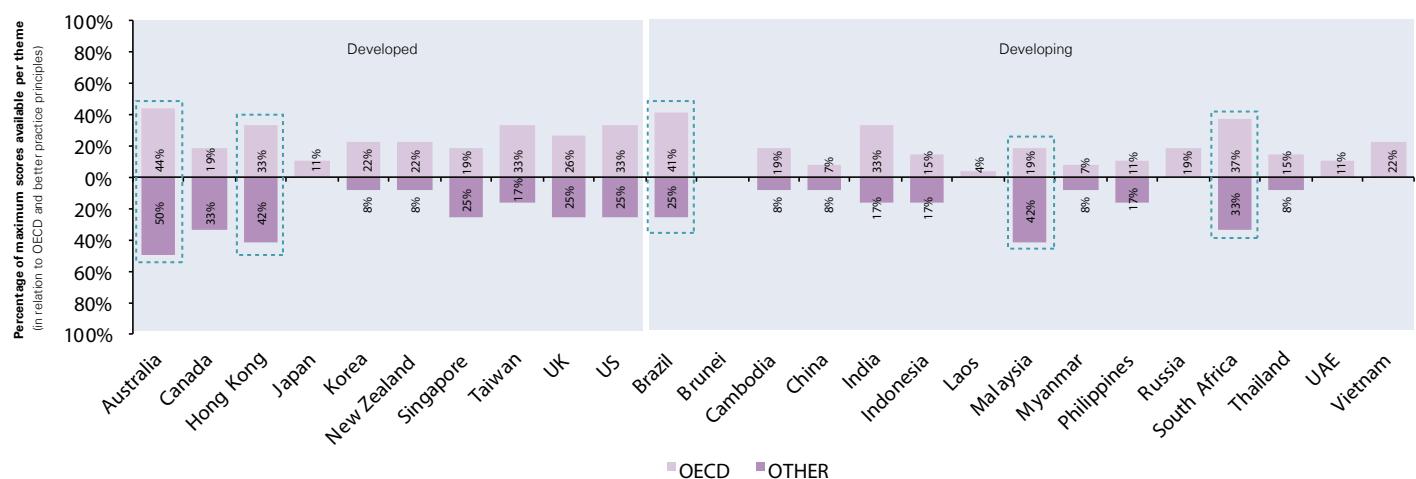


Chart 13: Clarity of requirements for Role of the Board theme (by market)

Chart 13 highlights well-defined requirements across a number of markets. Australia leads the way, followed by Hong Kong, South Africa, Brazil and Malaysia. Australia clearly sets out the fiduciary duties of the board, requires the board to formally document and disclose its role in a board charter and establish a Code of Conduct.

Malaysia also requires the board to formally document and disclose its role in a board charter. South Africa provides a detailed overview of the role of the board and requires this to be documented in a charter.

Hong Kong, Malaysia and Singapore are the only markets that specify the need to disclose reasons for directors' resignation or removal. Singapore is the only market that mandates the requirement for directors to make a statement citing reasons for resignation.

Lowest scoring CG themes

The study found that the key areas with the lowest scoring CG requirements were as follows:

Board diversity

Building on the importance of board composition in terms of qualifications, expertise and experience, is the growing recognition of the need for board diversity. The definition/scope of diversity varies from narrow (such as gender focus only) to broad (taking into account gender, age, ethnic background, geographic origin, educational background and professional experience).

The prevalence of requirements found across markets is outlined below:

Least prevalent aspect

- Guidelines to define board diversity (*)

Chart 14 highlights that a significant number of markets do not satisfy the requirements relating to the board diversity. Some markets require a diversity policy to be in place. Australia and the UK lead the way in the developed markets, with Malaysia also receiving high scores in the developing markets category. All three markets require a diversity policy to be in place and disclosed and measurable objectives and targets (regarding gender) to be established. In addition, Australia requires an annual assessment of the objectives and targets and disclosure of 'Gender Equality Indicators'.

India has recently introduced the mandatory requirement for all listed companies to have at least one female director on their boards.

While there are mixed views on whether the setting of gender quotas or targets improves boardroom effectiveness, there is a growing trend for markets to

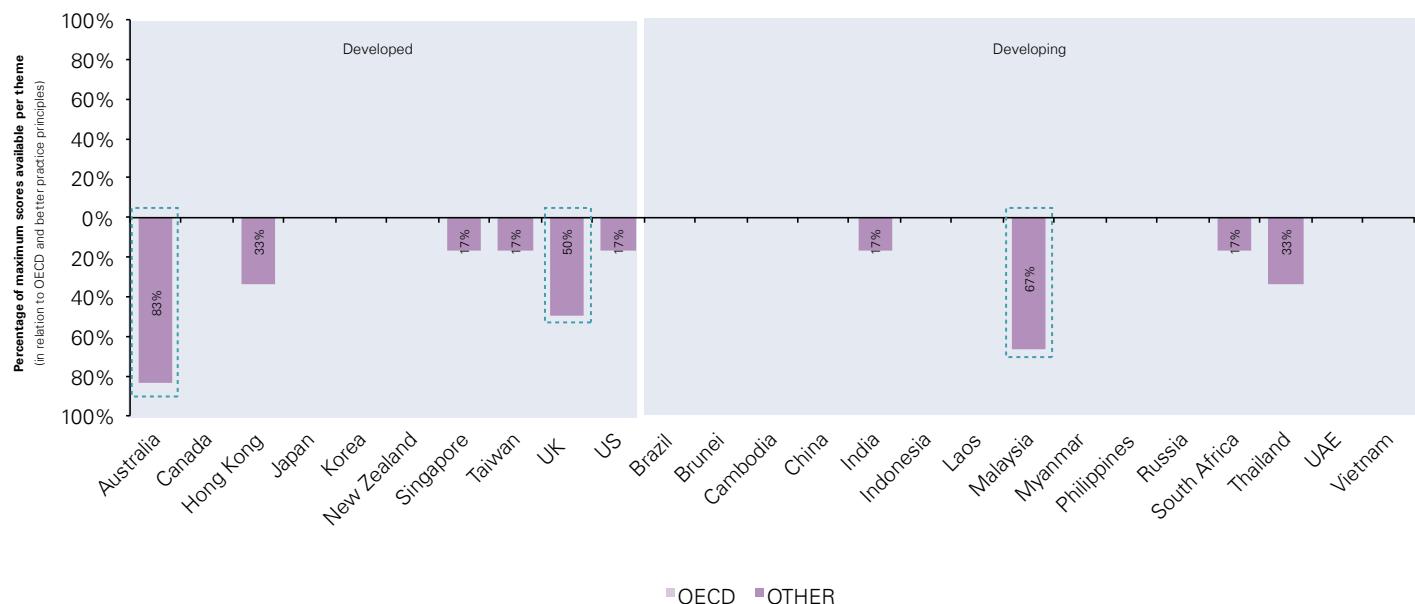


Chart 14: Clarity of requirements for Board diversity theme (by market)



examine and analyse whether change is required⁹. For example, currently Canada has an open consultation paper on gender diversity.

Stakeholder engagement and communication

Stakeholder engagement is important to understand the priority issues/concerns affecting stakeholders (such as shareholders, investors, analysts, employees, community, media, regulators, government etc). It helps shape and enhance the effectiveness of strategy and/or key decision making. Communication with stakeholders on key financial and non-financial matters is important to build trust and confidence in the company.

The prevalence of requirements found across markets is outlined below:

Most prevalent aspect

- Requirement to establish stakeholder communication/engagement mechanisms

Mid-range aspect

- Requirements for Corporate Social Responsibility (CSR)/sustainability reporting (*)

Least prevalent aspects

- Establish investor relations policies/programmes
- Stakeholders can seek redress for violation of rights
- Employee participation rights and programmes

Chart 15 highlights that there are similar results for both the developed and developing markets.

CSR considerations (such as management/employee relations and relations with other stakeholders such as creditors, suppliers and local communities, along with human resources policies/strategies) are broadly mentioned in the OECD Principles. A number of markets incorporate the need to consider CSR-related factors (including environmental and social aspects) as part of strategy setting/role of board.

However, CSR reporting remains an emerging area with a divergence in requirements across markets. The UK leads the developed markets by mandating the requirement to disclose in the Strategic Report information about environmental matters, the company's employees, and social, community and human rights issues. The stock exchanges in Hong Kong and Singapore have developed voluntary guidelines for reporting sustainability, environmental, social and governance matters although adoption levels may vary due to voluntary nature.

South Africa leads the way for developing markets in terms of alignment with OECD Principles. This is due to their progressive requirements regarding integrated report. Malaysia also has well-defined requirements that mandate the need to disclose in annual reports, a description of the CSR activities or practices undertaken. Russia and Thailand also require CSR reporting but are either voluntary or 'comply or explain' in nature.

Other OECD requirements in this theme include the requirement to establish the rights of stakeholders through law. Developing markets have managed to implement this requirement much better than developed markets (Taiwan is the only developed market that implements this requirement) and no market has managed to adopt all aspects.

Further, stakeholder engagement and communication mechanisms could be improved. While a selection of markets such as Australia, Taiwan and the US (from developed) and South Africa, Thailand, Malaysia and Brazil (from developing) outlined requirements for engaging the wider stakeholder group, a majority of markets remained focus on engaging only shareholders/investors.

Requirements relating to the investor relations programs¹⁰, stakeholders seeking redress for violation of rights and employee participation schemes received the lowest scores. While a number of markets require regular dialogue with investors (particularly through the Annual General Meetings (AGM)), Singapore requires an investors relation policy to be established. The Philippines, Taiwan and Brazil also have clearly defined requirements in the developing markets, mentioning the need to establish investor relations policies, programmes and/or functions. This is an area that could be improved across both developed and developing markets.

⁹ The Nordic markets have implemented mandatory gender considerations as part of their CG landscape; however they have not been covered in the study.

¹⁰ For the purposes of this study, requirements relating to 'institutional investors/stewardship codes' were collated and analysed under the Shareholder Rights theme.

The OECD Principles set a high standard in requiring the rights of stakeholders to be protected through effective redress measures. A majority of markets do not mention this requirement. For those markets that do mention the requirement, they refer only to effective redress for violation of shareholder rights, rather than stakeholders. The exception to this is South Africa which indicates that the board should ensure that disputes (internal and external) are resolved as effectively, efficiently and expeditiously as possible.

Risk governance

The failures in risk management and internal control systems in the recent global financial system crises and

significant corporate collapses have heightened the need for improvements in this area. In particular, ultimate accountability for risk needs to be determined with well understood roles and responsibilities cascaded throughout the organisation. The linkage between strategic objectives, decision making and risk tolerance must be more explicit. Greater transparency of risks facing companies and what is being done to manage them is required. Establishing effective oversight of the adequacy and effectiveness of risk management and internal controls instils confidence in stakeholders that the company is well-placed to navigate uncertainty.

The prevalence of requirements found across markets is outlined below:

Most prevalent aspect

- Board responsibility for risk (*)

Mid-range aspects

- Review of risk management and internal controls (*)
- Establishing a Board Risk Committee
- Disclosure of key risks (*)

Least prevalent aspects

- Board to comment/opine on risk management and internal controls
- Board to determine risk tolerance levels
- Establishing a separate Board committee to oversee governance practices/other risk areas
- Establishing a governance framework for subsidiaries

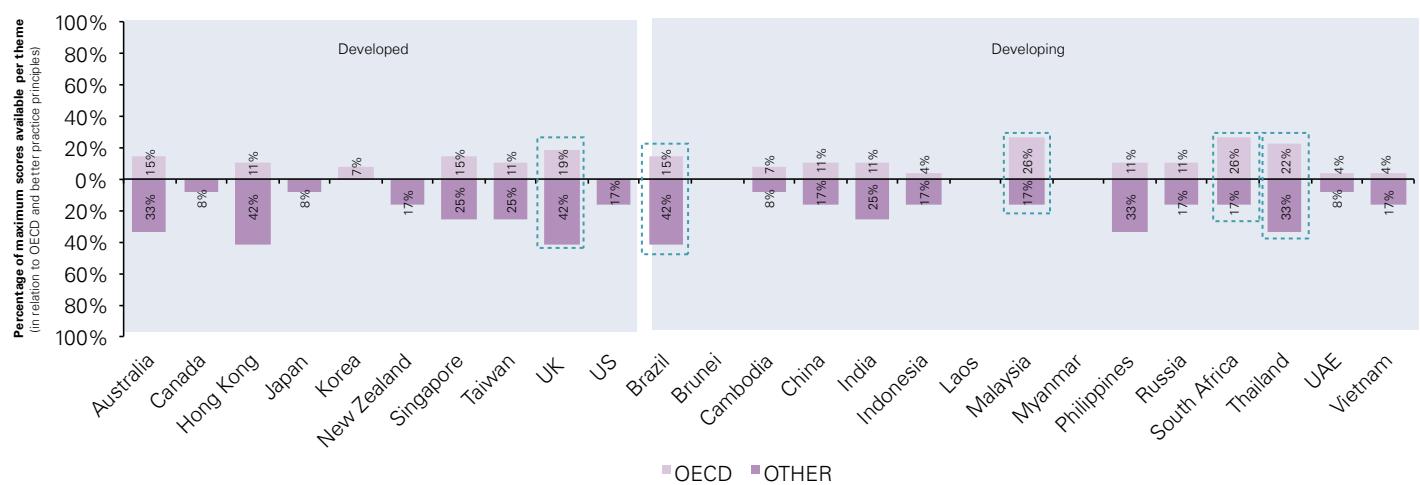


Chart 15: Clarity of requirements for Stakeholder engagement and communication theme (by market)

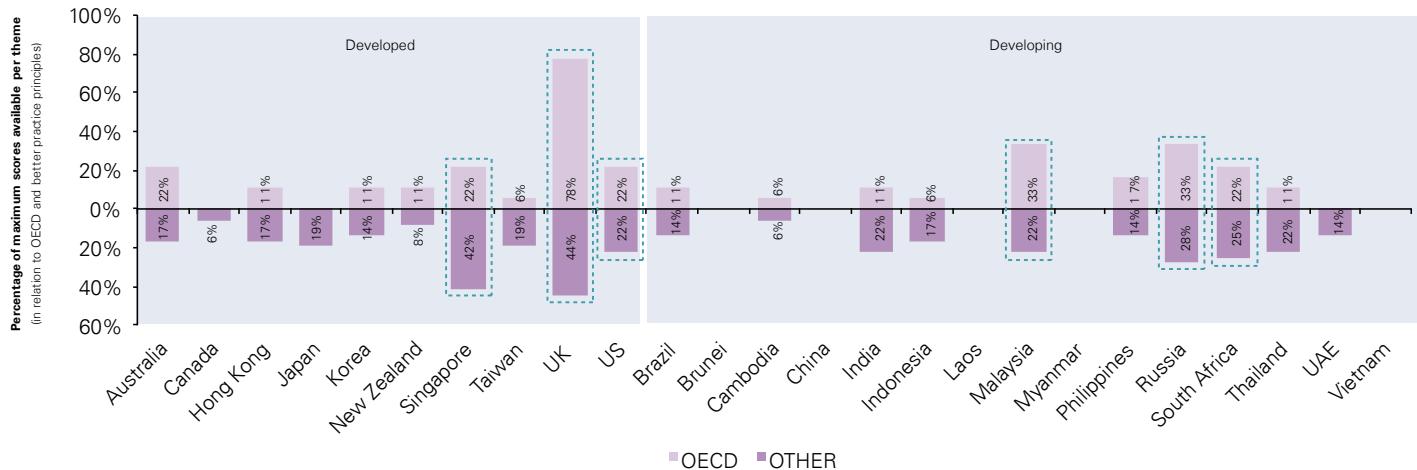


Chart 16: Clarity of requirements for Risk governance theme (by market)

Chart 16 highlights there is a divergence in clarity of Risk governance requirements. The UK is a clear leader in this area which is driven by the maturity of the corporate governance instruments in place (including the FRC Guidelines on Board Effectiveness and Risk Management, Internal Control and Related Financial and Business Reporting) related to the board's responsibility for risk, Board risk committees and disclosing key risks in the Annual Report (through the UK Strategic Report).

The next strongest developed markets were Singapore and the US. Despite not having any requirements to disclose key risks, Singapore has well-defined risk governance requirements (as specified in the SGX Listing Rules 1207 (10) and Singapore CG Code Principles 11 Risk Management and Internal Controls), particularly in relation to the board's role, board risk committees, risk tolerance levels, reviewing the adequacy and effectiveness of risk management and internal control systems and the board disclosing an opinion/comment on this in the annual report.

The US results were driven predominantly by the requirements contained in the Sarbanes-Oxley Act 2002 (SOX) regarding the oversight of internal controls over financial reporting

and mandatory requirement to disclose risks in the SEC filings (such as Form 10K). However, the SOX requirements are focused on internal controls over financial reporting rather than broader risk management and internal controls and the mandatory disclosure of risks may be an example of where prescriptive requirements drive boilerplate statements. Russia, Malaysia and South Africa are leaders in the developing markets in terms of risk governance. Malaysia has well-defined requirements stipulating the objective and strategy-setting process along with risk appetite as an integral part of monitoring and measuring performance. South Africa is also a leading market in relation to risk governance requirements.

When examining the risk governance requirements per market in more detail, the study found significant variances in terminology across markets. For example, the scope of the review of risk management and internal control systems has been defined in many different ways across markets including, 'continues to be sound', 'design and operation', 'existence and efficacy', 'adequacy', 'effectiveness' and 'efficiency'. The coverage of the review also ranged across markets from 'internal controls over financial reporting' to 'internal controls' to 'risk management

systems/framework' or a combination of the above.

In addition, the study found inconsistencies in terminology within markets (where multiple instruments exist). For example, the SGX Listing Rules require the board to issue an opinion on the adequacy of internal controls, whereas the Singapore CG Code requires the board to comment on the adequacy and effectiveness of risk management and internal controls. Another example relates to Malaysia where the mandatory requirements state to check the effectiveness of risk management and internal controls, whereas the CG Code states to check the effectiveness and efficiency of internal controls.

Such variations could potentially lead to confusion and uncertainty of requirements which may impact the effectiveness of implementation/levels of adoption. Refer to Appendix C: Summary of CG requirements (extract).

An emerging area of risk governance that is not currently well-defined relates to establishing a governance framework between group and subsidiary boards. This is a leading practice as company group structures expand. However it was found, to some extent, in only two developed markets (Japan and Taiwan)

and five developing markets (India, Russia, South Africa, Thailand and the UAE). India has a requirement where at least one independent director of the holding company's board is required to be a director on the board of a material non-listed Indian subsidiary company. However, given the potential financial and/or reputational risk associated with subsidiaries, additional guidance in this area would be helpful.

Other notable themes

To understand the levels of clarity and completeness of requirements, the study also focused on current challenges (in particular remuneration structures and assurance mechanisms) faced by the sampled markets. A major criticism in the way companies were governed in the period leading up to the Global Financial Crisis was the excessive remuneration paid to executives without any apparent link to risk taking appetite vis-à-vis the long-term sustainability of the companies. In addition, the risk governance and assurance frameworks

were significantly called into question.

While there are pockets of well-defined requirements in these areas, particularly across developed markets, overall more work needs to be done at an international level to increase awareness about what should be in place and how best to implement change, particularly in developing markets.

Remuneration structures

Remuneration of executives and directors is a controversial aspect of CG. Determining the right amount of remuneration and incentives to attract and retain talent while aligning interests in the long-term goals of the company is challenging. Transparency in compensation is increasingly being demanded (and voted on) by shareholders and stakeholders to ensure there is a link among performance, pay and risk-taking activities.

The prevalence of requirements found across markets is outlined below:

Most prevalent aspect

- Disclosure requirements for directors remuneration

Mid-range aspects

- Remuneration guidelines for directors
- Disclosure requirements for directors remuneration
- Disclosure requirements for executives remuneration
- Remuneration guidelines for executives
- Provision of stock options

Least prevalent aspect

- Remuneration claw-back provisions

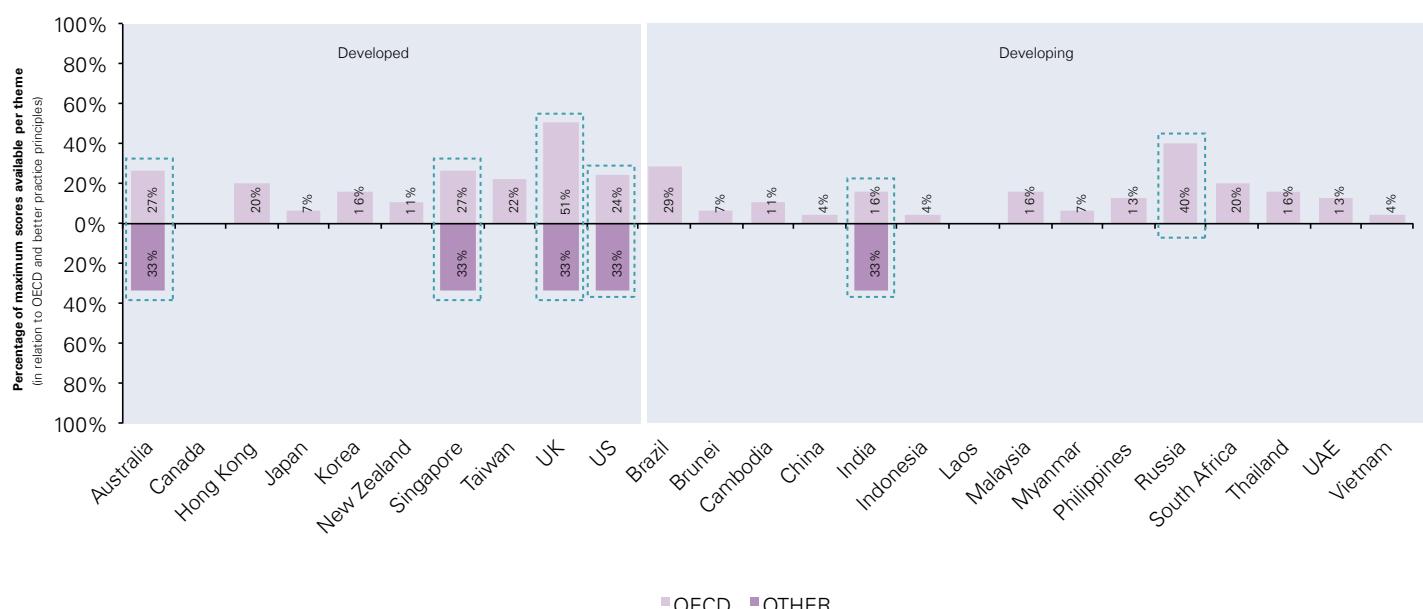


Chart 17: Clarity of requirements for Remuneration structures theme (by market)

Chart 17 highlights that requirements relating to remuneration structures are better defined in developed markets, particularly the UK, the US, Australia and Singapore. Australia has recently enacted a 'two-strikes' rule. This provides shareholders with more power to curb excessive executive remuneration. If 25% or more of the votes cast at two consecutive AGMs oppose the adoption of a remuneration report, then the company must formally respond by asking all board members, except the managing director, to stand for re-election within 90 days. India and Russia lead the way for developing markets, which is reflective of both markets recently revising their key CG instruments.

Remuneration structure requirements in developed markets specify fixed remuneration, performance-based remuneration, equity-based remuneration and termination payments as a minimum. Remuneration levels are required to be sufficient to attract and retain directors to run the company successfully without paying more than is necessary.

There is, however, a clear divergence in how markets perceive the provision of stock options to directors as remuneration. There are some concerns

about maintaining independence in decision-making if stock options are granted. Developed markets (with the exception of UK and Australia) allow for stock options as a performance incentive. However, developing markets are more inclined towards restricting stock options.

The lowest scoring overall requirement relates to the claw-back provisioning for director remuneration in the event of negligence or fraud with only Singapore, the UK, the US and India specifying claw-back provisions. This leading practice provides an opportunity for both developed and developing markets to improve remuneration structures requirement.

Assurance

Boards, Board committees and executives have increased responsibilities across a wide range of activities – such as strategy, risks, controls, financials, information technology, compliance and operations. In addition, they are increasingly being called upon to provide an opinion or disclose their views on whether the mechanisms in place to manage risk and/or generate a true and fair view of financial and (increasingly) non-financial results are adequate and effective. Directors require a well-

defined, integrated and embedded assurance framework to be established. The prevalence of requirements found across markets is outlined below:

Most prevalent aspect

- Requirement to establish an internal audit function

Mid-range aspect

- Requirement to establish whistle blowing (*)

Least prevalent aspects

- Requirement to conduct a Quality Assurance Review (QAR) of internal audit
- Assurance from CEO/CFO obtained regarding the risk management and internal control systems
- Requirement to disclose the framework for assessing the risk management and internal control systems

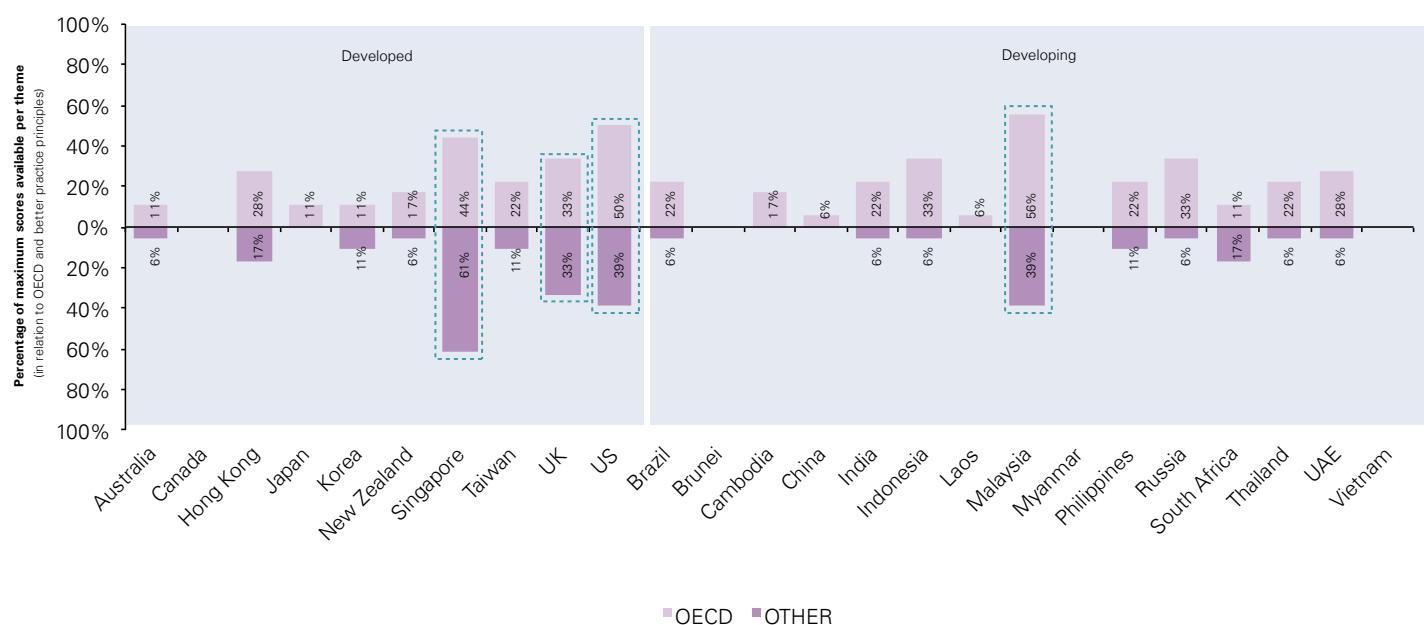


Chart 18: Clarity of requirements for Assurance theme (by market)

Chart 18 highlights a divergence in requirements across developed and developing markets. Overall, Singapore has performed the strongest in this area (driven by strong internal audit, quality assurance review and whistle blowing requirements), closely followed by Malaysia, the US and the UK.

The OECD Principles make reference to an internal audit function but do not include it as a core principle that must be adopted. While the requirement to establish an internal audit function has been found in most markets (64% require IA to be established), there are some markets such as the UK and Australia that provide flexibility (rather than mandating the need for internal audit). Canada, Vietnam, Brunei and Myanmar do not have any requirements to establish an internal audit function.

Ninety percent of developed markets and 53% of developing markets have relatively well-defined mechanisms for employees and other stakeholders to communicate concerns regarding illegal or unethical practices to the board. Hong Kong, Singapore, the US, Malaysia and Russia have the most well-defined requirements, including disclosing whistle-blowing policies and/or hotline mechanisms for anonymous reporting.

Less defined are requirements relating to conducting a QAR of the internal audit function and requiring declaration by the CEO and/or CFO on the adequacy and effectiveness of risk management and internal controls.

A number of markets require the Audit Committee to oversee the effectiveness of the internal audit function. The UK provides a detailed requirement about what QAR should consider as outlined in the FRC Guidelines on Audit Committees. The US, Singapore, Malaysia, the Philippines and South Africa make references to QAR being conducted externally and in relation to international internal audit standards. However, increased awareness of the importance of the QAR of internal audit is

required to enhance overall standards.

The requirement for the CEO and/or CFO to certify the adequacy and effectiveness of risk management and internal controls (beyond financial reporting controls) is a leading practice. A majority of markets do not have a requirement in place. Further, the markets that have these requirements in place only specify that the board should review risk or control reports. Singapore and Malaysia lead the way, where boards are required to disclose that it has received assurance from the CEO and CFO regarding the adequacy and effectiveness of risk management and internal controls.

Key take-aways and observations

- The OECD Principles have played a significant part in shaping the global CG landscape.
- It is encouraging to see core areas of CG having relatively well-defined CG requirements such as the role of the Board, Board committees, Director independence, audit and financial statement integrity.
- More awareness and efforts are needed to strengthen remaining critical areas of CG, particularly in relation to remuneration being linked to risk and reward, risk governance, assurance, stakeholder engagement and board diversity.



OTHER FACTORS INFLUENCING CG REQUIREMENTS



Economic development, geographic region and economic zone influences

A key component of the study was to provide insights into the clarity of CG requirements across economic development, geographic regions and commonly defined economic zones while taking into consideration the GDP per capita and average market capitalisation of the market stock exchanges.

Chart 19 shows that overall there is some correlation between GDP per capita and CG clarity and completeness of requirements. There appears to be less correlation between the average market capitalisation and CG maturity levels.

The markets with the highest GDPs per capita (Australia, Singapore, the US and the UK) have better defined CG requirements. Further, markets with the lowest GDP per capita (Laos and Myanmar) rankings generally have less defined CG requirements. There are some exceptions to this observation. India has well-defined CG requirements in place, yet has a relatively low GDP per capita. Whereas Canada, New Zealand, Japan and Brunei have less defined (and/or readily accessible) CG requirements despite relatively high GDP per capita (in relation to their categorisation as a developed or developing market).

The maturity of CG across economic zones is also highlighted in Chart 19. With the exception of China, the BRICS nations have established a similar level of well-defined CG requirements. The strong BRICS result is driven by the recent revisions to the Russian CG Code in 2014 and Indian CG requirements in 2014 and progressive CG practices contained in the South African King III CG Code and Report. In contrast, there is considerable divergence in the maturity levels across the ASEAN markets. Singapore and Malaysia lead the way with lagging results for emerging economies in ASEAN.



Chart 19: Comparison of CG requirements and economic strength (as measured by GDP per capita¹¹ and size of average market capitalisation of the stock exchange)

¹¹ WEO Stats (Source - IMF Aug 2014); GDP per capita, current prices US dollars. The GDP per capita was used to rank the position of the bubbles although should be noted that the chart is not to scale and illustrative in nature.

When analysing the average scores by economic development, the study found (as shown in Chart 20) that overall, developed markets have clearer and more complete CG requirements in place (in relation to the research framework elements) than developing markets. In essence, developed markets exceeded the OECD Principles (with an average score of 2.2)¹² compared with developing markets which on average met the OECD Principles (average score of 1.4). In addition, developed markets on average met better practice requirements (average score of 1.1)¹³ but not all developing markets captured better practice requirements (average score of 0.6).

In terms of regions, EMA outperforms the Americas, and both significantly outperform the AsPac region. This is predominantly due to the better defined requirements found in markets reviewed in the EMA region from the UK (the global leader), Russia (recently revised CG Code), South Africa and India (also recently revised CG requirements). The Americas result is largely driven by higher scores in the US and to some extent Brazil (while containing relatively well-defined requirements, it is still largely voluntary in nature). While Australia, Singapore, Malaysia, Hong Kong and Taiwan have reasonably well-defined CG requirements in place, the AsPac result is driven by a larger portion of developing markets with less defined CG requirements in place.

From the economic zone perspective, on average ASEAN has significantly less defined CG requirements than that in BRICS and the Rest of World groupings. This analysis highlights a correlation between economic development and clarity of CG requirements. As economies develop and capital markets grow, there is a clear pattern of regulators and policy makers developing robust governance requirements to initially attract capital and then to continuously improve requirements as investors and stakeholders come to expect a higher level of confidence that companies are well governed.

Refer to Appendix D: Market snapshots for a summary of market CG information.

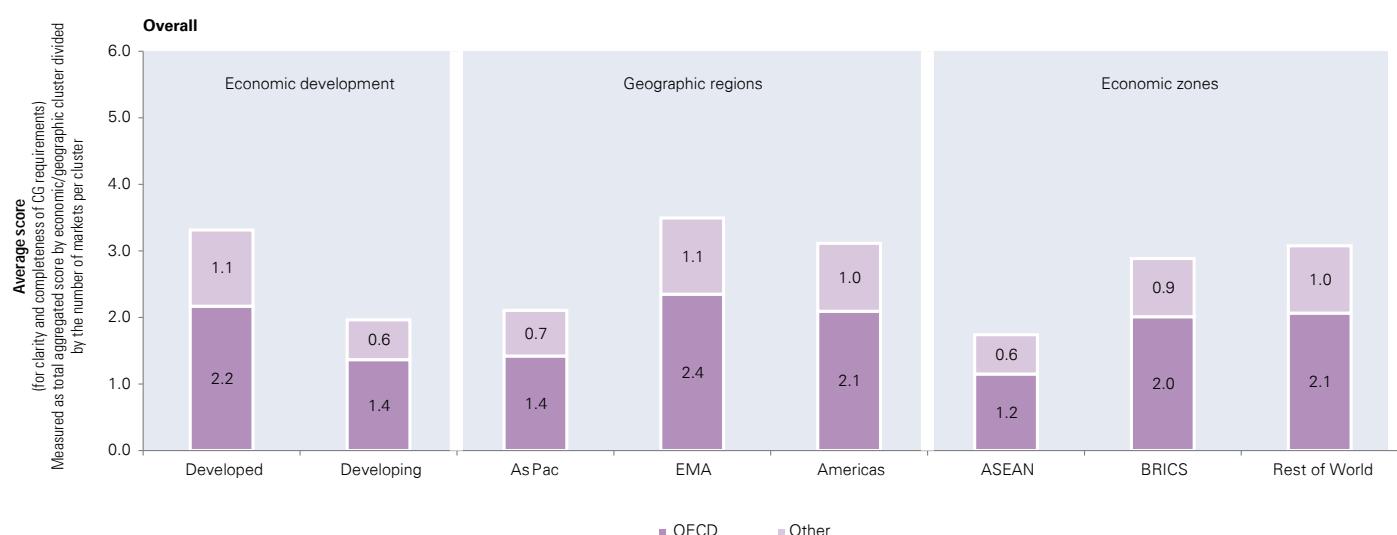


Chart 20: Comparison of overall average scores by economic development, geographic regions and economic zones

¹² This score is assigned based on the level of description/alignment with OECD Principles and allocated as either 1 = meets, 2 = exceeds and 3 = significantly exceeds OECD Principles.

¹³ This score is assigned based on the level of description/alignment in relation to the better practice requirements as either 1 = high-level mention and 2 = detailed mention/well-defined.

Analysis of CG pillars (by economic development, geographic regions and economic zone)

Pillar 1: Leadership & Culture

The Leadership & Culture pillar of the research framework provides the foundation for establishing an effective Board and governance structure to lead and direct the company to long-term sustainable success. This pillar focuses on areas to enhance effectiveness of leadership and Board decision making. Clarity of roles and responsibilities of the Board, effective Board composition and diversity, director independence and availability of resources for and time commitments of directors are key themes within this pillar.

Chart 21 highlights that CG requirements in developed markets for Leadership & Culture aspects are significantly better defined than developing markets.

In terms of geographic regions, AsPac significantly lags behind EMA and the Americas on the Leadership & Culture pillar. Chart 22 highlights that while Australia, Singapore, Malaysia, Hong Kong and Taiwan (from the AsPac region) have relatively well-defined requirements, the remaining markets have less defined requirements (driven largely by developing markets). For Leadership & Culture, the Americas region slightly outperforms EMA. This result is driven by strong requirements found in the US regarding Board composition, the Nominating Committee and Director independence (driven largely by the Securities and Exchange Act, NYSE Listing Rules and NASDAQ Listing Rules). However, the UK requirements are also well-defined regarding establishing effective Board composition and dynamics, the Nominating Committee and director independence.

From the economic zone perspective, ASEAN significantly lags behind BRICS and the Rest of World in terms of Leadership & Culture related CG requirements. While Malaysia performs well in this area (particularly related to the Nominating Committee and Director independence), along with Singapore and Thailand (particularly in relation to director independence), all other ASEAN markets lag behind. South Africa leads the BRICS nations with well-defined requirements regarding the role of the Board.

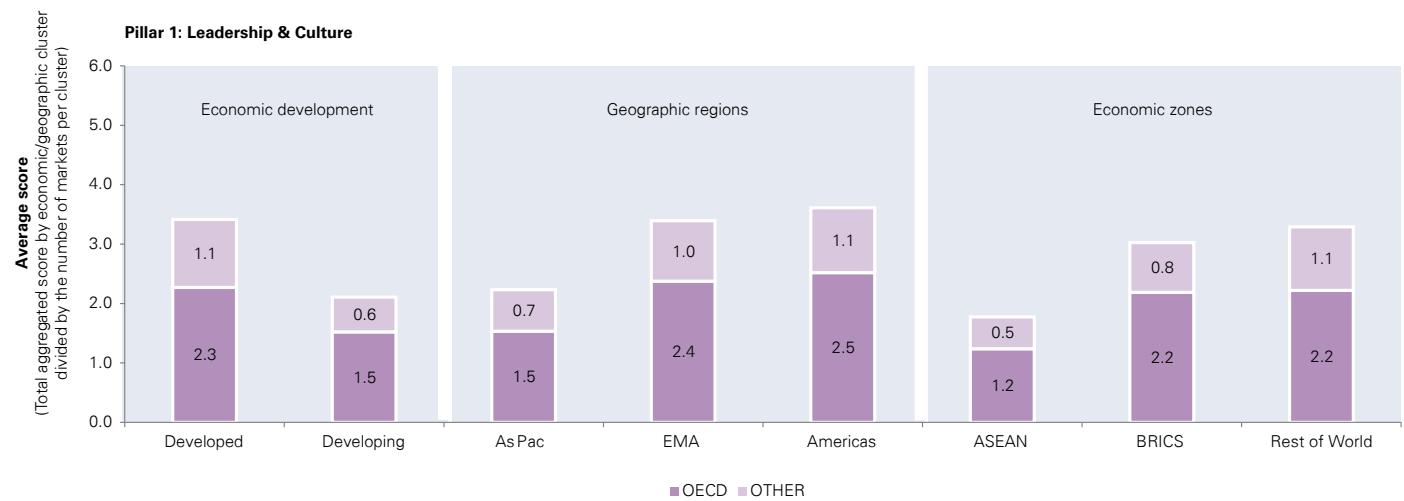


Chart 21: Comparison of average scores for Pillar 1: Leadership & Culture by economic development, geographic regions and economic zones

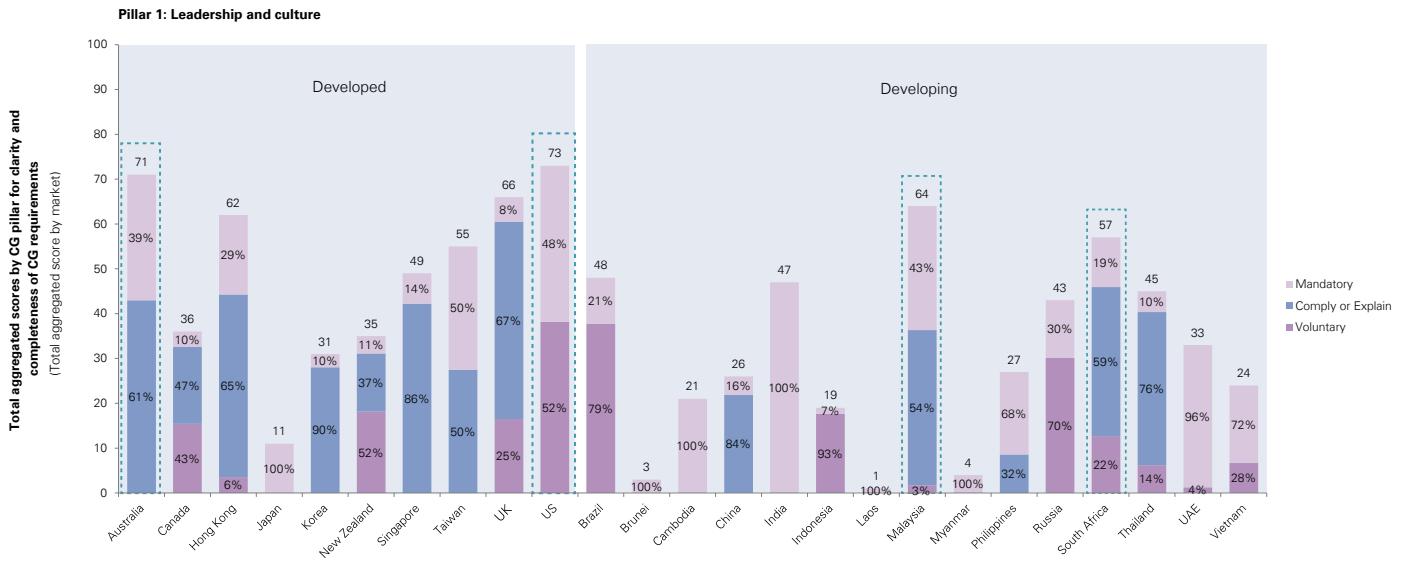


Chart 22: Comparison of total aggregated scores (and breakdown of requirements by degree of enforceability) for Pillar 1: Leadership & Culture by market

Pillar 2: Strategy & Performance

The Strategy & Performance pillar of the research framework contains the critical elements for driving and supervising the performance of companies delivering desired outcomes. It is a critical element of the overall framework and has received much attention globally as being deficient by allowing performance to be rewarded when it is not in line with the risk tolerances/appetites and/or ethical

values of companies. It contains critical elements such as a well-constituted Remuneration Committee that determines the remuneration structures and sets the performance evaluation framework for Board, Board committees and director performance. Increasingly investors are being given a vote on the performance/reward relationship.

Chart 23 highlights that developed markets received significantly higher scores than developing markets. This is due in part to more sophisticated investors being more active and driving higher standards in terms of clarity and ease of understanding than in developing capital markets.

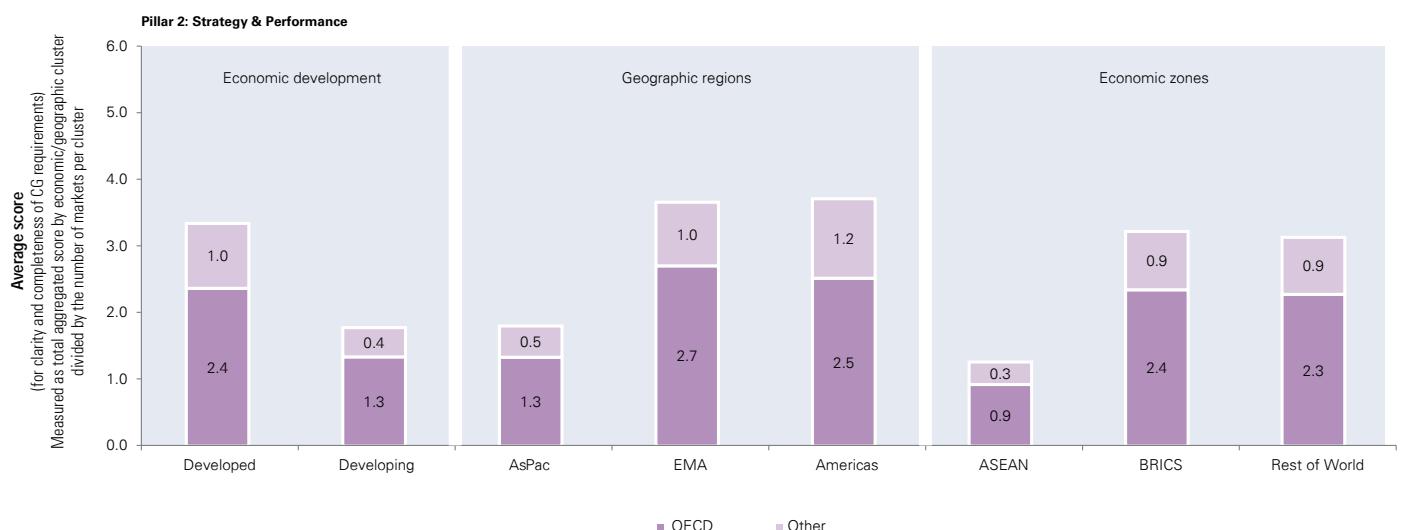


Chart 23: Comparison of average scores for Pillar 2: Strategy & Performance by economic development, geographic regions and economic zones

Similar to Pillar 1: Leadership & Culture, the AsPac region significantly lags behind EMA and the Americas regions, despite a strong result from Australia (particularly in relation to conducting performance evaluations of Boards, Board committees and directors), as highlighted in Chart 24. EMA and the Americas regions were on par, with strong results driven by the UK, the US and Russia with well-defined requirements relating to the Remuneration Committee, remuneration structures and performance evaluations.

While the top four scoring markets for Strategy & Performance have established similar requirements, the approach adopted by them to enforce the requirements related to Strategy & Performance is different.

The UK is predominantly a principles-based 'comply or explain' regime; however in 2013 it released additional regulations regarding executive/director remuneration structures. The UK also recently further strengthened remuneration requirements in the revisions to the CG Code 2014 and has well-defined requirements contained in the FRC guidelines on Board effectiveness.

While Russia has recently revised the CG Code in 2014 and has strong Strategy & Performance requirements, these are voluntary in nature and difficult to enforce. The US results are driving the overall Americas results, with requirements embodied in the Dodd-Frank and the SEC Acts.

Not surprisingly, the least defined requirements relating to Strategy & Performance were found in Vietnam, Cambodia, Indonesia, Japan, China, Brunei, Myanmar and Laos. The cultural differences in these markets may be the primary factor of the lagging requirements. Strategy & Performance requires greater transparency on sensitive remuneration and performance matters that may be more challenging in historically closed or hierarchical societies.

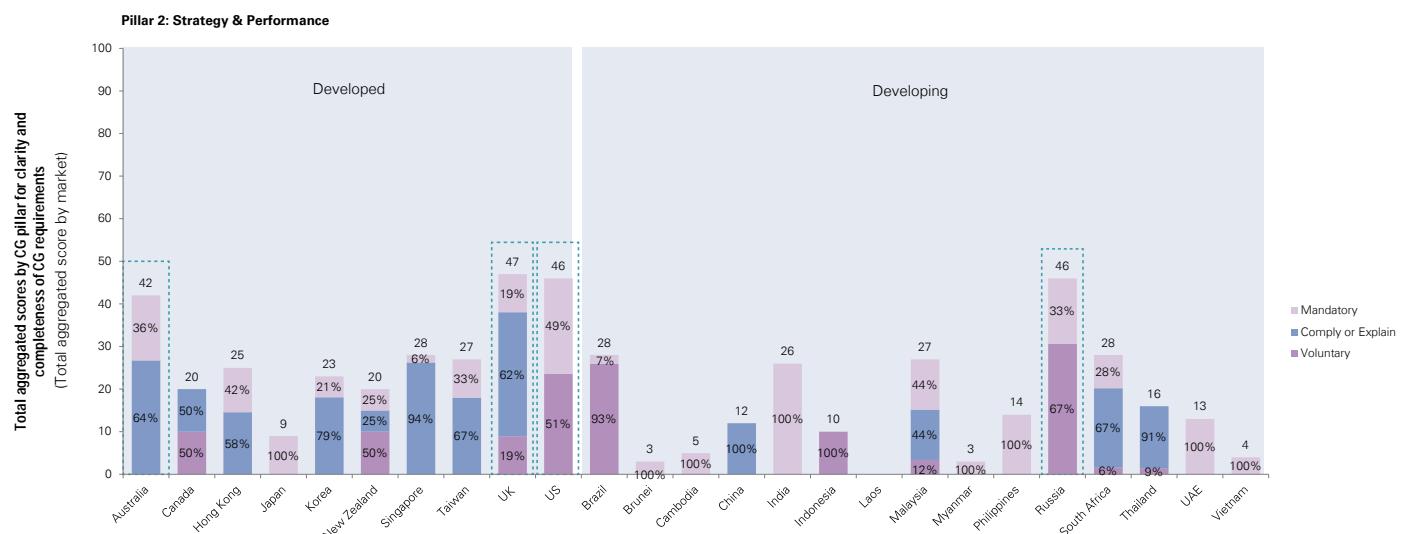


Chart 24: Comparison of total aggregated scores (and breakdown of requirements by degree of enforceability) for Pillar 2: Strategy & Performance by market

Pillar 3: Compliance & Oversight

Compliance & Oversight is a core component of the research framework. It sets out the necessary structures, checks and balances for ensuring that the financial statements provide a true and fair view of the results and that the risks to the company are adequately and effectively managed.

As shown in Chart 25, while the pillar of Compliance & Oversight depicts a similar profile for the developed markets outperforming the developing markets and ASEAN lagging BRICS and the Rest of World, it highlights a different profile for the geographic regions.

The EMA region received higher scores on average compared to the Americas and AsPac regions in relation to Compliance & Oversight. Chart 26 shows

that this is driven by a significantly strong result in the UK – particularly with respect to the transparency of disclosures (through evolved instruments like the Disclosure and Transparency Rules), Audit Committee effectiveness and continued evolution of risk management, internal controls and going concern requirements. ASEAN lags behind BRICS and the Rest of World, highlighting that areas for improvement exist, particularly in relation to transparency, disclosure and risk governance.

The US legislative requirements contained in the Sarbanes-Oxley Act 2002 are relatively well-defined regarding management reviewing and certifying the design and operating effectiveness of internal controls over financial reporting. In addition, extensive requirements exist regarding the Audit Committee

and auditor independence, along with requirements to disclose key risks in key mandatory SEC filings (such as Form 10K).

Singapore and Malaysia both performed strongly in the AsPac region, predominantly driven by well-defined requirements related to the Audit Committee, financial statement review and oversight and risk governance practices (both markets require formal assurance by the CEO/CFO to the Board regarding the adequacy and effectiveness of the risk management and internal control system).

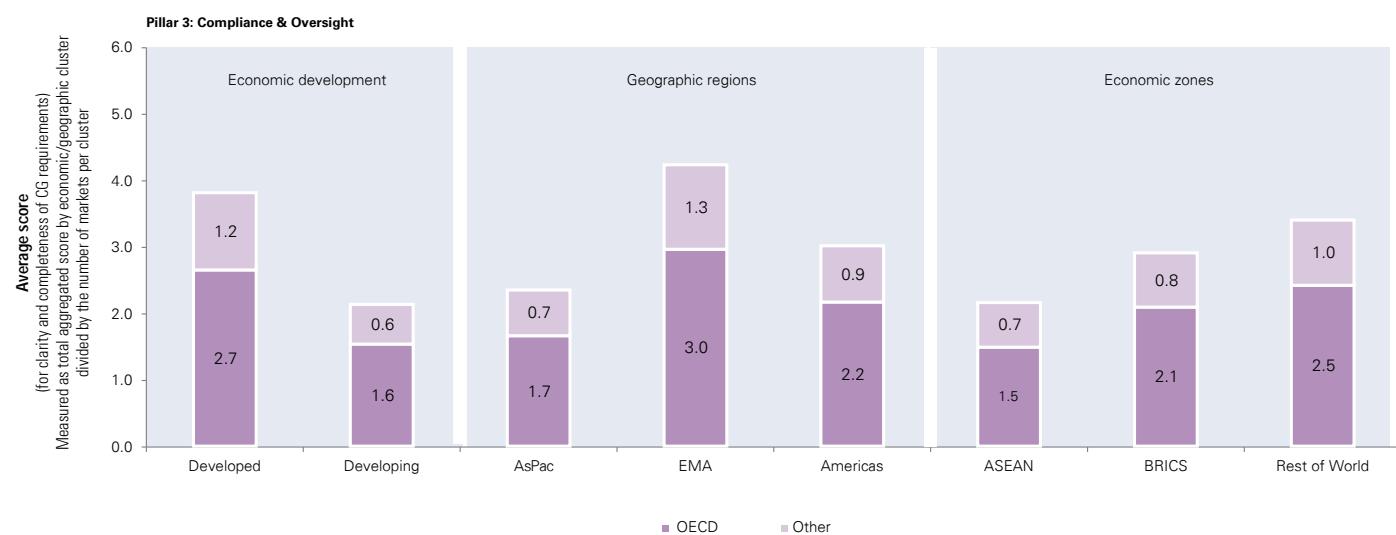


Chart 25: Comparison of average scores for Pillar 3: Compliance & Oversight by economic development, geographic regions and economic zones

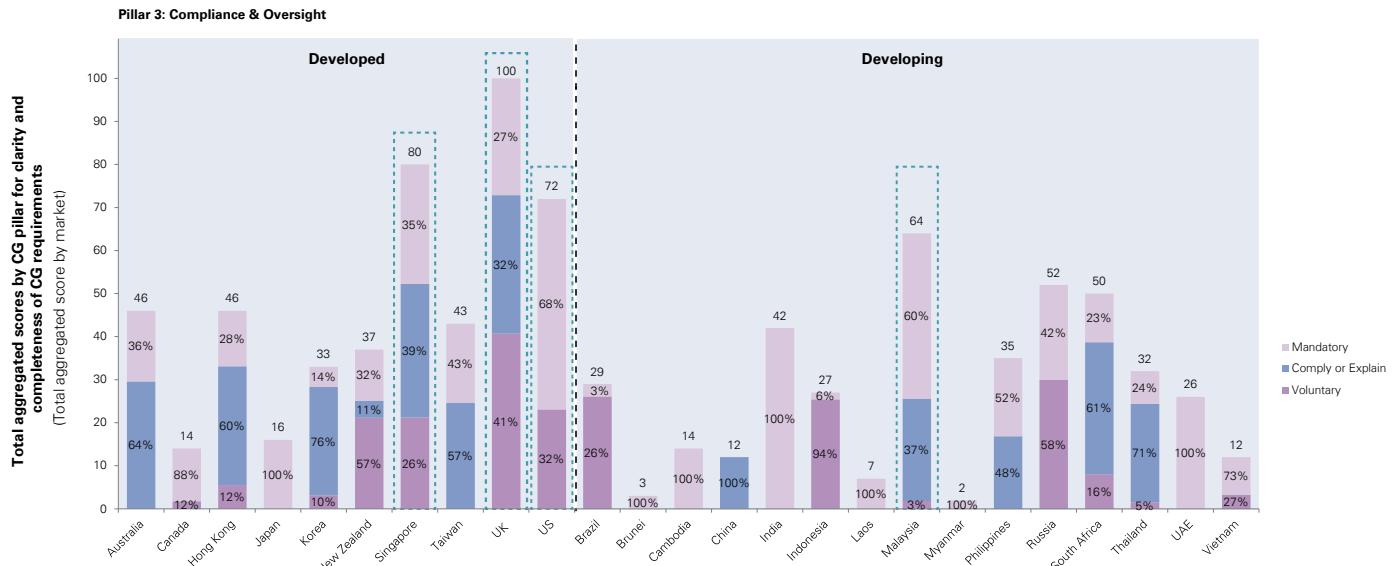
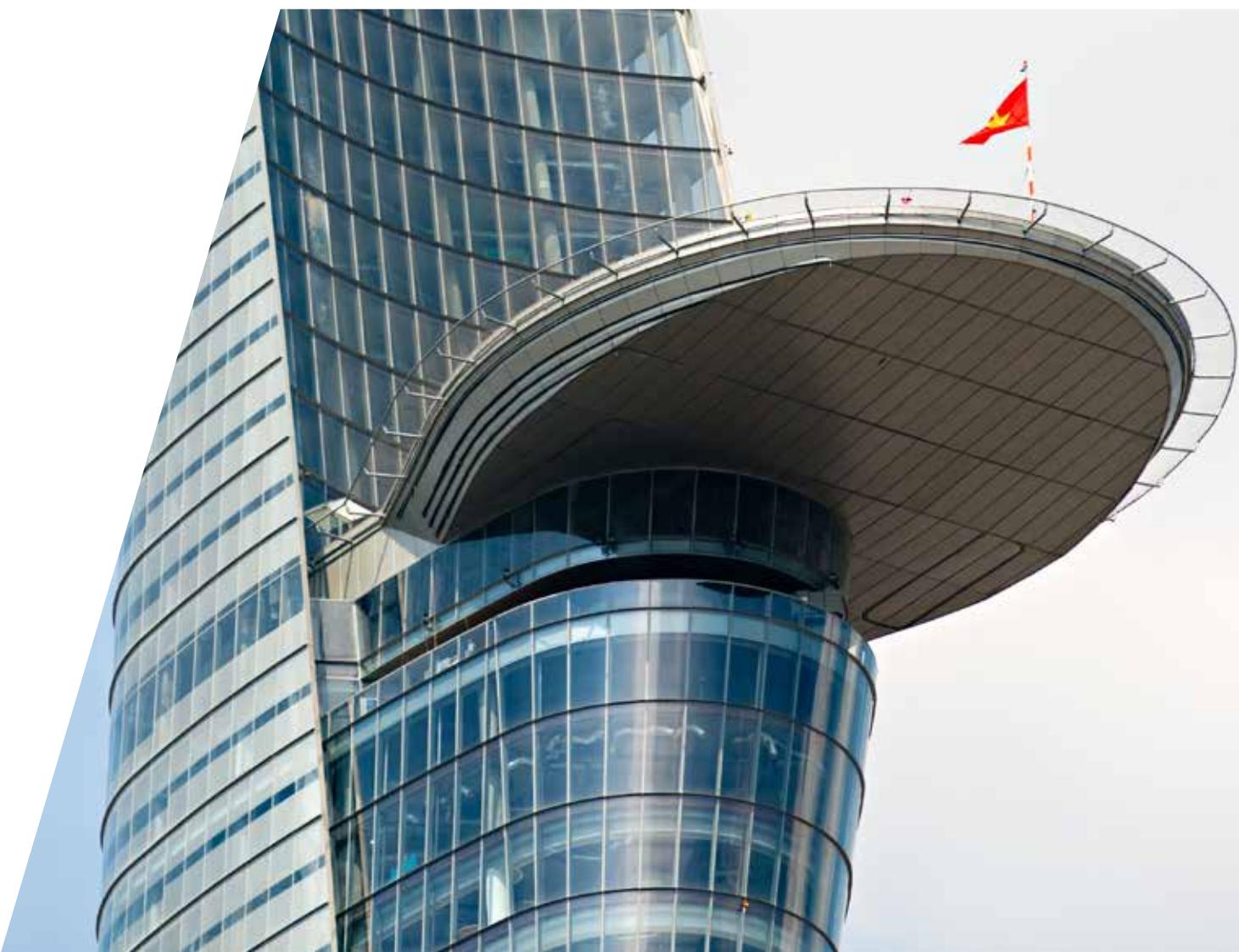


Chart 26: Comparison of total aggregated scores (and breakdown of requirements by degree of enforceability) for Pillar 3: Compliance & Oversight by market



Pillar 4: Stakeholder Engagement

Stakeholder engagement is an important part of CG. Providing shareholders with adequate protection mechanisms instils confidence in investors to engage with companies. Proactively communicating and engaging with a wider stakeholder group helps companies obtain valuable insights on issues or priority areas to enable strategies and/or actions to be taken to assist companies build long-term sustainable value. Increasingly the role of institutional investors is being more formally developed to foster a

culture of active stewardship to drive CG improvements.

The profile for Stakeholder Engagement reflects a similar profile, to the other CG pillars with slightly less variation (as shown in Chart 27). While developed markets outperform developing markets, regions and economic zones have similar levels of maturity, indicating that more can be done to enhance stakeholder engagement.

Surprisingly, despite having a CG code that is voluntary in nature, Brazil has the slightly better defined requirements for stakeholder engagement (as shown in Chart 28). This is largely driven by strong performances in relation to shareholder protection areas and a requirement for the CEO to develop transparent strategies to engage the wider stakeholder group and provide them with both positive and negative information. Brazil's strong performance is closely followed by the UK, Hong Kong, Australia, Singapore and Taiwan.

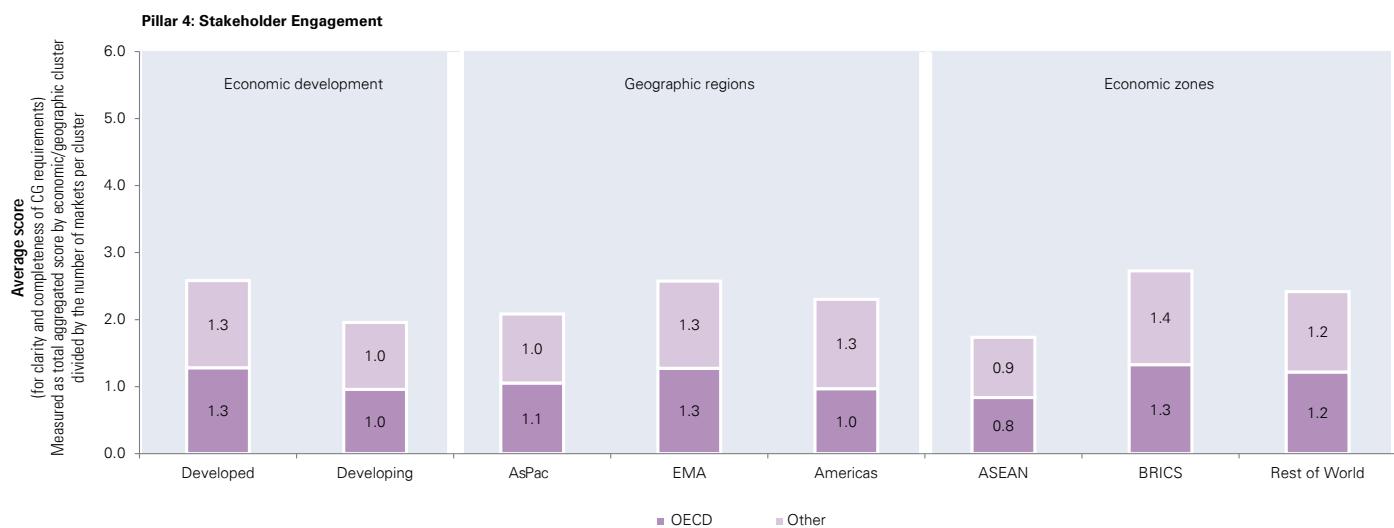


Chart 27: Comparison of average maturity for Pillar 4: Stakeholder Engagement by economic development, geographic regions and economic zones

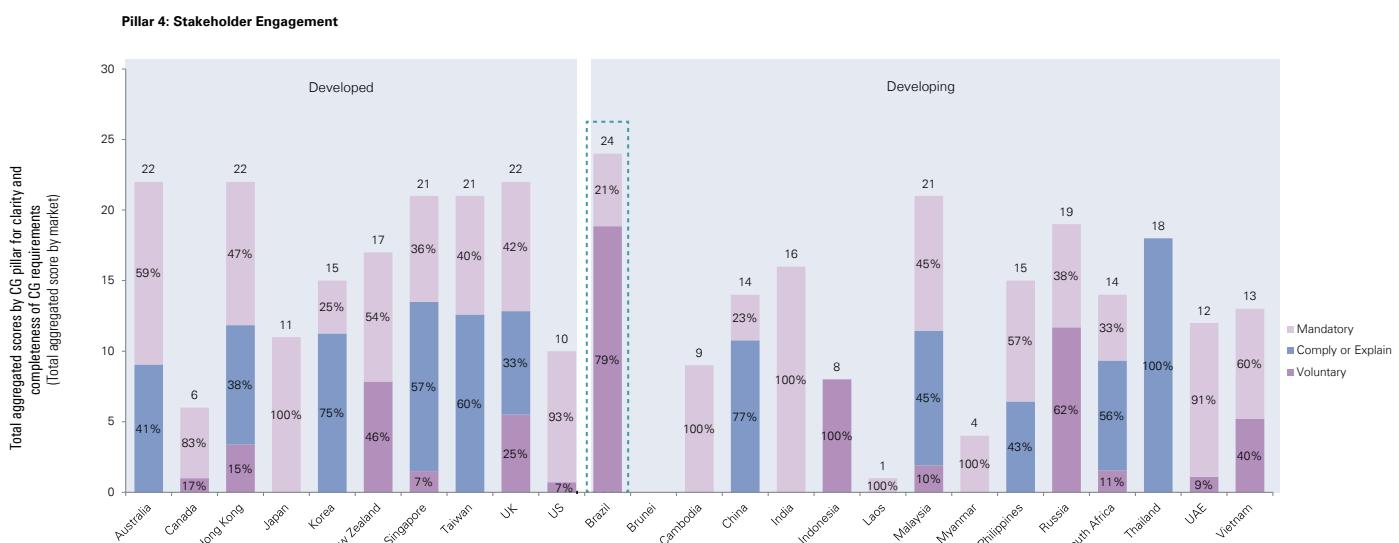


Chart 28: Comparison of total aggregated scores (and breakdown of requirements by degree of enforceability) for Pillar 4: Stakeholder Engagement by market



GLOSSARY



Term/abbreviation	Definition
ACCA	Association of Chartered Certified Accountants
ACGA	Asian Corporate Governance Association
Americas	Reference to geographic region, with small number of markets included in this study – Canada, the US and Brazil.
AsPac	Asia Pacific
ASEAN	The Association of Southeast Asian Nations
BRICS	Emerging economy group consisting of Brazil, Russia, India, China and South Africa.
CA	Companies Act
CG	Corporate Governance
CG Code	A document/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' or mandatory.
'Comply or Explain'	Companies are required to state whether they adopt the recommended requirement and if not, why they have chosen not to. For example, CG Codes. Variations also include 'apply or explain' or 'if not, why not' instruments.
CSR	Corporate Social Responsibility
ED	Executive Director
EMA	Europe, Middle East and Africa
FRC	Financial Reporting Council (UK)
GDP	Gross Domestic Product
GFC	Global Financial Crisis
IA	Internal Audit
ID	Independent Director
IMF	International Monetary Fund
INED	Independent Non Executive Director
Instrument	The mechanism used to capture the corporate governance requirements. (For example CG Codes, Listing Rules, Companies Act)
LR	Listing Rules
LSE	London Stock Exchange
Mandatory	Companies must comply with the requirement, or face fines/penalties. For example, legislation, Listing Rules, Companies Act.
MR	Ministerial Resolution
OECD	Organisation for Economic Co-operation and Development
OECD Principles	OECD Principles of Corporate Governance 2004
Pillar	Basic tenet of corporate governance framework
PPP	Purchasing Power Parity
QAR	Quality Assurance Review
Requirement	The wording of the instruction/expected behaviours/actions.
SEBI	Securities and Exchange Board of India
SGX	Singapore Stock Exchange
Stock options	The right to buy or sell shares at a specified price on or before a specified date
Theme	Sub-sections/groupings of similar requirements
Two-tiered governance system	Two-tier boards have two separate boards - the management board and the supervisory board.
Unitary governance system	Unitary boards include both executive and non-executive directors and make decisions as a unified group.
Voluntary	Companies are encouraged to follow the requirements but are not required to and do not need to explain why not if they choose not to follow it. For example better practice guidelines.

APPENDICES



Appendix A: Research approach

Research framework

For the purposes of this study, the following pillars and themes of CG were used as the basis of the research framework. These pillars and themes form the basic tenets of CG which are generally found in most CG Codes and better practice guidelines. The adoption of the pillars and themes of CG provides a framework of comparison that constitutes the basis of assessment for this study.

Pillar	Description	Themes	OECD related principles	Better practice related principles	Total
Pillar 1: Leadership & Culture	Clarifying and optimising the mix of skill-sets and structure at the board level to generate an appropriate ethical culture and provide direction for long term sustainable success.	<ul style="list-style-type: none"> • Role of the Board • Nominating Committee • Board composition • Board diversity • Director independence • Director's time and resources 	16	11	27
Pillar 2: Strategy & Performance	Establishing transparent mechanisms that encourage the right set of behaviours to deliver outcomes (within risk tolerances) and drive a continuous improvement performance culture.	<ul style="list-style-type: none"> • Remuneration Committee • Remuneration structures • Performance evaluation 	10	5	15
Pillar 3: Compliance & Oversight	Establishing adequate and effective risk management, internal controls and assurance systems covering financial, operational, compliance and information technology risks.	<ul style="list-style-type: none"> • Disclosures • Audit Committee and financial integrity • Risk governance • Assurance 	12	14	26
Pillar 4: Stakeholder Engagement	Protecting, communicating and engaging with shareholders and stakeholders.	<ul style="list-style-type: none"> • Shareholder rights • Stakeholder engagement and communication 	11	2	13
			49	32	81

Geographic coverage

The following table summarises the key markets reviewed and highlights their classifications according to level of economic development, geographic region and economic zone.

Pillar	Developed	Developing	AsPac	EMA	Americas	ASEAN	BRICS	Rest of World
Australia	✓		✓					✓
Brazil		✓			✓		✓	
Brunei		✓	✓			✓		
Cambodia		✓	✓			✓		
Canada	✓				✓			✓
China		✓	✓				✓	
Hong Kong	✓		✓					✓
India		✓		✓			✓	
Indonesia		✓	✓			✓		
Japan	✓		✓					✓
Korea	✓		✓					✓
Laos		✓	✓			✓		
Malaysia		✓	✓			✓		
Myanmar		✓	✓			✓		
New Zealand	✓		✓					✓
Philippines		✓	✓			✓		
Russia		✓		✓			✓	
Singapore	✓		✓			✓		
South Africa		✓		✓			✓	
Taiwan	✓		✓					✓
Thailand		✓	✓			✓		
UAE		✓		✓				✓
UK	✓			✓				✓
US	✓				✓			✓
Vietnam		✓	✓			✓		
Total	10	15	17	5	3	10	5	10
Percentage	40%	60%	68%	20%	12%	40%	20%	40%

Appendix B: CG instruments reviewed

CG instruments reviewed

The following table summarises the 109 instruments that were reviewed as part of the study applicable for listed companies. It may not represent a complete list so it is recommended that users also make their own enquiries. The following scale has been used to highlight the relative ease of locating/sourcing the relevant CG instruments:

(*) issued in past six months. (**) currently under review/consultation period (proposed changes not included in scope).

	Voluntary	Comply or explain	Mandatory
Australia		<ul style="list-style-type: none"> Corporate Governance Principles and Recommendations 3rd edition (*) 	<ul style="list-style-type: none"> Corporations Act 2001 Australian Securities Exchange Listing Rules
Brazil	<ul style="list-style-type: none"> Code of Best Practice of Corporate Governance 2010 (4th edition) 		<ul style="list-style-type: none"> Novo Mercado Listing Rules Brazilian Corporation Law Law N°6.404 of Brazil (Ley de Sociedades Anónimas) (of December 15, 1976)
Brunei			<ul style="list-style-type: none"> Laws of Brunei Revised Edition 1984 Chapter 39 Companies
Cambodia			<ul style="list-style-type: none"> Prakas on Corporate Governance for Listed Companies 2009
Canada	<ul style="list-style-type: none"> National Policy 58-201 Corporate Governance Guidelines 	<ul style="list-style-type: none"> National Instrument 58-101- Disclosure of Corporate Governance Practices (** board diversity/women) 	<ul style="list-style-type: none"> Toronto Stock Exchange Listing Rules Multilateral Instrument 52-110 Audit Committees (**) National Instrument 51-102 Continuous disclosure obligations
China		<ul style="list-style-type: none"> The Code of Corporate Governance for Listed Companies in China 2002 	<ul style="list-style-type: none"> Shenzhen Stock Exchange Listing Rules Shanghai Stock Exchange Listing Rules
Hong Kong	<ul style="list-style-type: none"> HKICPA's "A Guide on Better Corporate Governance Disclosure" CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS issued by HKICPA A Guide for Effective Audit Committee By The Audit Committee Guide Review Task Force of The HKSA Corporate Governance Committee Feb 2002 Appendix 27 Environmental, Social and Governance Reporting Guide of Hong Kong Main Board Listing Rules 	<ul style="list-style-type: none"> CG Code and Corporate Governance Report (Appendix 14) (** risk management and internal control) 	<ul style="list-style-type: none"> Hong Kong Main Board Listing Rules Companies Ordinance
Indonesia	<ul style="list-style-type: none"> Indonesia's Code of Good Governance 2006 		<ul style="list-style-type: none"> Indonesian Stock Exchange Listing Rules Bapepam regulation no. KEP-496/BL/2008
India			<ul style="list-style-type: none"> Companies Act, 2013 (*) SEBI's Clause 49 of the listing agreement
Japan			<ul style="list-style-type: none"> Principles of Corporate Governance for Listed Companies December 2009 Companies Act 2006 (**) Securities Listing Regulations 2013 Financial Instruments and Exchange Act 2006

	Voluntary	Comply or explain	Mandatory
Korea	<ul style="list-style-type: none"> Best Practice Guideline for Internal Control over Financial Reporting 	<ul style="list-style-type: none"> Code of Best Practices for Corporate Governance 2003 	<ul style="list-style-type: none"> A GUIDE TO BUSINESS ESTABLISHMENT IN KOREA ARTICLES OF INCORPORATION “상장회사 표준정관” (last updated 2013.12.27)
Laos			<ul style="list-style-type: none"> Law of Enterprises 2005
Malaysia	<ul style="list-style-type: none"> By-Laws On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountant Malaysian Institutional Investors Code 2014 (*) CG Guide: Towards Boardroom Excellence (2nd Edition) – Bursa Malaysia 	<ul style="list-style-type: none"> Malaysian Code On Corporate Governance 2012 	<ul style="list-style-type: none"> Companies Act 1965 (Revised 1973) Bursa Malaysia Securities Main Market Listing Requirements Capital Markets and Securities Act 2007
Myanmar			<ul style="list-style-type: none"> Myanmar Companies Act 1913
New Zealand	<ul style="list-style-type: none"> Corporate Governance In New Zealand Principles and Guidelines: A Handbook For Directors, Executives and Advisers 2004 	<ul style="list-style-type: none"> NZX Limited - Main Board/Debt Market Listing Rules (October 2013) - Appendix16 - Corporate Governance Best Practice Code 	<ul style="list-style-type: none"> NZX Limited Main Board Market Listing Rules 2013 Companies Act 1993
Philippines		<ul style="list-style-type: none"> PSE CG Guidelines November 2010 	<ul style="list-style-type: none"> Revised Code of Corporate Governance 2009
Russia	<ul style="list-style-type: none"> CG Code Unofficial Translation Final version published on the Official Journal of the Bank of Russia No. 40 (1518) - 18 April 2014 (*) 		<ul style="list-style-type: none"> Federal Law on Joint Stock Companies 1995 Moscow Exchange Listing Rules 2012 Federal Law on Securities Markets 1996 FCSM Order 11-46PZN 2011 FCSM Order 03-849R 2003
Singapore	<ul style="list-style-type: none"> SGX Guide to Sustainability Reporting for Listed Companies Guidebook for Audit Committee in Singapore (Second Edition) (*) Risk Governance Guidelines for Listed Boards Singapore Stewardship Code (**) 	<ul style="list-style-type: none"> Singapore Code of Corporate Governance 2012 	<ul style="list-style-type: none"> Singapore Companies Act 1967 (**) Singapore Exchange Listing Rules Securities and Futures Act
South Africa	<ul style="list-style-type: none"> King III Report which supports the King III Code and provides additional explanation 	<ul style="list-style-type: none"> King III Code of Governance for South Africa (2009) Commenced 1 March 2010 	<ul style="list-style-type: none"> Johannesburg Stock Exchange Listing Rules applicable to companies listed on the main Board and Companies listed on ALTX. Companies Act 71 of 2008
Taiwan		<ul style="list-style-type: none"> Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies (Amended 2013 . 03 . 11) 	<ul style="list-style-type: none"> Securities and Exchange Act 1968 Taiwan Companies Act Guidelines for the Adoption of Codes of Ethical Conduct by TWSE/GTSM Listed Companies Sample Template of XXX Co., Ltd. Charter of Nominating Committee for Directors and Supervisors Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter

	Voluntary	Comply or explain	Mandatory
Taiwan (cont.)		<ul style="list-style-type: none"> Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies (Amended 2013.03.11) 	<ul style="list-style-type: none"> Regulations Governing Establishment of Internal Control Systems by Public Companies Regulations Governing Information to be Published in Annual Reports of Public Companies Sample Template for XXX Co., Ltd. Rules Governing the Exercise of Rights and Participation in Resolutions by Juristic Person Shareholders With Controlling Power Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities Regulations Governing Procedure for Board of Directors Meetings of Public Companies
Thailand	<ul style="list-style-type: none"> The SET Code of Best Practice for Directors of Listed Companies (by the Stock Exchange of Thailand) Directors' Handbook (by the Stock Exchange of Thailand) 	<ul style="list-style-type: none"> The Principles of Good Corporate Governance for Listed Companies 2012 (by the Stock Exchange of Thailand) 	<ul style="list-style-type: none"> Public Limited Companies Act 1992 The Best Practice Guidelines for Audit Committee (by the Stock Exchange of Thailand) GUIDELINES ON DISCLOSURE OF INFORMATION OF LISTED COMPANIES (by the Stock Exchange of Thailand) Capital Markets Supervisory Board (Notification)
UAE	<ul style="list-style-type: none"> Recommended Circular (directors caps) 		<ul style="list-style-type: none"> Ministerial Resolution No. (518) of 2009 Concerning Governance Rules and Corporate Discipline Standards The DFSA Rulebook Offered Securities Rules (OSR/VER16/08-11)
UK	<ul style="list-style-type: none"> FRC Guidance on the Strategic Report 2014 (*) FRC Guidance on Board Effectiveness FRC Guidance on Audit Committee FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (*) 	<ul style="list-style-type: none"> The UK Code of Governance Code 2014 (*) 	<ul style="list-style-type: none"> FRC Disclosure and Transparency Rules FRC Listing Rules UK Companies Act 2006 London Stock Exchange Admission and Disclosure Standards 2013
US	<ul style="list-style-type: none"> Business Roundtable Principles of Corporate Governance 2012 Report of the NACD Blue Ribbon Commission on Director Professionalism 		<ul style="list-style-type: none"> NYSE Listing Rules NASDAQ Listing Rules Dodd-Frank Act 2010 Securities and Exchange Act 1934 Sarbanes Oxley Act 2002 Model Business Corporation Act (MBCA) – a summary of example requirements from State law
Vietnam	<ul style="list-style-type: none"> Circular No. 121/2012/TT-BTC Sample Charter Annex 		<ul style="list-style-type: none"> Circular No. 121/2012/TT-BTC

Acknowledgements

Throughout the course of this study, a number of other CG research and thought leadership papers were considered. The key publications considered included the following:

- ASEAN Corporate Governance Scorecard: Country reports and assessments 2013–2014, 2014 (Asian Development Bank in partnership with the ASEAN Capital Markets Forum)
- CLSA ACGA CG Watch 2014 – Dark shades of grey: Corporate governance and sustainability in Asia, September 2014
- Comparison of Corporate Governance Principles and Guidelines: US, January 2012 (Weil, Gotshal and Manges)
- OECD White paper on Corporate Governance in Asia 2003
- OECD Reform Priorities in Asia: Taking Corporate Governance to a higher level, 2011

Appendix C: Summary of CG requirements (extracts)

A key driver of this study was to develop a better understanding of what the key corporate governance requirements are across the different jurisdictions. A summary of some of the most common areas is outlined below. Given the volume of requirements and length of exact wording, a summary has been prepared. The following coding has been used to indicate the degree of enforceability of the instrument: V = Voluntary; CoE = Comply or Explain; and M = Mandatory. Where multiple instruments were in place, the requirement was primarily taken from the instrument with the highest degree of enforceability. However, where inconsistencies were identified – the conflicting requirements have been noted below.

	Developed markets											BRAZIL	BRUNEI
	AUSTRALIA	CANADA	HONG KONG	JAPAN	KOREA	NEW ZEALAND	SINGAPORE	TAIWAN	UNITED KINGDOM	UNITED STATES			
Pillar 1: Leadership & Culture	Requirement to define the role of the board?	Yes – charter disclosed (CoE)	Yes – written mandate (CoE)	Yes – statement disclosed (M)	-	Yes – statement only (CoE)	Yes – charter (V)	Yes – matters reserved for board (CoE)	Yes – statement disclosed (CoE)	Yes – statement disclosed (CoE)	Yes – articles of association (M)	Yes – internal regulations (V)	-
	Requirement to develop a Code of Conduct?	Yes – Code of Conduct disclosed (M)	Yes – Code of Ethical Business Conduct disclosed (CoE)	Yes – Code of Conduct disclosed (CoE)	-	Yes – supervise Codes of Conduct and Ethics (CoE)	Yes – Code of Ethics (CoE)	Yes – set values and ethical standards (CoE)	Yes – Code of Ethical Conduct disclosed (M)	-	Yes – Code of Ethics disclosed (M)	Yes – Code of Conduct disclosed (M)	-
	Requirement to establish a nominating committee (NC)?	Yes – will have (M)	Yes – should have (V)	Yes – should have (CoE)	Yes – shall have (M)	Yes – shall establish (CoE)	Yes – should have (CoE)	Yes – should have (CoE)	Yes – may have (CoE)	Yes – should have (CoE)	Yes – must have (M)	Yes – may have (V)	-
	Requirement for NC independence?	Majority + NC Chair (CoE)	All (CoE)	Majority + Chair of Board (or INED) (CoE)	Majority (M)	Majority + NC Chair (CoE)	Majority (CoE)	Majority + NC Chair (CoE)	At least one (NC Chair) (M)	Majority + Chair of Board (or INED) (CoE)	All (M)	Majority + NC Chair (V)	-
	Guidance on ideal board size?	'Sufficient' – but not specified (CoE)	-	At least 2 (M)	More than 3 (M)	'Sufficient' – but not specified (CoE)	Minimum of 3 (M-LR); optimal but not specified (V)	'Sufficient' – but not specified (CoE)	No less than 5 (CoE)	At least 2 (MCA); sufficient but not specified (CoE)	At least one (M)	Minimum of 5 (M-LR)	At least 2 (M-LR)
	Requirement to formalise board diversity?	Yes – diversity policy disclosed (M) + measurable objectives (CoE)	-	Yes – diversity policy disclosed (CoE)	-	-	Yes – board to consider diversity (CoE)	Yes – consider board diversity (CoE)	Yes – diversity policy disclosed + measurable objectives (CoE)	Yes – consider board diversity (V)	-	-	-
	Requirement to consider gender diversity?	Yes – objectives for gender diversity (CoE)	-	Yes – gender one of many factors (CoE)	-	-	Yes – gender one of many factors (CoE)	Yes – consider gender equality (CoE)	Yes – gender one of many factors (CoE)	Yes – gender one of many factors (V)	-	-	-
	Requirement for board independence?	Yes – majority (M)	Yes – majority (V)	Yes – at least one third (M)	Yes – at least one (M) ¹⁴	Yes – minimum 2 (CoE)	Yes – one third (CoE)	Yes – one third to one half (CoE) ¹⁵	Yes – not less than 2 or one fifth (M)	Yes – at least half (large co) (CoE)	Yes – majority (M)	Yes – at least 20% (M-LR); majority (V)	-

¹⁴ Japan has a choice of having a board with independent directors or outside auditors

¹⁵ Singapore requirements dependent on whether the Chairman is independent or not

¹⁶ India requirements dependent on whether the Chairman is independent or not

¹⁷ Malaysian requirements dependent on whether the Chairman is independent or not

Developing markets													
CAMBODIA	CHINA	INDIA	INDONESIA	LAOS	MALAYSIA	MYANMAR	PHILIPPINES	RUSSIA	SOUTH AFRICA	THAILAND	UNITED ARAB EMIRATES	Vietnam	
Yes – required to define role (M)	Yes – articles of association (CoE)	-	Yes – charter (V)	-	Yes – charter disclosed (CoE)	Yes – articles of association (M)	Yes – required to define role (CoE)	-	Yes – charter (CoE) and authority levels disclosed (M)	-	-	-	Yes – sample charter guidance (V)
Yes – Code of Conduct disclosed (M)	-	Yes – Code of Conduct disclosed (M)	Yes – Code of Conduct (V)	-	Yes – Code of Conduct (CoE)	-	Yes – Code of Ethics and Proper Conduct (CoE)	Yes – Corporate Code of Ethics (V)	Yes – Code of Conduct and Ethics (CoE)	Yes – Code of Conduct (CoE)	Yes – Code of Business Conduct (M)	Yes – Code of Conduct (M)	
Yes – can consider (M)	Yes – may have (CoE)	Yes – shall have (M)	Yes – need to (V)	-	Yes – must have (M)	-	Yes – may have (M)	Yes – recommended (V)	Yes – should have (M)	Yes – recommended (V)	Yes – shall have (M)	-	
At least one (M)	Majority + NC Chair (CoE)	Half + NC Chair (M)	At least one (NC Chair) (V)	-	Majority + NC Chair (CoE); Majority (M-LR)	-	At least one (M)	Majority (V)	Majority + NC Chair (CoE); Majority + Chair of Board (or lead INED) (M)	All (CoE)	Majority + NC Chair (M)	-	
M) At least 5 and not more than 15 (M)	'Sufficient' – but not specified (CoE)	Minimum of 3 – up to 15 (M)	'Sufficient' – but not specified (V)	At least 1 (M)	-	Public co – at least 3 (M)	At least 5 and not more than 15 (M)	No less than 9 directors (large co) (M)	Minimum of 2 (M); sufficient but not specified (CoE)	5 - 12 (CoE)	-	5-11 (Large public co) (M)	
-	-	Yes – at least one female director (M)	-	-	Yes – diversity policy disclosed (CoE)	-	-	-	Yes – consider board diversity (CoE)	Yes – diversity policy disclosed (CoE)	-	-	
-	-	Yes – at least one female director for all listed companies (M)	-	-	Yes – measures and targets for gender diversity policies (CoE)	-	-	-	Yes – gender one of many factors (V)	-	-	-	
Yes – at least one fifth (M)	Yes – one third (M)	Yes – at least half (M-LR) ¹⁶	Yes – at least 30% (M)	-	Yes – at least 2 or one third (highest) (M); majority (CoE) ¹⁷	-	Yes – at least 2 or one-fifth (lesser) (M); at least 3 or 30% (higher) (CoE)	Yes – one third (V)	Yes – majority (CoE)	Yes – one third (M)	Yes – at least one third (M)	Yes – one third (M)	

		Developed markets											
		AUSTRALIA	CANADA	HONG KONG	JAPAN	KOREA	NEW ZEALAND	SINGAPORE	TAIWAN	UNITED KINGDOM	UNITED STATES	BRAZIL	BRUNEI
Pillar 1: Leadership & Culture	Requirement to separate Chairman and CEO/ Chairman to be independent?	Yes – should be separate but is possible (CoE)	No – it is possible (CoE)	Yes – should be separate but is possible (CoE)	-	Yes – advisable to separate but is possible (CoE)	Yes – should be separate (CoE)	Yes – should in principle be separate but is possible (CoE)	Yes – should be separate but is possible (CoE)	Yes – should be separate (CoE)	No – it is allowable (M)	Yes – should be separate (except in exceptional circumstances) (M)	-
	Requirement for safeguards where Chairman and CEO not separate (or Chairman is not independent)?	Appoint ID as Deputy Chair or 'Senior' ID (CoE)	Must disclose if Chairman is independent (CoE)	Must disclose where not separate (CoE)	-	Appoint lead ID (CoE)	Not applicable as not allowed	Appoint lead ID (CoE)	Increase number of IDs (CoE)	Not applicable as not allowed	Company to disclose reasons where Chairman and CEO are the same person and appoint lead ID (V)	IDs to lead discussions (V)	-
	Requirement for independent director tenure limits?	10 years (CoE)	-	9 years (CoE)	-	-	-	9 years (CoE)	-	9 years (CoE)	10 – 15 years (V); US state laws vary (M)	More than 3 years (V)	-
	Requirement for restricting concurrent directorships?	-	-	Yes – while no caps must disclose (CoE)	-	-	-	Yes – board to determine directorship cap (CoE)	Yes – restrictions on positions held concurrently (CoE)	Yes – ED limited to one NED directorship in a FTSE 100 company (and cannot be chair) (CoE)	Yes – policies to limit number (M); CEO/Senior Officers = no more than 1-2 directorships for public listed (V)	Yes – Chairman: 2 IDs: 5 ED: 1 (M)	Yes – some restrictions (M)
	Requirement to establish Remuneration Committee (RC)?	Yes – will have (M)	Yes – should have (CoE)	Yes – must have (M)	Yes – shall have (M)	Yes – shall establish (CoE)	Yes – should establish (M)	Yes – should have (CoE)	Yes – shall establish (M)	Yes – should have (CoE)	Yes – must have (M)	Yes – may have (V)	-
Pillar 2: Strategy & Performance	Requirement for RC independence?	Majority + RC Chair (CoE)	All (CoE)	Majority + RC Chair (M)	Majority (M)	All (CoE)	-	Majority + RC Chair (CoE)	At least one (RC Chair) (M)	All (CoE)	All (M)	All (or majority with RC Chair (V)	-
	Requirement to conduct board performance evaluations?	Yes – periodic evaluation (CoE)	-	Yes – regular evaluation (CoE)	-	Yes – frequency not specified (CoE)	Yes – regularly assess (CoE)	Yes – annual assess (CoE)	Yes – yearly assess (CoE)	Yes – annual review (CoE)	Yes – annual evaluation (M)	Yes – yearly assessment (V)	-
	Requirement for directors to receive a declaration from the CEO/CFO regarding financial statement integrity?	Yes – CEO/CFO declaration (M)	-	-	-	Yes – CEO/CFO certify (CoE)	Yes – CEO/CFO certify (V)	Yes – CEO/CFO assurance (CoE)	Yes – directors/officers/accounting declaration (M)	-	Yes – CEO/CFO certification (M)	-	-
Pillar 3: Compliance & Oversight	Requirement for external audit?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Requirement to rotate audit partners/firms?	Yes – should consider but timing not specified (CoE)	-	Yes – should consider (CoE); audit partner every 5-8 years (V)	-	Yes – audit partner every 4 years (CoE)	Yes – audit partner every 5 years (M)	Yes – audit partner every 5 years (CoE)	Yes – audit partner every 7 years (CoE)	Yes – audit firm every 10 years (CoE)	Yes – audit partner every 5 years (M)	Yes – audit firm every 5 years (V)	-

Developing markets												
CAMBODIA	CHINA	INDIA	INDONESIA	LAOS	MALAYSIA	MYANMAR	PHILIPPINES	RUSSIA	SOUTH AFRICA	THAILAND	UNITED ARAB EMIRATES	VIETNAM
		Yes – should be separate but is possible (M)	-	-	Yes – chairman should be independent (CoE)	-	Yes – should as much as practicable be separate (M)	Yes – chairman should be independent (CoE)	Yes – should be separate but is possible (CoE)	Yes – should be separate (CoE)	Yes – should be separate (M)	Yes – should be separate but is possible (M)
		Change Articles of Association where Chairman and CEO the same (M)	-	-	Majority of IDs on board (CoE)	-	-	Appoint senior ID (V)	Appoint lead ID (CoE)	Not applicable as not allowed	Not applicable as not allowed	Shareholder approval required (M)
		10 years (M)	-	-	9 years (CoE)	-	-	7 years (V)	9 years (CoE)	9 years (CoE)	-	-
		Yes – IDs = no more than 7 listed cos (M-LR)	-	-	Yes – protocols for accepting new directorships (CoE)	-	-	Yes – examine number of directorships and take balanced view (CoE)	Yes – no more than 5 directorships (CoE)	Yes – Chairman = 2 Other Board members = 5 (M)	Some restrictions apply (M)	
		EDs = not more than 3 listed cos (M-LR)	-	-	No more than 5 directorships (M)	-	-	-	-	-	-	
		Not more than 10 (M-CA)	-	-	-	-	-	-	-	-	-	-
	Yes – may have (CoE)	Yes – shall have (M)	Yes – shall have (V)	-	Yes – should have (M)	-	Yes – may have (M)	Yes – must have (M)	Yes – must have (M)	Yes – recommended (CoE)	Yes – shall have (M)	-
	Majority + RC Chair (CoE)	Not less than one half + RC Chair (M)	All (V)	-	All or a majority of NEDs (CoE)	-	At least one (M)	RC Chair (M); All (V)	Majority (CoE)	Majority + RC Chair (CoE)	Majority + RC Chair (M)	-
	Yes – frequency not specified (CoE)	Yes – annual evaluation (M)	-	-	Yes – annual assess (M)	-	Yes – frequency not specified (M)	Yes – regularly evaluate (M)	Yes – annual assess (CoE)	Yes – regularly, at least once per year (CoE)	-	Yes – frequency not specified (M)
	Check	Yes – CEO/CFO certification (M)	-	-	-	-	Yes – CEO/CFO attestation (CoE)	Yes – executive body and chief accountant (M)	-	-	-	-
Yes	Yes	Yes	Yes	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes – audit firm every 3 years (CoE)	-	Yes – audit partner every 5 years + audit firm every 10 years (2 x 5 years) (M)	-	-	Yes – audit partner every 5 years (M)	-	Yes – audit firm/partner every 5 years (M)	-	Yes – audit partner every 5 years (M)	Yes – audit firm every 5 years (M)	-	-

	Developed markets											BRAZIL	BRUNEI
	AUSTRALIA	CANADA	HONG KONG	JAPAN	KOREA	NEW ZEALAND	SINGAPORE	TAIWAN	UNITED KINGDOM	UNITED STATES			
Pillar 3: Compliance & Oversight	Requirement to establish an Audit Committee (AC)?	Yes – will have (M)	Yes – should have (CoE)	Yes – must have (M)	Yes – shall have (M)	Yes – desirable to establish for listed companies (CoE)	Yes – should establish (M)	Yes – shall have (M)	Yes – shall establish AC Supervisor (M)	Yes – must have (M)	Yes – must have (M)	Yes – may have (V)	-
	Requirement for AC independence?	Majority (M)	All (CoE)	Majority + AC Chair (M)	Majority (M)	Majority (two thirds) + AC Chair (CoE)	Majority (M); All (CoE)	Majority + AC Chair (M)	All (M)	At least one (M); All (CoE)	All (M)	All (or majority with RC Chair (V)	-
	Requirement for board to be responsible for risk management (RM) and internal controls (IC)?	Yes – RM framework (CoE)	Yes – identify principal risks, RM and IC (V)	Yes – sound and effective IC (CoE)	Yes – IC policies (M)	Yes – RM and financial control (CoE)	Yes – board to receive risk reports (CoE)	Yes – governance of risk (including RM and IC) (CoE)	-	Yes – nature and extent of the significant risks + RM and IC (CoE)	Yes – reviewing IC framework (M)	Yes – risk appetite and tolerance and IC system (V)	-
	Requirement to disclose key risks in the annual report?	Yes – material exposure to economic, environmental and social sustainability risks (CoE)	-	Yes – a description of the main types of risk (M)	-	Yes – business climate and risk factors (CoE)	Yes – nature and magnitude of material risks and mitigations (V)	-	Yes – shall disclose an assessment of its risks (M)	Yes – principal risks and uncertainties facing the issuer (M)	Yes – risk factors and quantitative and qualitative disclosures about market risks (M)	Yes – risk factors (V)	-
	Requirement to conduct a review of the adequacy and effectiveness of the risk management and/or internal control systems?	Yes – check 'continues to be 'sound' (CoE)	-	Yes – review 'sound and effective' but disclose 'effective and adequate' (CoE)	Yes – check effectiveness (M)	Yes – check 'existence and efficacy' (CoE); 'design and operation' (V)	Yes – check appropriateness (V)	Yes – review 'adequacy' (M); 'adequacy and effectiveness' (CoE)	Yes – check effectiveness' (CoE)	Yes – check effectiveness' (CoE)	Yes – check effectiveness' (M)	Yes – monitoring compliance (V)	-
	b) Scope?	Risk management framework (CoE)	-	Internal controls (CoE)	Internal controls over financial reporting (M)	Internal controls (CoE); internal controls over financial reporting (V)	Processes to manage risk (V)	Internal controls (M); risk management and internal control systems (CoE)	Internal controls (CoE)	Risk management and internal control systems (CoE)	Internal controls over financial reporting (M)	Internal control systems (V)	-
	c) Frequency?	Annual (CoE)	-	Annual (CoE)	Regular (as needed) (M)	Not specified (CoE) or periodically (V)	Regularly (V)	Annually (CoE)	At least annually (CoE)	At least annually (CoE)	Periodically (M)	At least once a year (V)	-
	Requirement to have an internal audit function?	Encouraged but not mandatory – must disclose reasons for not having one (CoE)	-	Encouraged but not mandatory – must disclose reasons for not having one (CoE)	Implied – describes role of internal auditors (M)	Implied – describes function of internal auditors (M)	Implied – describes function of internal auditors (M)	Yes – should have (CoE)	Yes – should have (CoE)	Should consider the need for IA (CoE)	Yes – must have IA (M)	Implied – describes function of internal auditors (V)	-

Developing markets													
CAMBODIA	CHINA	INDIA	INDONESIA	LAOS	MALAYSIA	MYANMAR	PHILIPPINES	RUSSIA	SOUTH AFRICA	THAILAND	UNITED ARAB EMIRATES	VIETNAM	
Yes – shall have (M)	Yes – may have (CoE)	Yes – shall have (M)	Yes – shall have (V)	Yes – establish internal Audit Committee. (M)	Yes – must have (M)	-	Yes – may have (M)	Yes – must have (M)	Yes – must have (M)	Yes – must have (M)	Yes – establish Control Board (M)	-	
-	Majority (CoE)	Majority + AC Chair (M)	All (V)	Majority (M)	Majority (M)	-	At least one + AC Chair (M)	All (M)	All (M)	All (M)	Majority + AC Chair (M)	All (M)	
-	-	Yes – all aspects of RM plan(M)	Yes – RM and IC (V)	-	Yes – RM framework and IC system (CoE)	-	Yes – identify key risk areas and performance indicators (M)	Yes – RM and IC system (V)	Yes – governance of risk (CoE)	Yes – IC and RM (CoE)	Yes – IC system (M)	-	
Yes – significant risk exposures and control issues (in audit reports) (M)	-	Yes – risks that could threaten the existence of the company (M-CA); risks and concerns (M-LR)	-	-	-	-	Yes – key risks and how being managed (CoE)	Yes – main risk factors (M)	Yes – undue, unexpected or unusual risks (integrated report) (CoE)	Yes – risks and change in risk level. Early warning signs and unusual transactions (CoE)	-	-	
Yes – check 'adequacy and effectiveness' (M)	-	Yes – check 'adequacy' (M)	-	-	Yes – check 'effectiveness' (M); 'effectiveness and efficiency' (CoE)	-	Yes – check 'adequacy and effectiveness' (M)	Yes – check 'organisation, operation, and efficiency' (V)	Yes – check 'implementation' (CoE)	Yes – check 'implementation' (CoE)	Yes – check 'effectiveness' (M)	Yes – check 'efficiency' (M)	
Governance, operations, information systems, control to safeguard assets and compliance with laws and regulations (M)	-	Internal control systems (M)	-	-	Risk management and internal controls (M-LR) or internal controls (CoE)	-	Internal control system (M)	Risk management and internal control system (V)	Risk management plan (CoE)	Risk management (CoE)	Internal control system (M)	-	
Not specified (M)	-	Annual (M)	-	-	At least annually (M) or periodically (CoE)	-	Not specified (M)	At least once a year (V)	At least annually (CoE)	At least annually (CoE)	Annual (M)	-	
Yes – shall have IA (M)	Implied – refers to function of internal auditors (M)	Yes – shall have IA (M)	Yes – must have IA (M)	Unclear – reference made to having an internal Audit Committee (M)	Yes – must have IA (M)	-	Yes – may have IA (M)	Yes – recommended (V)	Yes – should have IA (CoE)	Yes – assign IA resources (CoE)	Yes – must have IA (M)	-	

		Developed markets											
		AUSTRALIA	CANADA	HONG KONG	JAPAN	KOREA	NEW ZEALAND	SINGAPORE	TAIWAN	UNITED KINGDOM	UNITED STATES	BRAZIL	BRUNEI
Pillar 3: Compliance & Oversight	Requirement to establish whistle-blowing (WB) mechanisms?	Yes – WB mechanisms (CoE)	-	Yes – WB policy for internal + external stakeholders (CoE)	Yes – WB system for internal + external stakeholders (M)	Yes – report concerns to supervisor (CoE)	Yes – WB policy (V) + protection (M)	Yes – WB policy for internal + external stakeholders (CoE)	Yes – supervisors to communicate internally and externally (CoE)	Yes – WB arrangements for employees (CoE)	Yes – WB arrangements for employees (CoE) + protection (M)	Yes – internal and external stakeholders (V)	-
Pillar 4: Stakeholder Engagement	Requirement to establish stakeholder communication/engagement mechanisms?	Yes – policy for shareholders (M) and investor relations/stakeholder comms program (CoE)	Yes – feedback from stakeholders (V)	Yes – shareholder comms policy (M/ CoE)	Yes – high-level mention of stakeholders (M)	-	Yes – focus on shareholders (V)	Yes – focus on shareholders + investor relations policy (CoE)	Yes – channel for employees, shareholders, stakeholders (CoE)	Yes – focus on shareholders (CoE) + stakeholders (V)	Yes – inform investors (M) + engage with stakeholders (V)	Yes – focus on stakeholders (V)	-
	Requirement to establish CSR and sustainability reporting?	Yes – disclose CSR risks (CoE) + breaches (M)	-	Yes – Environmental, Social and Governance Reporting Guide (V)	-	No – but should not be negligent (CoE)	-	Yes – SGX Guide to Sustainability Reporting for Listed Companies (V)	No – but can set up an environment committee (CoE)	Yes – UK Strategic Report (M/V)	-	No – but must integrate social and environmental into decisions + incentives (V)	-

Developing markets												
CAMBODIA	CHINA	INDIA	INDONESIA	LAOS	MALAYSIA	MYANMAR	PHILIPPINES	RUSSIA	SOUTH AFRICA	THAILAND	UNITED ARAB EMIRATES	VIETNAM
		Yes – WB policy for employees + protection (M)	Yes – focus on employees (V)	-	Yes – internal and external stakeholders + protection (M)	-	Yes – internal and external stakeholders + protection (CoE)	Yes – internal and external stakeholders + hotline + protection (V)	-	Yes – internal and external stakeholders + protection (CoE)	Yes – WB policy + hotline (M)	-
Yes – focus on minority shareholders (M)	Yes – focus on shareholders (CoE)	Yes – stakeholder relationship committee for grievances (M)	Yes – focus on shareholders (V)	-	Yes – focus on shareholders/ stakeholders (CoE)	-	Yes – focus on shareholders (CoE)	Yes – focus on stakeholders (V)	Yes – focus on stakeholders (CoE)	Yes – focus on stakeholders (CoE)	Yes – focus on shareholders (M)	Yes – information to shareholders (M)
No – but must keep up-to-date with CSR (CoE)	No – but must consider (CoE)	Yes – CSR policy and committee (M)	No – but must consider (V)	-	Yes – must report CSR activities (M)	-	No – but should have environment program (CoE)	Yes – consider risks, disclose policy and audit quality control (V)	Yes – Integrated Reporting and Disclosure (CoE)	Yes – separate CSR report (CoE)	No – but must have policy (M)	-



Appendix D: Market snapshots

Style of corporate governance

Generally markets adopt either a unitary or two-tiered governance structure. Unitary Boards include both executive and non-executive directors and make decisions as a unified group. Two-tier boards have two separate boards - the management board and the supervisory board.

The study found (as shown in Chart 29) that 80% of the markets examined adopted a unitary governance structure while 16% adopted a two-tiered governance structure (China, Indonesia and Vietnam). Two markets – Japan and Taiwan – provide a mechanism for companies to select a style of governance structure (such as selecting a Board and Committees structure or Board and Outside Auditors structure). These have been classified as 'other'.

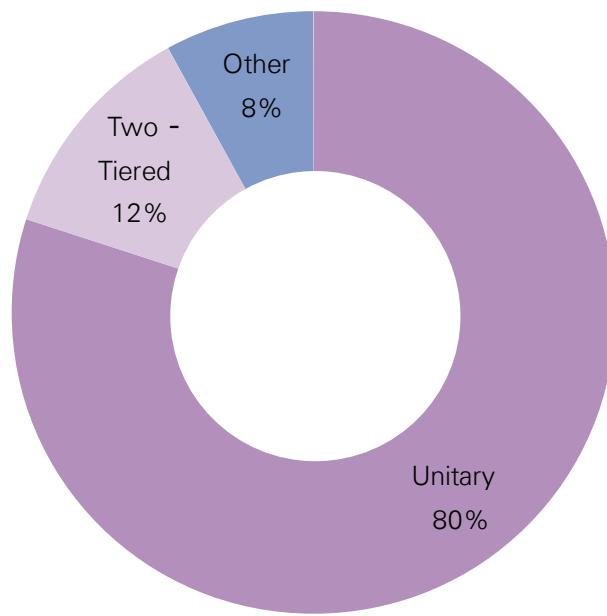


Chart 29: Style of corporate governance



Developed markets summaries

Market		Australia																	
Market overall ranking:		Equal 4th out of 25																	
Current CG Code:		ASX Corporate Governance Principles 2014							Last revision			2014							
Style of CG Code:		'If not, why not'							Style of governance:			Unitary							
No. of sections:		N/A	No. of principles:			8	No. of guidelines			29									
<p>Australia requires a unitary governance structure for listed companies. The CG landscape comprises the Corporations Act 2001, the ASX Listing Rules and the ASX Corporate Governance Principles (3rd Edition). The 2014 revision to the CG Code strengthened disclosure obligations from 'comply or explain' to 'if not, why not'. The ASX monitors compliance with the Listing Rules and CG Code. The ASX has also issued voluntary guidelines called ASX Listing Rules - Guidance Note 9 which offers guidance to companies regarding disclosure of CG practices.</p>																			
Strengths and Weaknesses Barometer ¹⁸																			
Themes	Board diversity	Remuneration Committee	Role of the Board	Board Composition	Audit Committee and financial integrity	Nominating Committee	Performance evaluation	Director independence	Remuneration structures	Shareholder rights	Disclosures	Stakeholder engagement and communication	Risk governance	Director's time and resources	Assurance				
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1				

Market		Canada																	
Market overall ranking:		18 out of 25																	
Current CG Code (equivalent):		National Instrument 58-101- Disclosure of Corporate Governance Practices							Last revision			2012							
Style of CG Code:		'Comply or explain'							Style of governance:			Unitary							
No. of sections:		3	No. of principles:			12	No. of guidelines			21									
<p>Canada requires a unitary governance structure for listed companies. The key instruments include National Policy 58-201 Corporate Governance Guidelines, Multilateral Instrument 52-110 Audit Committees, National Instrument 51-102 Continuous Disclosure Obligation, National Instrument 58-101- Disclosure of Corporate Governance Practices, National Policy 51-201 Disclosure Standards and Toronto Stock Exchange Listing Manual. However, there are additional laws contained in provincial legislation.</p>																			
Strengths and Weaknesses Barometer																			
Themes	Remuneration Committee	Nominating Committee	Role of the Board	Performance evaluation	Director independence	Audit Committee and financial integrity	Shareholder rights	Board composition	Director's time and resources	Risk governance	Stakeholder engagement and communication	Disclosures	Board diversity	Remuneration structures	Assurance				
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1				

¹⁸ The strengths and weaknesses barometer measures the relative clarity and completeness of CG requirements (by CG theme) within each market.

Market		Korea																										
Market overall ranking:		13 out of 25																										
Current CG Code:		Code of Best Practices for Corporate Governance 2003.													Last revision	2003												
Style of CG Code:		'Comply or explain'													Style of governance:	Unitary												
No. of sections:		5	No. of principles:			18			No. of guidelines			81																
<p>Korea requires a unitary governance structure for listed companies. The key mandatory instruments are A Guide to Business Establishment in Korea which was issued in 2013 and the Articles of Incorporation of 2013. Korea established the 'comply or explain' Code of Best Practice of Corporate Governance in 2003. Key oversight bodies include the Korea Stock Exchange, the Korea Securities Dealers Association, the Korea Listed Companies Association, the Kosdaq, the Korea Investment Trust Companies Association and the Kosdaq Listed Companies Association.</p>																												
Strengths and Weaknesses Barometer																												
Themes	Remuneration Committee		Audit Committee and financial integrity		Shareholder rights		Director independence		Role of the Board		Nominating Committee		Performance evaluation		Remuneration structures													
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	Board diversity												

Market		New Zealand																										
Market overall ranking:		15 out of 25																										
Current CG Code (equivalent):		NZX Limited - Main Board/Debt Market Listing Rules (October 2013) - Appendix16 - Corporate Governance Best Practice Code.													Last revision	2013												
Style of CG Code:		'Comply or explain'													Style of governance:	Unitary												
No. of sections:		4	No. of principles:			28			No. of guidelines			N/A																
<p>New Zealand requires a unitary governance structure for listed companies. The Corporate Governance In New Zealand Principles and Guidelines: A Handbook For Directors, Executives and Advisers 2004 provides a summary of CG practices that are encouraged (voluntary in nature). Appendix16 of the NZX Limited - Main Board/Debt Market Listing Rules: Corporate Governance Best Practice Code outlines the CG requirements that listed companies must 'comply or explain' with and has been used as the CG Code equivalent for the purposes of this study. The NZ Companies Act 1993 also outlines some relevant CG requirements.</p>																												
Strengths and Weaknesses Barometer																												
Themes	Audit Committee and financial integrity		Shareholder rights		Director independence		Performance evaluation		Role of the Board		Nominating Committee		Remuneration Committee		Board composition													
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	Board diversity												

Market		United Kingdom																								
Market overall ranking:		1 out of 25																								
Current CG Code:		The UK Corporate Governance Code 2014							Last revision			2014														
Style of CG Code:		'Comply or explain'							Style of governance:			Unitary														
No. of sections:		5		No. of principles:		18			No. of guidelines			53														
<p>The UK requires a unitary governance structure for listed companies. The UK Corporate Governance Code 2014 issued by the FRC is the main instrument that guides corporate governance in the UK. The Code is supported by several voluntary best practice guidelines on board effectiveness, liquidity risk, audit committee and internal control. A cornerstone of the UK framework is the FRC Disclosure and Transparency Rules along with the Listing Rules, UK Companies Act 2006 and Companies Act 2013 No. 1981 Part 3 Annual Report on Remuneration and the UK Strategic Report.</p>																										
Strengths and Weaknesses Barometer																										
Themes	Audit Committee and financial integrity		Remuneration structures		Risk governance		Disclosures		Board composition		Board diversity		Nominating Committee													
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1											

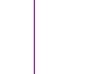
Market		United States																								
Market overall ranking:		2 out of 25																								
Current CG Code (equivalent):		Business Roundtable Principles of Corporate Governance 2012.							Last revision			2012														
Style of CG Code:		'Voluntary' ¹⁹							Style of governance:			Unitary														
No. of sections:		N/A		No. of principles:		9			No. of guidelines			N/A														
<p>The US requires a unitary governance structure for listed companies and is predominantly characterised by mandatory/prescriptive instruments. An overwhelming majority of CG requirements are embodied in mandatory instruments. The significant legislation includes the Securities and Exchange Act 1934, Sarbanes Oxley Act 2002 and the Dodd Frank Act 2010. The listing rules for NYSE and NASDAQ also specify mandatory CG requirements for companies to follow. While no comply or explain instruments are found in the US, there are a number of voluntary guidelines for companies: Business Roundtable Principles of Corporate Governance 2012 and Report of the NACD Blue Ribbon Commission on Director Professionalism.</p>																										
Strengths and Weaknesses Barometer																										
Themes	Remuneration Committee		Audit Committee and financial integrity		Board composition		Nominating Committee		Assurance		Director independence		Performance evaluation													
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1											

¹⁹ The Business Roundtable Principles of Corporate Governance 2012 were used as the CG Code equivalent. It should be noted that whilst there is a voluntary CG Code in place, the US is a predominantly legislated CG landscape.

Developing markets summaries

Market		Brunei																															
Market overall ranking:		Equal 24 out of 25																															
Current CG Code:		N/A						Last revision			N/A																						
Style of CG Code:		N/A						Style of governance:			Unitary																						
No. of sections:		N/A	No. of principles:	N/A			No. of guidelines			N/A																							
<p>Brunei requires a unitary governance structure for companies. The key mandatory instrument in place is the Laws of Brunei Revised Edition 1984 Chapter 39 Companies. The Brunei Government has expressed sentiments about enhancing corporate governance although no formal action has been taken to date.</p>																																	
Strengths and Weaknesses Barometer																																	
Themes	Remuneration structures	Disclosures	Director independence	Director's time and resources	Audit Committee and financial integrity	Role of the Board	Nominating Committee	Board composition	Board diversity	Remuneration Committee	Performance evaluation	Risk governance	Assurance	Shareholder rights	Stakeholder engagement and communication																		
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1																		

Market		Brazil																			
Market overall ranking:		9 out of 25																			
Current CG Code (equivalent):		Code of Best Practice of Corporate Governance 2010 (4th edition)						Last revision			2010										
Style of CG Code:		'Voluntary'						Style of governance:			Unitary										
No. of sections:		6	No. of principles:	84			No. of guidelines			27											
<p>Brazil requires a unitary governance structure for listed companies. The Code of Best Practice of Corporate Governance 2010 (4th Edition) is a key CG instrument found in Brazil. One challenge to the successful implementation of the code is its voluntary status rather than comply or explain. The Novo Mercado Listing Rules support the Code with mandatory application. However, the listing rules provide only limited guidance. The most significant legal instrument is Brazilian Corporation Law Law N°6.404 of Brazil (Ley de Sociedades Anónimas) (of December 15, 1976).</p>																					
Strengths and Weaknesses Barometer																					
Themes	Role of the Board	Remuneration structures	Director independence	Remuneration Committee	Shareholder rights	Director's time and resources	Stakeholder engagement and communication	Audit Committee and financial integrity	Board composition	Performance evaluation	Nominating Committee	Assurance	Risk governance	Disclosures	Board diversity						
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1						

Market		China																			
Market overall ranking:		11 out of 25																			
Current CG Code (equivalent):		Corporate Governance Code of China 2010 (3rd edition)						Last revision			2010										
Style of CG Code:		'Voluntary'						Style of governance:			Unitary										
No. of sections:		6	No. of principles:	84			No. of guidelines			27											
<p>China requires a unitary governance structure for listed companies. The Corporate Governance Code of China 2010 (3rd Edition) is a key CG instrument found in China. One challenge to the successful implementation of the code is its voluntary status rather than comply or explain. The listing rules support the Code with mandatory application. However, the listing rules provide only limited guidance. The most significant legal instrument is Chinese Corporation Law Law N°13 of China (Ley de Sociedades Anónimas) (of December 29, 1993).</p>																					
Strengths and Weaknesses Barometer																					
Themes	Role of the Board	Remuneration structures	Director independence	Remuneration Committee	Shareholder rights	Director's time and resources	Stakeholder engagement and communication	Audit Committee and financial integrity	Board composition	Performance evaluation	Nominating Committee	Assurance	Risk governance	Disclosures	Board diversity						
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1						

Market		Cambodia																											
Market overall ranking:		20 out of 25																											
Current CG Code:		Prakas on Corporate Governance for Listed Companies 2009.								Last revision			2009																
Style of CG Code:		'Mandatory'								Style of governance:			Unitary																
No. of sections:		11 chapters		No. of principles:		53			No. of guidelines			118																	
Cambodia requires a unitary governance structure for listed companies. The primary CG instrument considered for this study was the Prakas on Corporate Governance for Listed Companies 2009 which is mandatory.																													
Strengths and Weaknesses Barometer																													
Themes	Role of the Board		Director independence		Audit Committee and financial integrity		Remuneration structures		Shareholder rights		Director's time and resources		Assurance																
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1														

Market		China																															
Market overall ranking:		19 out of 25																															
Current CG Code (equivalent):		The Code of Corporate Governance for Listed Companies in China								Last revision			2001																				
Style of CG Code:		'Comply or explain'								Style of governance:			Two-tiered																				
No. of sections:		8 chapters (18 themes)		No. of principles:		94			No. of guidelines			N/A																					
China requires a two-tiered governance structure for listed companies. The Code of Corporate Governance for Listed Companies 2001 is the main instrument with 'comply or explain' status. Other sources of CG requirements in China exist in the Shenzhen and Shanghai Stock Exchange Listing Rules issued by the respective stock exchanges.																																	
Strengths and Weaknesses Barometer																																	
Themes	Remuneration Committee		Nominating Committee		Director independence		Shareholder rights		Board composition		Stakeholder engagement and communication		Audit Committee and financial integrity		Performance evaluation																		
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1																		

Market		India																												
		Market overall ranking: Equal 4th out of 25																												
Current CG Code:		SEBI Clause 49 of the Listing Agreement												Last revision																
Style of CG Code:		'Mandatory'												Style of governance:																
No. of sections:		N/A	No. of principles:		N/A				No. of guidelines				N/A																	
India requires a unitary governance structure for listed companies. The CG landscape in India has recently incorporated all aspects of the previous voluntary Code issued in 2009 into the newly-enacted Companies Act 2013 and the SEBI Clause 49 of the Listing Agreement. Both instruments are mandatory in nature.																														
Strengths and Weaknesses Barometer																														
Themes	Remuneration Committee	Audit Committee and financial integrity	Role of the Board	Board diversity	Director independence	Disclosures	Nominating Committee	Board composition	Director's time and resources	Remuneration structures	Performance evaluation	Risk governance	Shareholder rights	Stakeholder engagement and communication	Assurance															
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1															

Market		Indonesia																												
		Market overall ranking: 17 out of 25																												
Current CG Code (equivalent):		Indonesia's Code of Good Governance 2006												Last revision																
Style of CG Code:		'Voluntary' (Ethics based)												Style of governance:																
No. of sections:		8	No. of principles:		27				No. of guidelines				149																	
Indonesia requires a two-tiered governance structure for listed companies (Board of Commissioners or Board and management). The Indonesia Code of Good Governance was developed in 2006. The Indonesian Stock Exchange Listing Rules (issued by the capital market and financial institution supervisory body) along with the BAPEPAM Regulation No. KEP 496/BL/2008 mandates some elements of CG framework.																														
Strengths and Weaknesses Barometer																														
Themes	Remuneration Committee	Assurance	Role of the Board	Audit Committee and financial integrity	Nominating Committee	Risk governance	Disclosures	Director independence	Shareholder rights	Stakeholder engagement and communication	Board composition	Remuneration structures	Performance evaluation	Shareholder rights	Stakeholder engagement and communication															
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1															

Market		Laos										
Market overall ranking:		Equal 24 out of 25										
Current CG Code:		N/A										Last revision
Style of CG Code:		N/A										Style of governance:
No. of sections:		N/A	No. of principles:			N/A			No. of guidelines			N/A

Laos requires a unitary structure for companies. The key mandatory instrument in place is the Law of Enterprises 2005.

Strengths and Weaknesses Barometer

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

Market		Malaysia												
Market overall ranking:		Equal 4th out of 25												
Current CG Code (equivalent):		Malaysian Code On Corporate Governance 2012										Last revision	2012	
Style of CG Code:		'Apply and explain'										Style of governance:	Unitary	
No. of sections:		N/A	No. of principles:			8			No. of guidelines			26		

Malaysia requires a unitary governance structure for listed companies. The Malaysian Code on Corporate Governance 2012 is a key CG instrument. The Code is supported by specific guidelines issued by the Malaysian Institute of Accountants on Professional Ethics for Accountants. The legislative landscape includes the Companies Act which was last revised in 1973 and the relatively recent Capital Markets and Securities Act 2007. The Bursa Malaysia Listing Requirements also contain CG requirements.

Strengths and Weaknesses Barometer

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

Market		Myanmar										
Market overall ranking:		23 out of 25										
Current CG Code:		N/A						Last revision			N/A	
Style of CG Code:		N/A						Style of governance:			Unitary	
No. of sections:		N/A		No. of principles:		N/A		No. of guidelines			N/A	

Myanmar requires a unitary governance structure for companies. The key mandatory instrument in place is the Myanmar Companies Act 1913.

Strengths and Weaknesses Barometer

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

Market		Russia																									
Market overall ranking:		Equal 7 out of 25																									
Current CG Code:		Corporate Governance Code 2014												Last revision	2014												
Style of CG Code:		'Voluntary'												Style of governance:	Unitary												
No. of sections:		7	No. of principles:		24				No. of guidelines		78																
Russia requires a unitary governance structure for listed companies. Russia recently revised the CG code in April 2014. The legislative landscape includes Federal Law on Joint Stock Companies 1995, Federal Law on Securities Markets 1996, FCSM Order 11-46PZN 2011 and FCSM Order 03-849R 2003. Limited requirements are also contained in the Moscow Exchange Listing Rules 2012.																											
Strengths and Weaknesses Barometer																											
Themes	Remuneration Committee	Remuneration structures	Director independence	Audit Committee and financial integrity	Performance evaluation	Disclosures	Risk governance	Shareholder rights	Board composition	Assurance	Director's time and resources	Nominating Committee	Role of the Board	Stakeholder engagement and communication	Board diversity												
15	14	13	12	11	10	9	8	7	6	5	4	3	2	1													

Market		South Africa																									
Market overall ranking:		Equal 11 out of 25																									
Current CG Code (equivalent):		King III Code of Governance for South Africa (2009)												Last revision	2010												
Style of CG Code:		'Apply or explain'												Style of governance:	Unitary												
No. of sections:		9 chapters (29 elements)	No. of principles:		75				No. of guidelines		295																
South Africa requires a unitary governance structure for listed companies. The King III Code of Governance for South Africa 2009 is the main instrument with apply or explain status. It is supported by the King III Report which clarifies aspects of the Code. The Companies Act 71 of 2008 is the main law that mandates CG requirements. Other CG requirements are also found in the JSE Listing Rules.																											
Strengths and Weaknesses Barometer																											
Themes	Audit Committee and financial integrity	Remuneration Committee	Nominating Committee	Role of the Board	Director independence	Stakeholder engagement and communication	Performance evaluation	Risk governance	Director's time and resources	Remuneration structures	Disclosures	Board composition	Board diversity	Assurance	Shareholder rights												
15	14	13	12	11	10	9	8	7	6	5	4	3	2	1													

Market		Thailand																							
Market overall ranking:		Equal 11 out of 25																							
Current CG Code:		The Principles of Good Corporate Governance for Listed Companies 2012 (by the Stock Exchange of Thailand)																							
Style of CG Code:		'Comply or explain'																							
No. of sections:		7	No. of principles:	24			No. of guidelines			2012															
Thailand enables listed companies to adopt the style of governance appropriate for them. They are able to choose either a supervisory board structure or an independent board structure. The relatively recent Principles of Good Corporate Governance for Listed Companies 2012 offers the greatest details regarding CG principles. The two voluntary guidelines issued by the Stock Exchange of Thailand are The SET Code of Best Practice for Directors of Listed Companies and the Directors' Handbook. The legislative landscape comprises Public Limited Companies Act 1992, The Best Practice Guidelines for Audit Committee (Stock Exchange of Thailand), Guidelines On Disclosure Of Information Of Listed Companies (by the Stock Exchange of Thailand) and Capital Markets Supervisory Board (Notification).																									
Strengths and Weaknesses Barometer																									
Themes	Director independence	Board diversity	Stakeholder engagement and communication	Remuneration Committee	Audit Committee and financial integrity	Board composition	Director's time and resources	Nominating Committee	Risk governance	Remuneration structures	Role of the Board	Disclosures	Assurance	Shareholder rights	Performance evaluation										
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1										

Market		Vietnam																							
Market overall ranking:		22 out of 25																							
Current CG Code:		Circular No. 121/2012/TT-BTC																							
Style of CG Code:		Mandatory																							
No. of sections:		9	No. of principles:	38			No. of guidelines			2012															
Vietnamese companies are able to choose the CG style appropriate for their company, by adopting either a two-tiered system (where a Control Board is in place, like a supervisory board) or a Board and Management structure. For listed companies in Vietnam, Circular No. 121/2012/TT-BTC is a mandatory requirement and is supported by Circular No. 121/2012/TT-BTC Sample Charter Annex which is voluntary.																									
Strengths and Weaknesses Barometer																									
Themes	Director independence	Role of the Board	Shareholder rights	Audit Committee and financial integrity	Board composition	Director's time and resources	Disclosures	Stakeholder engagement and communication	Remuneration Committee	Remuneration structures	Nominating Committee	Performance evaluation	Board diversity	Risk governance	Assurance										
	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1										

Market		UAE													
Market overall ranking:		14 out of 25													
Current CG Code:		Ministerial Resolution No. (518) of 2009 Concerning Governance Rules and Corporate Discipline Standards			Last revision										
Style of CG Code:		'Mandatory'			Style of governance:										
No. of sections:		N/A	No. of principles:	16	No. of guidelines										
The UAE requires a unitary governance structure for listed companies. The two key CG instruments reviewed included The Ministerial Resolution No. (518) of 2009 Concerning Governance Rules and Corporate Discipline Standards and The DFSA Rulebook Offered Securities Rules (OSR/VER16/08-11. Both instruments are mandatory in nature.															
Strengths and Weaknesses Barometer															
Themes	Remuneration Committee	Director independence	Nominating Committee	Audit Committee and financial integrity	Shareholder rights	Assurance	Board composition	Director's time and resources	Remuneration structures	Disclosures	Risk governance	Role of the Board	Stakeholder engagement and communication	Board diversity	Performance evaluation
	15	14	13	12	11	10	9	8	7	6	5	4	3	0	0

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