

# Asian Corporate Governance Association

## Filipino corporate governance An investor's perspective

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May 27 2010

Manila

Investors and PLCs Corporate Governance Forum-Dialogue:  
"Strengthening Investors' Confidence through Corporate Governance"



# Tale of the Tape...

CG Watch 2007	GDP 2008	FDI 2008	Market 2008
Hong Kong	43,954	63,005	218
Singapore	50,456	22,725	99
India	2,923	34,982	57
Taiwan	30,942	5,432	95
Japan	34,173	24,552	66
Korea	27,620	2,200	53
Malaysia	13,816	7,984	85
Thailand	8,216	10,090	38
China	5,958	147,791	65
Philippines	3,507	1,520	31
Indonesia	3,975	8,340	19

Source: "CG Watch"/ADB

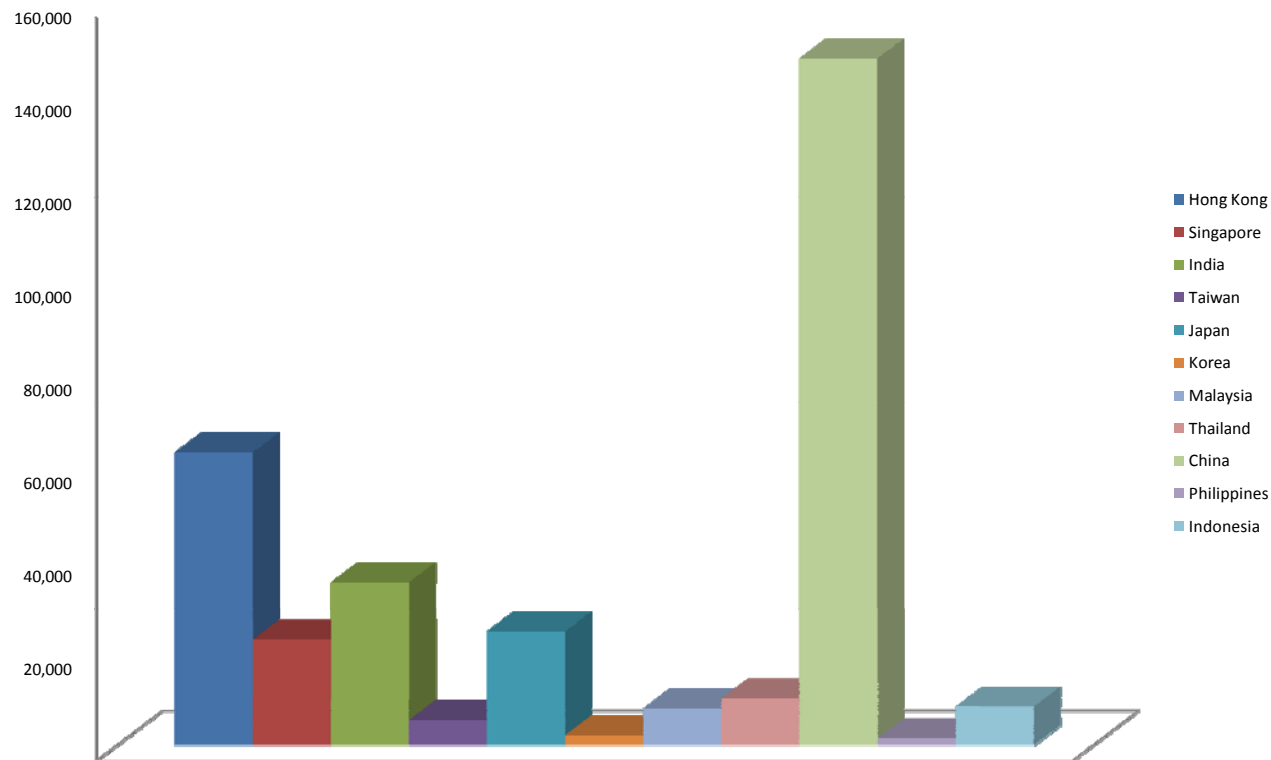
CG Watch 2007    ACGA CG Watch 2007  
 GDP 2008        GDP per capita PPP  
 FDI 2008        Foreign Direct Investment USDm 2008  
 Market 2008     Stock market capitalization as % GDP 2008

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# Investors vote with their feet...

FDI 2008

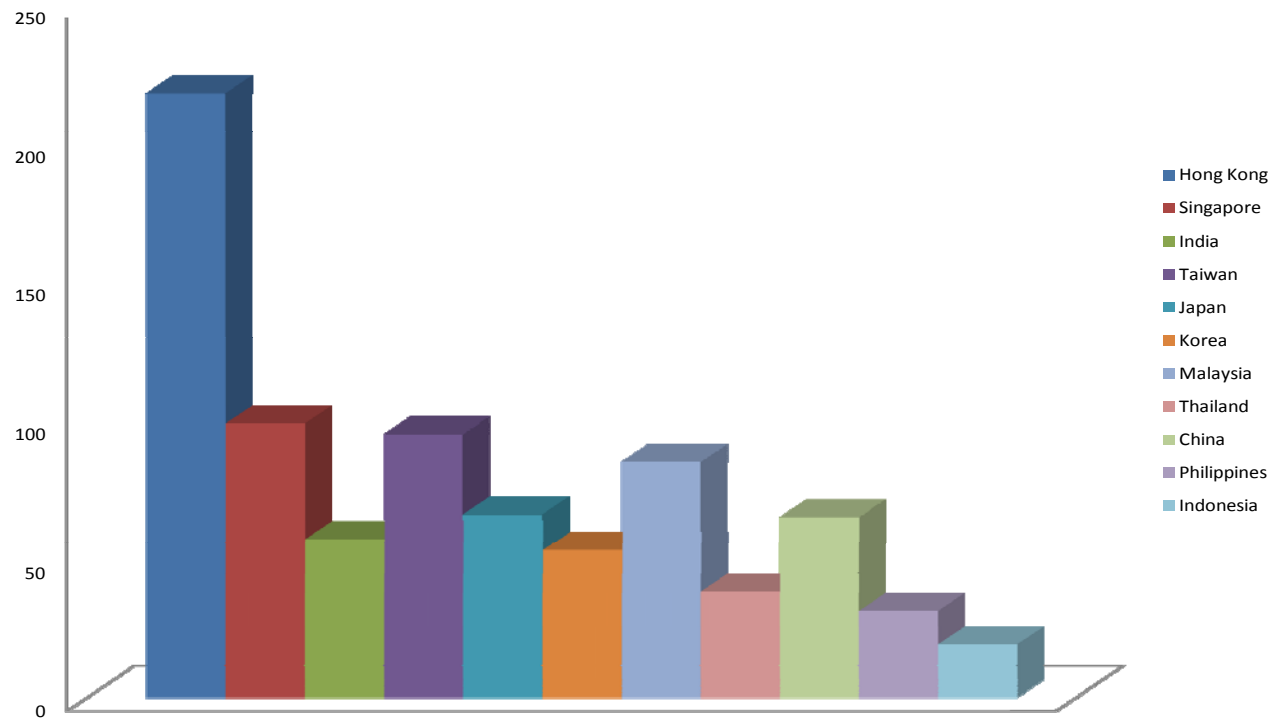


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# The market suffers...

Market capitalization % GDP 2008

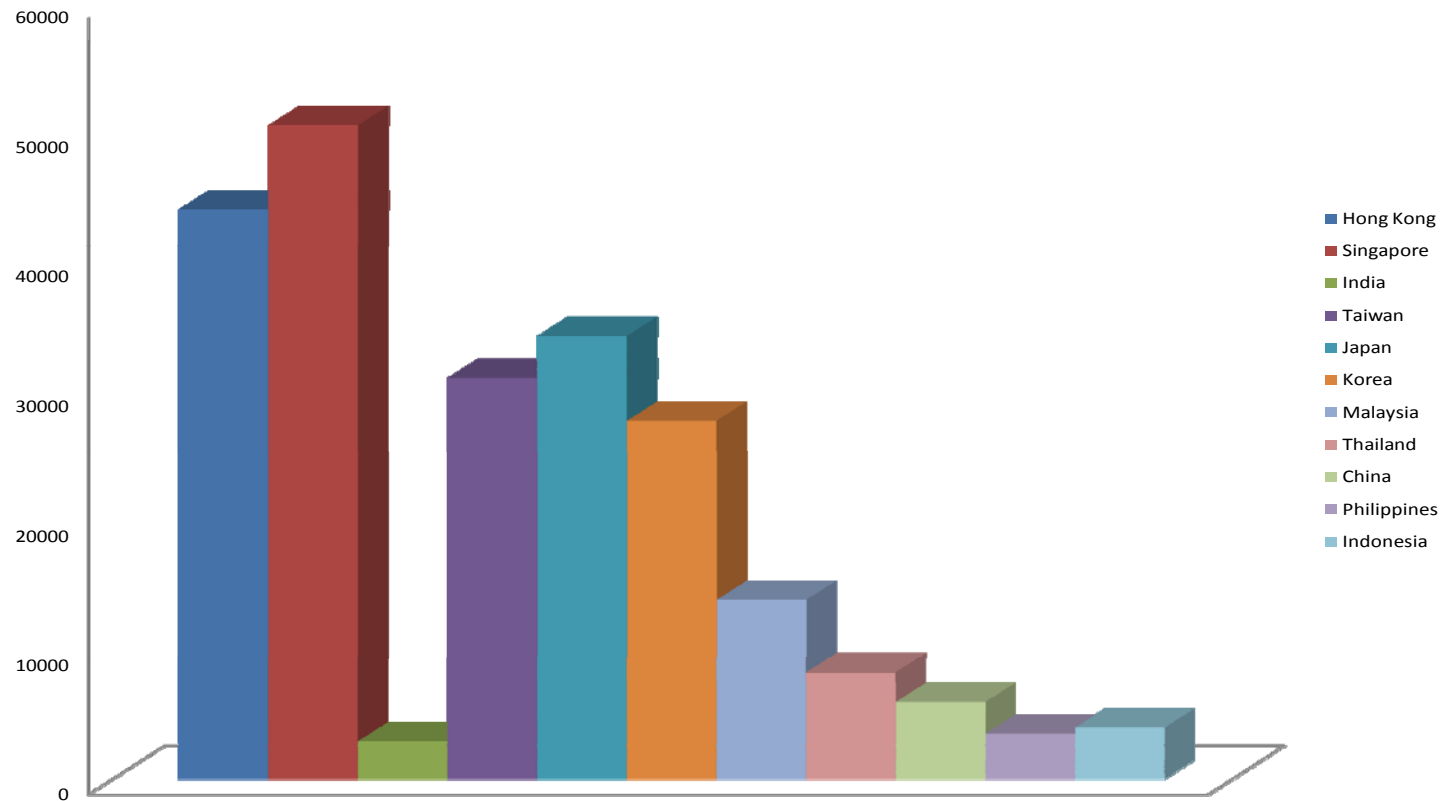


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# The economic result is clear

GDP Per Capita 2008



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# Then...Asian “best” practices 1997...

Country/market	Was there an official Code of best practice?	Did the concept of “independent director” exist?	Did the concept of an audit committee exist?
China			
Hong Kong	Yes (but barely)	Yes	Yes
India			
Indonesia			
Japan			
Korea			
Malaysia		Yes	Yes
Philippines			
Singapore		Yes	Yes
Taiwan			
Thailand			

Source: ACGA research

## ...and now: Asian practices 2008...

Country/market	Date of main code(s)	Are independent directors required?	Are audit committees required?
China	2002/2005	Yes	Yes
Hong Kong	1993/2004	Yes	Yes
India	1999/2005/2007	Yes	Yes
Indonesia	2001/2006	Yes	Yes
Japan	2003/2004	Optional	Optional
Korea	1999/2003	Yes	Yes (large firms)
Malaysia	2000	Yes	Yes
Philippines	2002	Yes	Yes
Singapore	2001/2005	Yes	Yes
Taiwan	2002	Yes (certain firms)	Yes (certain firms)
Thailand	1999/2006	Yes	Yes

Source: ACGA research

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# Shareholder rights: a work in progress

Country/market	Can minority shareholders easily elect an INED?	Are pre-emption rights for minority shareholders firmly protected?	Is there a trend of large companies voting by poll?
China	No	No	Somewhat
Hong Kong	Marginally	Marginally	Somewhat
India	Marginally	Marginally	Marginally
Indonesia	No	Largely	No
Japan	No	No	No
Korea	No	Marginally	No
Malaysia	No	Marginally	No
Philippines	No	No	No
Singapore	Marginally	Marginally	No
Taiwan	Marginally	Marginally	No
Thailand	No	Somewhat	Somewhat

Source: "CG Watch 2007"

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# Towards global standards

- Audit & other board committees
- Independent directors
- Quarterly reporting
- Faster reporting of annual & interim results
- Continuous disclosure of price-sensitive information
- International accounting & auditing standards
- Focus on improving internal controls
- New shareholder rights (e.g. AGM proposals)
- Disclosure of directors' pay

# Tomorrow's CG issues

- Improved financial reporting
- Strengthened shareholder rights
- More effective enforcement
- Better board practices
- Increasing focus on ESG

# Conclusion

- There is a clear correlation between good governance and economic progress
- The Philippines has suffered from a perception of poor governance and investors continue to penalize the country
- Rules and regulations are not enough: good governance is about culture as much as compliance
- There is a growing focus on shareholder rights and stakeholder issues, with increased voting by institutional investors
- The stronger the signal from the market to companies that governance matters, the better they will perform

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