



## JOINT NEWS RELEASE

### CORPORATE GOVERNANCE WATCH 2023

#### *ACGA market ranking sees Japan jump to 2<sup>nd</sup> place, Hong Kong falls to 6<sup>th</sup>*

**HONG KONG, 13 December 2023:** The Asian Corporate Governance Association (‘ACGA’) and CLSA Limited (‘CLSA’) today released their 11<sup>th</sup> biennial **CG Watch** report on the corporate governance (CG) and ESG performance for 12 markets in the APAC region. Published as separate surveys, ACGA’s “A New Order” overview report delves into CG performance and practices by market, while CLSA reveals CG winners and losers by sector and examines CG scores by corporate characteristics as well as CG’s relationship with broader ESG scores and shareholder value creation.

In what has been the biggest shakeup to the rankings in 20+ years, Japan has climbed from equal fifth to second place in ACGA’s survey, while Hong Kong has dropped from equal second place to equal sixth. Other markets gaining ground include Taiwan, India, and Korea. Singapore and Thailand fell slightly. Australia held its position as the region’s best-performing market, although it only saw a marginal increase in its score. The Philippines and Indonesia remain at the bottom of the league table while China has seen no change to its ranking and remains in tenth place.

#### **ACGA Market Survey Findings<sup>1</sup>**

Market	2023	2020	Highlights
Australia	1	1	Marginal improvement overall but lower score on auditors and audit regulators
Japan	2	=5	Strong govt reform programme, TSE proactive and improved listed company performance
Singapore	=3	=2	Hard stop on INED tenure a plus but underwhelms in tackling large-scale financial scandals
Taiwan	=3	4	Strong on sustainable development roadmap, finally lowered threshold for substantial disclosure
Malaysia	5	=5	Regulators driving reform, but market manipulation still a significant problem
Hong Kong	=6	=2	Changed political landscape, pro-issuer reforms undermine CG landscape
India	=6	7	Solid regulators who listen to investors, better audit regulation
Korea	8	9	Rise of the retail investor, activism
Thailand	9	8	CG reform takes back seat to politics
China	10	10	New IPO regime, focus on independent directors
Philippines	11	11	Policy focus is elsewhere, securities regulator lacks resources
Indonesia	12	12	Corruption, insider trades increase but some solid players among large caps

Rising market

Falling market

<sup>1</sup> For more information on individual markets, please visit <https://www.acga-asia.org>



## JOINT NEWS RELEASE

The biggest strides in performance were seen in markets where there is clear government support for CG, autonomy amongst securities regulators and a healthy dose of investor activism and engagement. Points were lost across the board where ACGA saw diminished autonomy within the core institutions underpinning the CG ecosystem, such as judiciary, securities regulators, and the media.

Japan's score rallied against the backdrop of an ambitious CG Action Program unveiled by the government in April 2023. There is also a concerted effort by the Tokyo Stock Exchange to enhance shareholder value and improve gender diversity. Listed companies in Japan also showed signs of improvement in our survey, while we see investors as more willing to challenge corporates via engagement and shareholder proposals.

Hong Kong's drop in score reflects our concerns that the stock market reform agenda of the past few years has diminished shareholder rights and protections. The independence of the judiciary and a stifling of the press and academia has also contributed to its current ranking. Korea's score has been buoyed by the rise in retail shareholder activism as a potent voice for CG change, while in India, we see companies more open to engagement and a securities regulator which takes stock of what investors are saying.

The CG Watch survey seeks to answer 108 questions in 7 categories. We conduct desktop research and speak to regulators, investors, listed companies, auditors, and other stakeholders in the region.

"Our goal in CG Watch is to give a diagnosis of the health of CG systems across Asia-Pacific. More than 20 years after the Asian Financial Crisis there is no doubt that most of the region is in better shape. We hope our scores and rankings help each market to pinpoint next steps for improvement", said Jamie Allen, Secretary General, ACGA.

### **CLSA's bottom-up survey findings**

Based on CLSA's updated bottom-up CG scoring system which covers over 1,200 companies across 12 markets; transport and infrastructure were ranked at the top, followed by finance and insurance. Comparing this year's CG score to that of 2020, corporate governance in Asia has improved by 3.1ppts. Our analysis of CG scores by thematic characteristics revealed that gender-diverse firms have the highest CG scores, followed by privately-owned enterprises, large caps and manager-run companies; while state-owned firms score the lowest.

CLSA continues to find the top quintile of CG groups offer better shareholder returns. Companies with good CG scores have better Social scores in our revamped ESG scoring system. Therefore, we can use our ESG scores to identify stocks that are best in class for value creation (ROE above COE) with a fundamentally positive view, as well as stocks that are improving their governance with improving ROEs.



## JOINT NEWS RELEASE

Seungjoo Ro, Head of Sustain Asia Research at CLSA added, “We are delighted to announce we have taken another meaningful stride forward with the release of our latest joint publication, CG Watch, in collaboration with ACGA. The Asian region is characterized by extreme weather events, shifting demographics and geopolitical uncertainties. Now more than ever it has become increasingly crucial to comprehend the connection between effective corporate governance, ESG, and shareholder returns.”

### ABOUT ACGA

The Asian Corporate Governance Association (ACGA) is a non-profit membership association founded in 1999. We conduct research on corporate governance and ESG in 12 markets in Asia-Pacific and advocate at the regulatory and corporate level across the region to improve standards and practices. ACGA is entirely funded by a network of 106 member firms from 18 markets, of which 70% are institutional investors with more than US\$40 trillion in assets under management globally.

### ABOUT CITIC CLSA

CITIC CLSA provides global investors and corporate executives with insights, liquidity, and capital to drive their growth strategies. Award-winning research, an extensive Asia footprint, direct links to China and highly experienced finance professionals differentiate our innovative products and services in asset management, corporate finance, equity and debt capital markets, securities, and wealth management.

As part of CITIC Securities (SSE: 600030, SEHK: 6030), China’s leading investment bank, CITIC CLSA is uniquely positioned to facilitate cross-border capital flows and connect China to the world and the world to China. CITIC CLSA operates from 13 countries across Asia, Australia, Europe, and the Americas. For further information, please visit [www.clsa.com](http://www.clsa.com).

For further information, please contact:

Jamie Allen  
Secretary General  
+852 2600 7976  
[jamie@acga-asia.org](mailto:jamie@acga-asia.org)

Peter Joblin  
Director of Communications  
+852 2600 8046  
[peter.joblin@clsa.com](mailto:peter.joblin@clsa.com)